

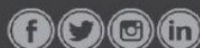
POSTGRADUATE RESEARCH COLLOQUIUM 2022

FACULTY OF ENTREPRENEURSHIP AND BUSINESS

*SUSTAINABLE FINANCE, ACCOUNTING AND
THE ROLE OF ISLAMIC BANKING*

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Pawah System Through Mudharabah Concept at Individual's Level

Nur Hasyirah Mohd Marzuki¹
Siti Nurzahira Che Tahrim²
Faculty of Entrepreneurship and Business,
Universiti Malaysia Kelantan,
Malaysia

Email: hasyirah.a17d022f@siswa.umk.edu.my¹; nurzahira@umk.edu.my²

Abstract

Pawah system is an informal agreement between breeder of livestock (entrepreneur) and capital provider has been practiced from generations to generations in Malaysia. However, it is not realized that pawah system is embedded in Mudharabah concept. On the other hand, Mudharabah is also facing some problems to be implemented in the Islamic banking context. Thus, this study aims to investigate how pawah system can be used through Mudharabah concept. The objective is also to analyze the similarity between pawah and Mudharabah in term of concepts and features. The qualitative method was adopted where the data were collected to the present study by in-depth interview and library research. By the end of this study, it is found that pawah system can be used through Mudharabah concept and also penetrate at individual's level by reintroducing pawah system. The result of this study attempts to put forward suggestions in improving the pawah system through Mudharabah concept and also propose ideas of having pawah system through Mudharabah concept at individual's level between the capital provider and the entrepreneur.

Keyword: Pawah; Mudharabah; System; Individual; Animal breeding;

INTRODUCTION

Animal breeding industry in Malaysia has been the backbone of agriculture for years. It helps two billion people and supports the human living of 500 million smallholder farmers globally (World Bank, 2016). At the present time, animal breeding becomes one of the fastest growing agricultural subsectors in developing countries making its shares of agricultural GDP 33% (Thornton, 2010). Animal breeding systems are divided into two systems which are firstly breeding system in a shelter and secondly, letting go the animal to have food by their own within one time in one place. Animal breeding in Malaysia has been practiced since 16th century known as pawah system (Nelly et al, 2017). However, the farmers do not realize that pawah system is embedded in Mudharabah concept which has been introduced since the period of Prophet Muhammad S.A.W.

Pawah is defined as dividing the profit gained from animal breeding between the capital

provider and the entrepreneur (Kamus Dewan Edisi Keempat). The capital provider is the one who will provide the capital for instance buying an animal and asks the entrepreneur to take care of the animal therefore once they gain the breeding, it will divide between both parties. The first born child of the animal, will be the capital provider's share and the next child of the animal will be the entrepreneur's share. Pawah system has been practiced over a long period of time. Therefore, the agreement must be mutual between two parties to avoid any misunderstanding in the transactions of partnership between the capital provider and the breeder (entrepreneur) to look after the animals.

Next, Mudharabah is a contract between parties who are involved in the business transaction called the capital provider which provide the capital and the entrepreneur who provide the expertise and management in managing the business. At the end of the business, parties will share the profit (Sapuan, 2016; Mohd Ma'sum Billah, 2019). Both capital provider and the entrepreneur will share the business profits upon the agreed ratio between both parties. However, if the business fail, the losses are borne by the capital provider, while the entrepreneur would bear losses in time and effort which has been contributed during the business transaction.

Thus, the similarities of both pawah system and Mudharabah are found where it involves two parties – the capital provider and the entrepreneur, the profits are shared upon agreement between them and the losses are borne by the capital provider and the entrepreneur losses the time and effort given during the transaction happens. However, the generations do not realize that pawah system has been embedded in Mudharabah concept over a long period of time. Also, Mudharabah always focuses on the financial institutions and it is less accepted to the public due to its asymmetric information issues that lead to agency problems such as moral hazard and adverse selection (Abdul-rahman & Mohd Nor, 2016).

Hence, the objectives of this study are two folds: first, to investigate how pawah system can be improved and used in Mudharabah concept, and second, to evaluate and reintroduce pawah system through Mudharabah concept into the penetration at individual's level. The rest of this paper proceeds as follows: Section 2 discusses on ways of pawah system can be improved through Mudharabah concept. Section 3 highlights the implications and recommendations to reintroduce Mudharabah concept into individual's level.

RESEARCH METHOD

This study used primary and secondary data collection. The required data was collected by having an in-depth interview with the informants. It was conducted on the farmers who have been practicing pawah system to be studied by interviewing them. This study is a case study with an emphasis on analysis using qualitative method.

Primary data was collected through in-depth interviews with 6 informants which are 3 capital providers and 3 entrepreneurs and the interviews was conducted in Tumpat, Kelantan. The in-depth interviews can help the researcher with the information directly. Information retrieved was based on the fact that the pawah system is still being practiced these days.

In addition, theme analysis was analysed by using atlas.ti software to obtain 4 themes of the study and resulted in the results and discussion. This help the researcher to found out that pawah system actually can be improved and used in Mudharabah concept.

RESULTS AND DISCUSSION

1. The Similarity between Pawah system and Mudharabah concept

Mudharabah is defined as an agreed contract approved by Sharia, whereby one party, the capital provider or lender gives the capital while the other party, the entrepreneur gives the entrepreneurship and effort to run the business. The profits from the business are shared by the two parties as indicated sharing proportion. All the losses are born by the capital provider if it is not due to the entrepreneur carelessness. In contrast to the agreement, the entrepreneur is obligated the entire business thus, the capital provider is not permitted to interfere (Diaw & Mbow, 2011). Therefore, Mudharabah is a contract which involves two parties to earn profits and the profits will be shared according to agreed ratio where one party will provide investment capital and another party will work on the investment capital in the business. However, at some point if the business is having losses, the one who provides investment capital would lose the money and another party would lose the efforts and time while running the business.

Shafiai and Moi (2015) state that pawah is a system where the landlord and farmer agree to share the crop according to an agreed proportion for instance sharecropping in livestock, paddy fields and etc. In addition, pawah also known as profit sharing system from the agricultural activities, animal farming and others between capital provider and farmers (Dewan Bahasa dan Pustaka). Hence, it can be concluded that the profit sharing contract can be adapted in pawah farming system once related terms, rights and responsibility of capital provider and entrepreneur, profit distribution, risk and cost are assessed. The distributions for this farming are estimated from the breeding produced upon on the consent of both parties during the agreement. If the capital provider asks the entrepreneur to breed the female breed, the first and second cow would be returned to the capital provider while the third child would be the entrepreneur's. Then the fourth and fifth children will return to capital provider and the sixth cow becomes the entrepreneur's and so on.

Therefore, both Mudharabah and pawah have the similarity of concept which involve two parties; capital provider and the entrepreneur and profits are shared upon the agreement between two parties. Moreover, Mudharabah can be adopted into pawah as the entrepreneurs and capital provider have been practicing this concept without realizing the true Mudharabah concept and do not realize pawah system is actually embedded into Mudharabah concept. Thus, by approaching pawah as the resemblance of Mudharabah can actually help to reintroduce and improve Mudharabah using pawah. Moreover, these similarities are more focused on intermediate financial therefore the study is to focus at individual transaction level between a single capital provider and entrepreneur.

As well as introducing the real Mudharabah, it can help both the capital provider and the entrepreneur to stay competitive in livestock industry. Besides, the study suggests and recommend new initiatives for capital provider and the entrepreneur to sustain in livestock pawah such as a pure and the real Mudharabah contract involving one to one participant can be reintroduce and reapply and reuse by the capital provider and the entrepreneur in doing the business transactions together with agreed proportion of profits and loss either having profits or loss during the business happening.

2. Reintroduce Mudharabah concept through pawah system

From the previous studies, it is found that there are several reasons why the entrepreneurs do not realize that pawah system has been embedded in Mudharabah concept due to low awareness of Mudharabah and most of the Mudharabah concept is more focus on financial institutions instead of individual. Hence, moral hazards and adverse selection became the basic problems to the financial institutions that needs serious attention to monitor and also

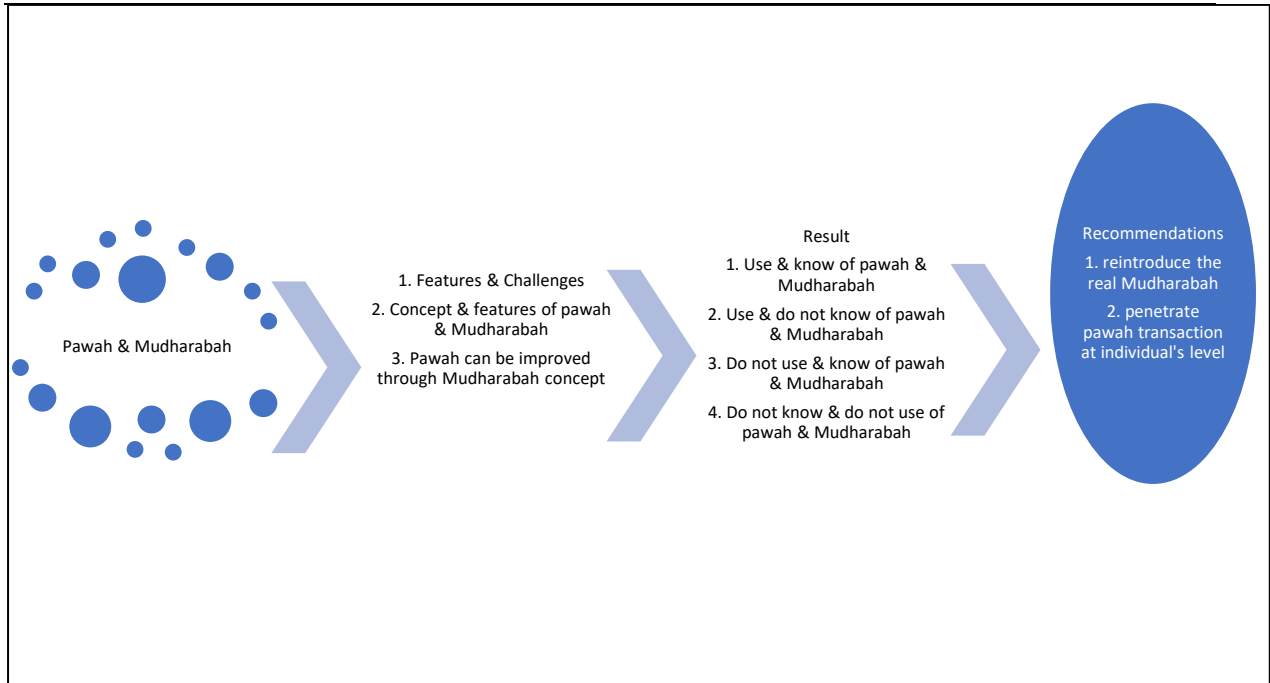
financial institutions do not want to take the opportunity on this highly risky business hence to prevent losses (S.Nur & Nur, 2018; Munawar, 2007; Iqbal & Molyneux, 2005). Therefore, there are a few ways need to be taken to minimize the risks which do not rely on the cost in spite of that by having faith for both parties during the on-going transaction.

As recent studies recommending penetrate individual's level, pawah system received high attention from the entrepreneurs and also the capital provider. The unused land can be utilized for the breeding animal as for the entrepreneurs (Abdul Hamid et al, 2020). The animal breeding can be raised on the unused land and it can help both capital provider and the entrepreneur in the form of animal breeding. It also can help the entrepreneurs with the opportunity to promote and reintroduce Mudharah concept through pawah system. Based on the previous studies, generally there are ways on how to penetrate pawah system through Mudharabah concept in individual's level.

Firstly, improve pawah system through Mudharabah concept by having in-depth of the knowledge and understanding are the basic of pawah system to be accepted among the capital provider and the entrepreneur. Therefore, it is proven that majority of the entrepreneurs and capital providers have the knowledge on how to pawah system works. Indeed, it is related to Allah said that if someone is full of knowledge, he will be more clever in making decision and be more faithful also will get huge reward in the afterlife. Moreover, understanding towards pawah system is crucial. New ideas and suggestions that are easier to understand can be accepted to improve the system itself compared to innovation that need the acceptance to use the skills and new understanding (Rogers, 2003). The level of understanding in basic knowledge need to be explored and learned among the capital provider and the entrepreneur.

Next, the awareness of how importance pawah system is still in the low level among the informants. Therefore, the need of awareness to them is needed to ensure they have the proper information and procedure to make the pawah system more accurate and right way compliance to Sharia. It can be improved by reintroduce the real Mudharabah practice through pawah system by introducing and practicing the real Mudharabah into pawah system and also penetrating individual transaction level such as one to one participant or between capital provider and the entrepreneur. It can be adapted as Mudharabah is famous with its transparency when dealing in business transactions.

From the theme analysis, the study found that there are four categories of comprehend the uses and knowledge of pawah system through Mudharabah between the capital provider and entrepreneur. First thing first, the capital provider and entrepreneur know and use the actual Mudharabah concept in pawah system. Next, they use pawah system but do not know they are actually follow the real Mudharabah concept. Then, they do know the real Mudharabah concept but do not use and follow the concept in pawah system. Last but not least, both of informants do not know and do not use Mudharabah concept in pawah system. Hence, the summary of the research is shown as below;



Framework 1.0: The result of pawah system can be improved through Mudharabah concept.

3. The implications and recommendations of pawah system through Mudharabah concept

As discussed above, before pawah system becomes the alternative to profit and loss sharing contract, they need to truly understand the features and concept of pawah and Mudharabah. Nonetheless pawah system is still widely used, however the entrepreneurs could even try to improve and use the correct way in using pawah system through Mudharabah concept. The need of clarification and exposition of pawah have to be attended to ensure that the capital provider and the entrepreneur truly understand the importance of Mudharabah concept in pawah system. Pawah system has its own history and uniqueness therefore the passion need to be cultivated and nurtured in every capital provider and the entrepreneur.

It can be recommended by reducing the risk of breeding the animals as the entrepreneur mentioned that to reduce the risk by taking a good care of the animals especially when they are sick as the animals are rarely to get sick. By taking care of the animals, it can help the capital provider and the entrepreneur not to bear the losses as the capital provider would loss its capital and the entrepreneur would loss its effort of taking care of the animals and also time. At the same time, it can attract more members to be in the community once they gain the support and confidence from the community. Along the way, it can help to gather ideas on how to improve more on pawah systems through Mudharabah concept in individual transaction without any prohibited elements in Islamic contract.

Next, a system called fixed-lock system is recommended by the entrepreneur to have a maximum profit which means breed the animals for commercial. It is a place like one stop center for pawah where the capital provider and the entrepreneur can meet and have business transaction. At the same time, it can attract more members to be in the community once they gain the support and confidence from the community. By doing so, Mudharabah will be used among the capital provider and the entrepreneur as the replacement of profit and sharing loss concept in conventional financial contract. Therefore, Islamic financial can grow in the future as Mudharabah concept is reintroduced back to pawah system. Hence, the community of entrepreneurs as the main role support in this transaction to keep the effort to enhance of

pawah system through Mudharabah concept in individual level transactions.

In addition, it is recommended to have an umbrella system like a center place which a group of people breeding the animals for sales. Besides, the implementation must be in a systematic system and very well-planned procedure for this to happen. For this to be successful, security system is also needed to avoid the moral hazard, asymmetric information between involve parties and also to keep the business transparent. Therefore, the cooperation parties involved are necessary to encourage the community to keep using pawah system through Mudharabah system in individual perspective. Both parties play an important role to entrust this implementation to the new capital provider, community and also financial institutions so that pawah system can be improved through Mudharabah concept in individual perspective. Hence, Mudharabah concept can be reintroduce and reuse again in Islamic economy thus help to grow tremendously in the future.

CONCLUSION

There are a few recommendations have been said in this research by the researcher with the hope to ensure the entrepreneurs, capital provider, community and also the government to aware on the importance of pawah system through Mudharabah concept on individual perspective. Pawah system is indeed has the specialty and uniqueness in Islamic financial as it also being used during the Prophet Muhammad S.A.W period. Therefore, they have been practicing one of the principal of Maqasid Shariah which is to take care of the property and to guarantee the peace and well-being.

The uses of pawah system through Mudharabah concept on individual level of transaction widely becomes the expectation of the researcher as they have been practicing this in daily activity and also help to use the real pawah system through Mudharabah concept. Hence, this can enhance the transaction with Sharia compliance. Transaction with full Sharia compliance can avoid the *riba*, *gharar* and *maysir*. The recommendations by the study is to encourage the entrepreneurs, capital provider, community and the government to accept the transactions positively and use it for its benefit together in the future.

The mechanisms use are suitable and appropriate for the capital provider and the entrepreneur need to be implemented immediately to ensure reintroducing Mudharabah contract in Islamic financial economy. The effort is not only beneficial to one party but all the entrepreneurs, capital provider, community and also the government. Thus, all the parties have to work together and in agreement to continue this in the future.

ACKNOWLEDGEMENT

This research was partially supported by my supervisor, Dr. Siti Nurzahira Che Tahrim. I thank my colleagues from University Malaysia Kelantan who provided insight and expertise that helped the research, even though they may not agree with all of the conclusions of this paper. I take this opportunity to express sincere thanks to all of the department faculty members for their help and support. I also thank my parents for the unceasing encouragement, support and attention. I also place on record, my sense of gratitude to one and all, who directly or indirectly have lent their hands in this research.

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Practice in Credit Cards Debt Management

Mohd Afifie Mohd Alwi¹
Azwan Abdullah¹
Azyanee Luqman²

¹Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Malaysia

²Faculty of Business and Management, Universiti Teknologi Mara, Kelantan, Malaysia
Correspondence email: afifie.alwi@umk.edu.my

ABSTRACT

The existence of broad financial facilities assists consumers' in shortages and needs, especially credit cards. However, the impact of high indebtedness has caused problems in managing it. Therefore, the author explores debt management practices among credit card users. Credit card users are informants with experiences in managing debt and self-assessing financial knowledge. A qualitative thematic analysis was used to analyse debt management, specifically amongst credit card users. This study finds one noticeable theme: financial behaviour that promises best practices or not. The study contributes to the knowledge by exploring practices among credit card users.

Keywords: Debt management; financial behaviour; debt practices.

INTRODUCTION