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Nadhirah Nordin, Mohd Ikhwan Aziz, Rahimah Embong, Normadiah Daud & Sumayyah Abdul Aziz

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# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



## Shariah Compliant Gold Investment: An Understanding among Academicians in Terengganu, Malaysia

\* Nadhirah Nordin<sup>1</sup>, Mohd Ikhwan Aziz<sup>2</sup>, Rahimah Embong<sup>3</sup>, Normadiah Daud<sup>4</sup> & Sumayyah Abdul Aziz<sup>5</sup>

<sup>1, 3,4,5</sup> Faculty of Islamic Contemporary Studies, Universiti Sultan Zainal Abidin, Gong Badak Campus, Kuala Nerus, Terengganu, Malaysia.

<sup>2</sup> Faculty of Entrepreneurship and Business, University Malaysia Kelantan, Kelantan, Malaysia.

### Abstract

This article aims to explore the understanding of shariah compliant gold investment among Muslim academicians in public institutions of higher learning in Terengganu. Gold has retained its importance through the centuries, an indicator that only greatness survives the test of time. Of all the precious metals, gold is the most popular as an investment. There are various alternatives available for investment in gold through options. However, in the interest of Muslim investing in gold investment, there are products, techniques and investment plans are not shariah compliant. Thus, the Fatwa Committee of Malaysian National Council for Islamic Religious Affairs has issued the Shariah parameters for gold investment in Malaysia. This is important for Muslim especially an academician to have basic knowledge regarding gold investment in term of Shariah compliance. Data were collected using the technique of questionnaires. The respondents comprised 300 Muslim academicians from three selected higher institutions which are in Kuala Terengganu namely Universiti Sultan Zainal Abidin (UniSZA), Universiti Malaysia Terengganu (UMT) and Universiti Teknologi MARA (UiTM). The result indicated that the understanding of shariah compliant gold investment among academicians was at high level.

**Keywords:** Gold Investment, Shariah, Muslim Academicians, Terengganu, Malaysia.

### Introduction

Gold investment has become one of longest historic investment activities for all kind of monetary instruments as the first gold coin struck since 500 BC (World Gold Council, 2011). The birth of fiat money in the market has created a different dimension of gold, in the way of buying and selling. At the beginning of gold buying and selling activities, gold has become one way of people to keep and grows their wealth in the market. The more you own, the higher the prestige attained of the status.

The previous practice of gold transition limited to buying and selling or using system barter for exchange. However, the scenario has change when the era of fiat money overtaken the place in the market. Despite buying and selling activities, people nowadays start to invest in gold.

Typically, in the gold market, there are two ways of investment can be made for the gold. First is a gold physical investment. The relevant parties using the intermediate parties to made investment exchange activities. Second, the price of the gold is being floated in the open market, in which the practice of investment is not physically made but the transaction done through the open market system that makes everyone have access to the market can make an investment. This process was conventionally done. The current global demand market in gold stood at US\$164Billion or 4, 0066.4 tonnes. The biggest demand comes from China and India market with 41% composition of total demand for the global market (World Gold Council, 2018). This market proposition has started getting mixed in demand as the current conventional market fell to its lowest since 2009 due to weak demand from the conventional investor and central banks.

On the other hand, currently, an open global market gold investment market is still at the infant stage. Since the exposure of draft of first shariah standard gold begins in 2015. The objective of this shariah standard on gold is meant to provide clear guidance for Islamic financial institutions and participants about the shariah perspective on the usage of gold in financial and investment transaction. From this initiative, it would become a great leap for gold Islamic investment market to growth. Currently, gold denominated Sukuk as an Islamic investment instrument that available in the open market for the investor. Approximately the proposition of gold Sukuk about 1.3 tonnes contributed from 6,750 young investors (IIFM Sukuk Report, 2018).

Meanwhile, in Malaysia, typically gold investment has been practicing through physical investment method, where the investor kept the gold physically with their place. Concurrently, Malaysia commercial practice for gold investment can be seen in two ways that are conventional and shariah approach. The conventional approach for gold investment the investor can get through the commercial bank, goldsmith shop, and non-financial institutions that have gold investment service. In the meantime, shariah approach for gold investment could get through Islamic banks and non-financial institution. In which, the process of investment is strictly governed by Bank Negara Malaysia through the muamalah and shariah principle.

Apart from that, despite physical investment Malaysia also has the hybrid investment account. The hybrid investment means the investor can open the Islamic gold account that the transaction of gold investment can be acquired through account investment and physical gold trading. There is four commercial banks provide gold investment account that is CIMB, Maybank, Kuwait Finance House, and Public Bank and only one has the Islamic gold investment account that is Kuwait Finance House. According to Bank Negara Malaysia (2017), Securities Commission (2017) and Federation of Goldsmith and Jewelry Association of Malaysia (FGJAM, 2017), Malaysia currently has nine sources for the gold market composition. Among that composition of the market, only commercial banks and Kelantan and Perak gold dinar abide shariah compliance. Then, Malaysia also

has its capacity for open market gold investment that runs buy Bursa Malaysia Derivatives Berhad (BMD) called BMD gold future contracts (FGLD). However, this kind of future gold market is non-shariah compliance.

Consequently, in this enthusiasm for the gold investment activities, many investors, including the Muslim academicians gold investment begin to invest in gold. Despite the opportunity to get syariah compliance investment in gold, still, the market is still not enough to cater the Muslim academicians' investor preferences. In which, most of the uncover market composition bear by the traditional gold investment approach. As a result, the leftover Muslim academicians investor remains in the market gap that lead them to inappropriate gold investment activities that suspiciously syariah compliance. In conjunction, the questionable syariah knowledge of gold investment among Muslim professional that cause invests non-shariah compliance.

Therefore, this study is necessary to explore the understanding of syariah compliant gold investment among Muslim academicians in public institutions of higher learning in Terengganu based on the Shariah parameters for gold investment in Malaysia issued by Fatwa Committee of Malaysian National Council for Islamic Religious Affairs.

### Literature Review

Shariah compliance in finance means the practice of Islamic law in financial activities that remove three primary element of principle that are gambling, uncertainty, and interest. By complying those principles, part of syariah compliance have been furnished (Rosly, 2005). According to Hakim (2013), syariah compliance is not enough just to comply with those three element, but also with the element of *akad*. It is the element of mutual acceptance between two or more parties for the contract. Meanwhile, transparency should be include in the syariah compliance investment activity as it to make sure that no hidden cost or term that affect the syariah compliance (Alkdai & Hanefah, 2012). In addition, to strengthen syariah compliance element that make globalize trusted, an element of concept of justice, moral obligation, accountability, and equality should be a mainstream part of the syariah element value (Akhtar, 2006). In this regard, all of those mentioned elements should be part of the syariah compliance element that would uplift the integrity of the Islamic law on globalization.

On the gold investment perspective, Shariah compliance is generally embedded in gold investment. However, the element of *taqabud* has to become the compulsory part of the gold investment practice. This element means the handover activities between two contract parties that are buying and selling or contract provider and contract receiver (Azizi & Ahmad, 2018). Several of authors stated that there are two important elements justify the syariah compliance for gold investment that is *qabd haqiqi* (Azizi & Ahmad, 2018; Shuib, Bakar, Osman, Hashim, & Fadzil, 2016) and *qabd hukmi* (Markom & Ibrahim, 2013; Zain, Yaacob, Ahmad, Zakaria, & Ghani, 2014). It signifies the means for the physical or legal possession for the transaction and constructive possession or beneficial ownership.

Whereas *qabd hukmi* generally is not very much alike to *qabd haqiqi*, nevertheless recent scholars stated that the equality role between *qabd hukmi* and *qabd haqiqi* (Rahim, Naim & Zainol, 2015; Thaidi, Rahman & Rahman, 2014). Primarily, that element should be concurrently operated to bolster the shariah compliance in open market gold investment.

Hence, the previous discussion has postulated the require element as a comprehensive part for shariah compliance gold investment that not only able to be practically enforced locally. It also could be executed on the global platform as a basic guideline that depends on Muslim social demographic. As certain country might hold different mazhab and fatwa govern, in which distinct lifestyle policy and culture. For that reason, the alignment process should be administered that satisfied Muslim culture and socio-demographic.

Hence, the Fatwa Committee of the National Council for Islamic Religious Affair of Malaysia has decided to accept and acknowledge the gold investment parameters as follow: The investment comply with general conditions of sale and purchase, conditions for gold as a ribawi items and halal method of payment.

## **Research Method**

### **Design**

This study employs the quantitative approach using the survey method. The questionnaire investigated the understanding of shariah compliant gold investment among academicians in Terengganu, Malaysia. The data has been analyzed using the Statistical Package for the Social Sciences.

### **Population and Sample**

A purposive sampling was adopted at three universities located in Kuala Terengganu namely Universiti Sultan Zainal Abidin (UniSZA), Universiti Malaysia Terengganu (UMT) and Universiti Teknologi MARA (UiTM). Three hundred academic staff participated in the survey questionnaire. These samples have been chosen in accordance with the criteria of the study.

### **Instrumentation**

A structured self-administered questionnaire was used to elicit responses and insights regarding the understanding of shariah compliant gold investment among academicians in Terengganu, Malaysia. Respondents were asked to give their opinion according to Yes or No responses. The questionnaire consists of two parts will be provided. Part A is the demographics of the respondents and part B is a understanding of the respondents on shariah compliant gold investment.

### **Procedure of Data Collection**

The questionnaire was sent to the Universiti Sultan Zainal Abidin (UniSZA), Universiti Malaysia Terengganu (UMT) and Universiti Teknologi MARA (UiTM). The data was elicited from 300 respondents. The statistical tests performed, included an analysis of frequencies.

## Results

### Part A: Demographics of the Respondents

Table 1 shows a descriptive analysis of the respondents.

Table 1: Name of the University

University Name	Frequency	Percentage (%)
Unisza	199	66.3
UMT	54	18.0
UITM	47	15.7
Jumlah	300	100.0

Most of the respondents were from Universiti Sultan Zainal Abidin (UniSZA) (66.3%), followed by the Universiti Malaysia Terengganu (18%) and Universiti Teknologi Mara Mara (UiTM) (15.7%).

Table 2: Social Demographic of the respondents

Respondents' Profile	Category	Frequency	Percentage
Age	20-30 years old	108	36.0
	31-40 years old	108	36.0
	41-50 years old	59	19.7
	51 years old and above	25	8.3
Gender	Male	90	30.0
	Female	210	70.0
		54	18.0
Level of Education	Bachelor's Degree		
	Master's Degree	192	64.0
	Doctor of Philosophy	54	18.0
Position	Professor	6	2.0
	Associate Professor	13	4.3
	Lecturer/ Senior Lecture	212	70.7
	Tutor/ Fellow/ Assistant Lecturer	69	23.0
Income	RM 2000-RM3999	90	30.0
	RM4000-RM5999	94	31.3
	RM6000-RM7999	49	16.3
	RM8000 and above	67	22.3
Period of Involvement in Gold Investment	Below 5 years	80	26.7
	6-10 Years	6	2.0
	11-15 Years	4	1.3
	15 Years and above	4	1.3
	Not involved	206	68.7

Table 2 presents the demographic profiles of the respondents including gender, educational background, current position, income and period of involvement in gold investment. Out of the 300 samples, it is found that 36% of the respondents belong to the age group of 20-30 and group of 31-40 followed by 19.7% belong to 41-50 years. The percentage of respondents for the age group of 51 and above is only 8.3%. About 30 % of the respondents are male and 70 % are female. Approximately, about 64% of the respondents have masters' degrees, while 18 % hold PhD and bachelor's degree. 70.7% of the respondents are lecturers and senior lecturers. About quarters (23%) of the respondents are tutor, fellows and assistant lecturers and only 2 % are professor. According to Table 2, just more than a third (31.3%) of respondents had income between RM4000 to RM5999, followed by 30% had income between RM2000 to RM3999. Whereas less than one forth (22.3 %) of them were in the high income group, RM8000 and over, and less than a quarter of the respondents (16.3 %) had income between RM6000 to RM7999. Most respondents (69.3%) reported that they did not get involved in gold investment as opposed to 30.7% who are involved in gold investment. 26.3% of them had involved in gold investment for 5 years, 2% invest for 6 to 9 years, 1.3% invest for 15 years and remaining 1.0% invest for 10 to 14 years.

### Part B: Understanding of Shariah Compliant Gold Investment

The items regarding the understanding of the Shariah compliant gold investment were derived from the decision of the Fatwa Committee of Malaysian National Council for Islamic Religious Affairs.

Table 3: Understanding Level of Shariah Compliant Gold Investment

Items	Category	Frequency	Percentage
Gold investment is permissible in Islam	Yes	265	88.3
	No	35	11.7
Gold jewelry is one of <i>ribawi</i> (usury) item	Yes	139	46.3
	No	161	53.7
The gold transaction must comply with the terms of <i>ribawi</i> goods exchange	Yes	233	77.7
	No	67	22.3
The gold transaction must be made in cash	Yes	212	70.7
	No	88	29.3
Gold jewelry can be bought by installments	Yes	158	52.7
	No	142	47.3
Gold bar can be sold by installments	Yes	148	49.3
	No	152	50.7
Gold investment can be made through the manipulation of a pawnbroking scheme in an Islamic banking	Yes	173	57.7
	No	127	42.3
The gold jewelry transaction can be made even if the gold does not exist during the transaction agreement	Yes	83	27.7
	No	217	72.3

Gold transaction agreement can be made by phone call and short message service (SMS)	Yes	123	41.0
	No	177	59.0
Buying gold via online is permitted as long as it meets the condition of buying the gold on the spot basis.	Yes	195	65.0
	No	105	35.0
The understanding level of shariah compliant gold investment	Yes	215	71.7
	No	85	28.3

Table 3 shows that most of the respondents (88.3%), knew that gold investment is permissible in Islam. Most of the respondents (53.7%) also knew that gold jewelry is not a *ribawi* items. Meanwhile, there is 46.3% of respondents stated that gold jewelry is one of the *ribawi* items. A *ribawi* item in Shariah law is an item that must be sold on weight and measure and will lead to usury if the exchange does not meet the requirements. A total of 77.7% of respondents mentioned that in dealing with gold transactions, they must comply with the *ribawi* exchange. This shows that respondents having knowledge in dealing with gold transaction to avoid *riba*. This is because gold is a *ribawi* items and the conditions for trading it are similar to exchanging the *ribawi* items.

A total of 70.7% respondents knew that gold transaction must be done in spot basis. Additionally, 52.7% of them mentioned that jewelry gold can be purchased by monthly installment while another 47.3% said that gold jewelry cannot be purchased by installment. Gold bar is a profitable asset and investment for the future. Based on this study, most of the respondents (50.7%) did not involved in gold bar transactions. About 49.3% of them claimed that transaction of gold bar by installment is permissible. According to the 96<sup>th</sup> Muzakarah of Fatwa Committee of the National Council for Islamic Religious Affairs Malaysia which was held on 13-15 October 2011, the delay of gold bar payment is not permitted including deferred or credit basis. *Riba* on gold trading can happen when the deferment in the delivery and the payment. Therefore, to avoid *riba*, the transaction must be on the spot. Thus, transaction of gold bar between the buyer and the seller must be carried out in cash and on spot basis. However, it is permissible to trade gold jewelry on a deferred basis because the *illah* of medium of exchange is not existed anymore; thus, it is considered as jewelry.

57.7% of respondents claimed that gold investment can be made through the manipulation of pawnbroking scheme in an Islamic banking and 42.3% affirmed that gold investment cannot be made through the manipulation of pawnbroking scheme in an Islamic banking. Most of the respondents (72.3%) agreed that gold jewelry transaction cannot be made if the gold does not exist during the agreement. About 59% of respondents did not agree if the contract done by phone call and short message service (SMS). Whereas, 41% agreed that it could be done in such ways. Majority of the respondents (65%) mentioned that purchasing gold by online is permitted as long as it meets the gold purchase requirement that is *lani* (on the spot) and the rest of the respondents (35%), disagreed with that matter.



Based on the research findings, it can be concluded that majority of the respondents (71.7 percent) have knowledge on shariah compliant gold investment and remaining 28.3 percent of the respondents are not knowledgeable about the shariah compliant gold investment. However, this result differs with the findings conducted by Nadhirah, Rahimah, Siti Khatijah, Kasimah & Zainun (2015), which found that respondents have little of knowledge pertaining gold investment and low exposure of gold investment information thus resulting moderate level of knowledge of the respondents in the understanding of investment gold.

### Conclusions

Gold investment is currently allowed under Shariah law, given certain conditions is met as gold considered as ribawi items. In the market today, there are a very few gold investment products which are not Shariah compliant. It is essential for Muslim to in line with the Islamic economic system which prohibits riba. Riba is among one of the greatest sins. Therefore, a brief understanding on riba, including how it takes place in the transactions is very crucial. Thus, the results of the research showed the level of knowledge of respondents in the understanding of shariah compliant gold investment is high due to their cautions on the use of gold as a ribawi item to ensure the investment meets the conditions that must be fulfilled.

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### Corresponding Author

\* Nadhirah Nordin, Faculty of Islamic Contemporary Studies, Universiti Sultan Zainal Abidin, Gong Badak Campus, Kuala Nerus, Terengganu, Malaysia. E-mail: nadhirahnordin@ unisza.edu.my.

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