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THE CONCEPTUAL FRAMEWORK OF THE INTENTION ON ISLAMIC ESTATE PLANNING PRACTICE AMONG MUSLIM ENTREPRENEURS

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Abstract: *Islamic estate planning is the last process of Islamic personal financial planning which is very crucial. In the Islamic point of view, there is specific focus on the rules of estate planning for instance Faraid law. In addition, there are also several other estate planning's instruments offered in the Malaysian market such as Hibah and Wassiyah. However, most of the literature previously found that Malaysian are lack of awareness on Islamic estate planning. Considering the potential amount of wealth owned, therefore, this study will investigate the effect of factors namely attitude, subjective norms, perceived behavioural control and Islamic estate planning knowledge towards the intention of Islamic estate planning behaviour specifically among Muslim entrepreneurs. The implications of this study are pertinent to several parties such as financial planners, practitioners, and financial institutions; provides a useful insight into the personal financial planning studies.*

Keywords: *Islamic Estate Planning, Personal Financial Planning, Theory of Planned Behaviour, Islamic Behavioural Finance, Entrepreneurs*

Introduction

Individuals are encouraged by financial planner to plan their financial management. Personal financial planning (PFP) is recognised as knowledge that provides the best practice in managing an individual's income and wealth. The existing literature presents several definitions for personal financial planning. According to Altfest (2004, p.53), "Personal financial planning is a method of preparing for future household financial needs in an efficient manner." While Warschauer (2002, p.204) defines financial planning as "the process that takes into account client's personality, financial status and the socio-economic and legal environments and leads to adoption of strategies and use of financial tools that are expected to aid in achieving the client's financial goals."

In other sites, Islamic financial planning (IFP) serving different definition. Billah & Saiti (2017, P. 10) identified that IFP had relationship with Islamic Financial Marketing which defined by Ibnu Abu Yusuf & Ibnu Taimiyyah and Ibnu Khaldun; "the creation, developing and delivery of unique customer satisfying competitive products and services at a profit to organization and customer in the lights of Islamic values and principles". Then it can be argued that IFP provide the balancing between individual objective, the Islamic objective and implementation.

One of the differences areas between conventional personal financial planning and the Islamic financial planning is the estate planning. In conventional estate planning, it is normally focusing on the Will and trust writing, however, Islamic estate planning offers more options, for instance, *Wassiyah* (Will) planning, *Hibah* (gift), Trust *(Amanah),* although the final distribution of an individual's wealth is *Faraid*. *Wassiyah* is a bequest for non-heirs up to one-third of individual wealth. This is because other portion of wealth have to distributed accordingly based on Faraid distribution after the matrimonial portion. Besides, *Hibah* could be offered in two forms, namely conditional and unconditional form. The conditional *Hibah* for instance, will only apply after the person deceased where unconditional *Hibah* could be happen during at any point of individual life. Trustee or *Amanah* also other options that Muslim can have by appointing a third party to manage their debt or wealth distribution after their death. Although there alternative and products offer in the market regarding to estate planning among Muslims, unfortunately, Muslims were found have a lack of awareness, for example, in the sense of *Wassiyah* ownership and understanding (Alma'amun, 2010).This may lead to inefficiency of estate planning management among individuals. It could be suggested that individuals need to be encouraged, especially Malaysian to plan for their estate planning since the data shows increasing, for example, of unclaimable money in Amanah Raya which is RM 292 Million in 2016 to RM315 Million until June 2017 (Amanah Raya, 2017; Ngah, 2017).

Literature Review

Planning for estate planning need to consider the individual's current wealth. By counting the potential of entrepreneurs that may own wealth to be an inheritance to their heirs, this study will be focused on this group. Furthermore, there has no detailed investigation of their intentions towards Islamic estate planning. Planning for estate planning is one of the plans that might provide by financial planners, however, up to date, there has been a lack of reliable evidence if Muslims entrepreneurs seek for financial planner in order to plan for their estate planning. Although, there were evident that those are with the financial abilities is one of the factors that made individual seek for financial planner. For instants, it was found that individual with current financial status, such high income (Elmerick, Montalto & Fox, 2002) and wealthier (Chang, 2005) are highly rely for financial planner to properly allocate their income and wealth besides affording to pay the professional fees.

Again, it could be suggested that individuals can choose three different ways to plan for their estate planning. First, individuals can plan whether to settle or plan their wealth ahead or really let their heirs manage their wealth after their death as second choice. In another point, the appointment of a third party in order to reduce the difficulties that will be faced by the heirs to manage the estate, this could also be suggested choosing by the individual. Figure 1.1 shows the three-suggestion methods of the estate planning.

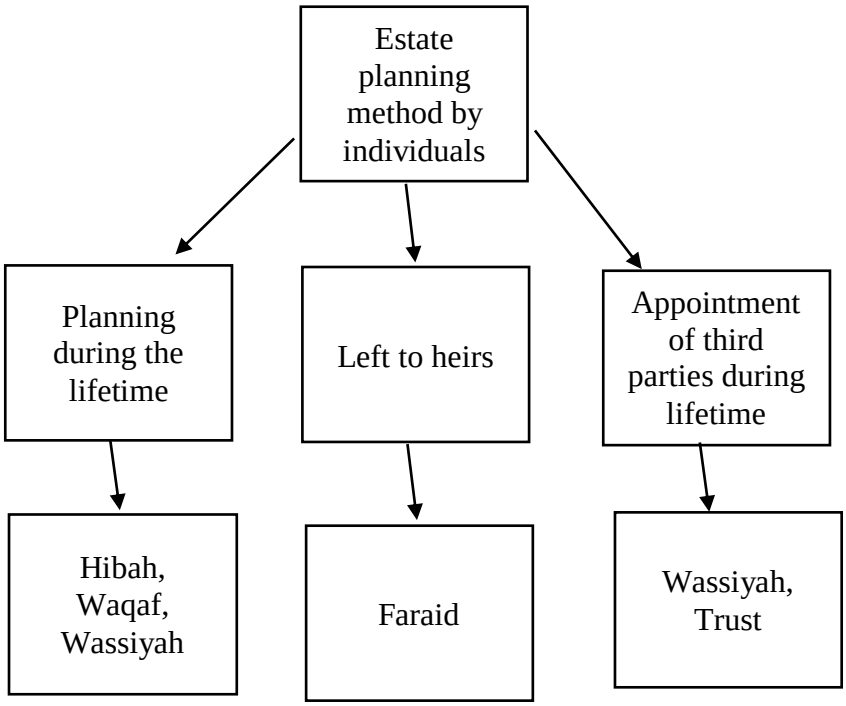


Figure 1: The Method of Estate Planning by Individual.

The Figure 1 above also stated some suggestion or example of estate planning instruments that related to the method of estate planning. In Malaysia, there are more instruments offers in the market. *Hibah* (Give) for instance could be found practically in two types, with conditions or without conditions. However, according to Nor Muhamad (2017), the condition that made by giver have to follow the *Hibah* criteria in order to sustain the validity of the contract. Further, it also suggested that the wrong condition criteria will change the original *Hibah* contract to *Wassiyah* contract, for instance, the condition of giver is if only the ownership of wealth will be officially owned after the death of the giver. In addition, other estate planning instruments are *Waqaf* (Endowment), *Wassiyah* (Will), Trust and the main is *Faraid*.

In Malaysia, small estate which refers to the estate of a deceased, consisting wholly or partially of immovable property which are not exceeding RM2 million is managed by Small Estate Distribution Unit of Department of Director General of Lands & Mines Federal. There are procedures involved shown as in Figure 2 below.

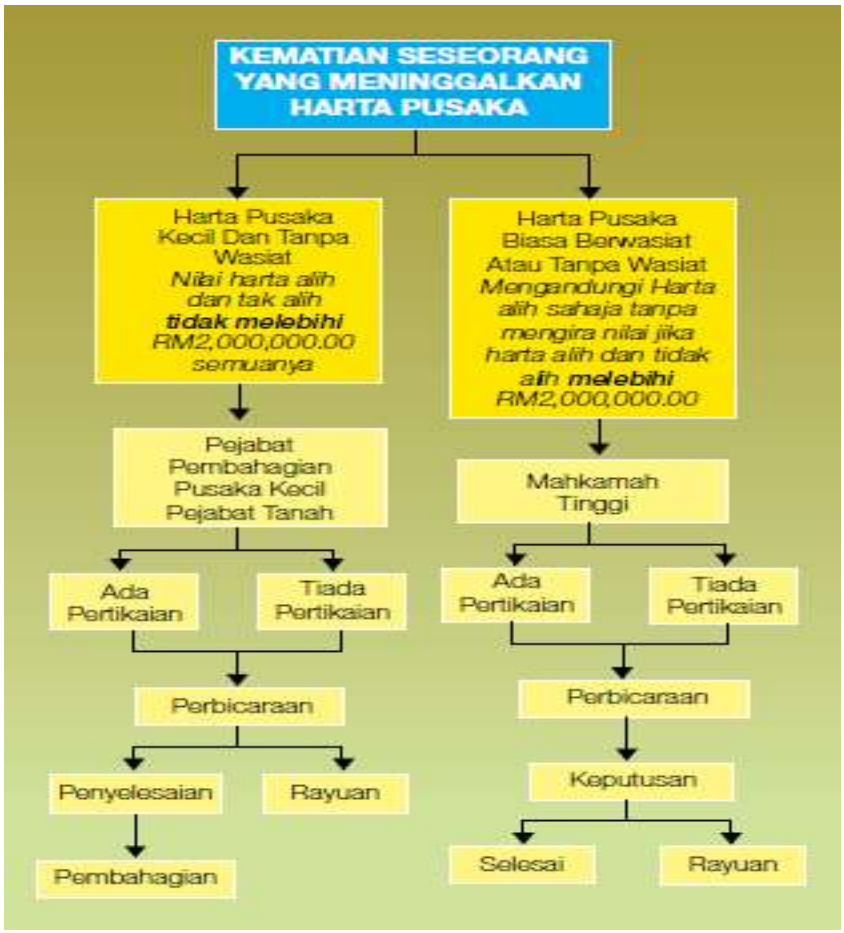


Figure 2: Standard Operating Procedure (SOP) of Estate Distribution by Small Estate Distribution Unit of Department of Director General of Lands & Mines Federal

Source: Risalah Pentadbiran Harta Pusaka, Jabatan Bantuan Guaman(n.d.)

Based on the above SOP in Malaysian context, when individual Muslims decease and left behind less than RM2 millions of wealth, heirs or beneficiaries are assumed to refer to Department of Director General of Lands in order to process the *Faraid* distribution if they not appointed any *Wassi* or trustee before. In addition, if the wealth valued is over RM2 million, the case needs to proceed by high court. In fact, some individuals may plan to have *Wasiyyah* and *Hibah* as part of their estate planning instrument to simplify the process of estate planning. However, previous study by Kamarudin & Alma 'amun (2013) found that Malaysian Muslims treated *hibah* not more than a tradition or familial obligation, although they were assimilated with *hibah* practice, and they do no connect this with the concept of estate planning prior to death.

Much of the current literature on the estate planning pays particular attention to the fundamental, management and perspective of Islamic estate planning instruments such as (Alma'amun, 2008; Kamarudin, Abdullah, & Mohamad, 2015; Kamarudin & Hisyam, 2018; Noordin, Shuib, Zainol, & Adil, 2013; Suhaili Alma'amun, 2010). However, few studies have been able to draw on factors that contribute to less effectiveness of estate planning among Muslims entrepreneurs in Malaysia. Lack of awareness and knowledge were found mostly discussed factors in previous studies such as (Kamarudin et al., 2015; Nasrul & Mohd Salim,

2018; Noordin et al., 2013; Noordina, Shuibb, Zainol, & Adil, 2012). Even though technological based medium or online platform already lunched by Ministry of Natural Resources and Environment of Malaysia in 2011, for Inheritance applicant of Small estate management, the issues of awareness and knowledge still found discussed by the recent studies. Therefore, the questions could be asked is why Muslims founds still have a lack of awareness and knowledge, does internal and external factors contribute to estate planning behaviour? Does those who are highly potentially have wealth to be passed to their heirs, such as Muslim entrepreneurs have intention to plan for their estate planning? If yes, which factors may contribute more?

As this research only focuses on Islamic estate planning, the scope of this study only covers Muslim entrepreneurs. This study modified theory of planned behaviour (TPB) to develop the conceptual framework of intention towards Islamic estate planning. Attitude, subjective norms, perceived behaviour control are used to test the relationship towards Islamic estate planning intention among Muslim entrepreneurs. The new Islamic estate planning knowledge construct is also developed to test the causal effect towards intention. All four constructs cover internal and external factors that may contribute to the intention of estate planning among Muslim entrepreneurs.

According to Ajzen (1991, p.188), the attitude toward behaviour is referred to as "the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question." Ajzen (2011) defines the subjective norms as referring to "the perceived social pressure to perform or not to perform the behaviour." Perceived behavioural control "refers to people's perception of the ease or difficulty of performing the behaviour of interest." (Ajzen, 1991, p.188). In other words, Ajzen (2002) argues that it is "focused on the ability to perform a particular behaviour."

Therefore, the objective of this study is to investigate the perspective of Muslim entrepreneurs towards the Islamic estate planning practice; and, to examines the effect of behavioural factors (i.e. attitude, subjective norms and perceived behavioural controls) and Islamic estate planning knowledge towards the intention to practice Islamic estate planning among Muslims entrepreneurs.

Research Question

In order to understand the perspective of the Muslim business owner on their estate planning behaviour, the behavioural factors need to be tested. Therefore, this study has two main research questions. Firstly is to investigate the perspective of Muslim entrepreneurs towards the Islamic estate planning practice. Secondly is to examines the effect of behavioural factors (i.e. attitude, subjective norms and perceived behavioural controls) and Islamic estate planning knowledge towards the intention to practice Islamic estate planning among Muslim entrepreneurs.

In this study, there are four exogenous constructs namely; attitude, subjective norms, perceived behaviour control and Islamic estate planning knowledge. These are used to test the relationship towards the endogenous construct in this study, i.e. the intention of the Muslim entrepreneurs on Islamic estate planning. All the respondents were asked to choose to rate their agreement between 1 and 10.

Subjective norms are the social pressures on individuals to perform a particular behaviour (Ajzen, 1991). This study will identify the influence of family and friends, besides, culture and

religion factors towards their intention on Islamic estate planning. According to Ajzen (2002), perceived behavioural control should be measured by "asking direct questions about capability to perform a behaviour or indirectly on the basis of beliefs about the ability to deal with specific inhibiting or facilitating factors." Therefore, respondents were asked about if their self-belief and their current sources of income able to lead to the intention of Islamic estate planning.

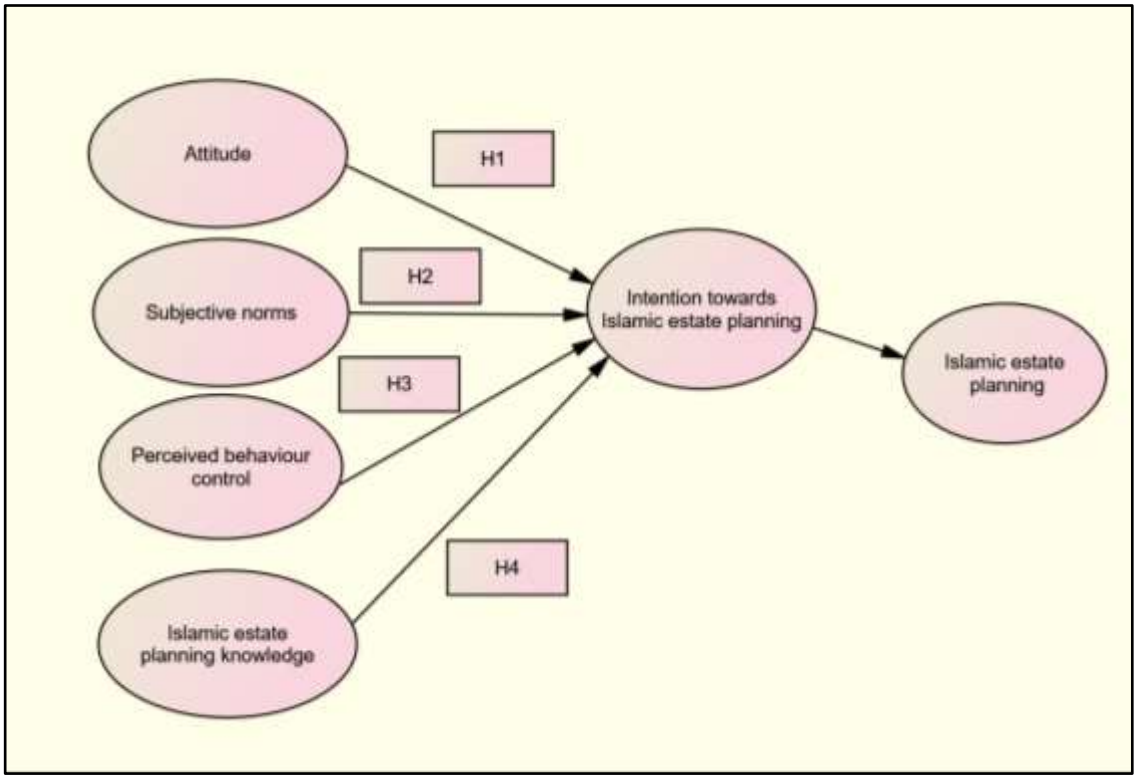


Figure 3: The Conceptual Framework of Intention towards Islamic Estate Planning among Muslim Entrepreneurs.

The above conceptual framework was developed by modifying the model by Ajzen (1991). The causal effect of all the predictors are represented in the schematic diagram. Furthermore, four hypotheses had been established to test the relationships later.

Table 1: The Causal Effects

No	Hypothesis	Hypothesis test the effect of main variables
1	H_1	Attitude provides a significant and direct effect on Intention towards Islamic Estate Planning among Muslim entrepreneurs
2	H_2	Subjective norms provide a significant and direct effect on Intention towards Islamic Estate Planning among Muslim entrepreneurs
3	H_3	Perceived behavioural control provides a significant and direct effect on intention towards Islamic Estate Planning among Muslim entrepreneurs
4	H_4	Islamic Estate Planning knowledge provides a significant and direct effect on intention towards Islamic Estate Planning among Muslims entrepreneurs

Conclusion

In general, this study provides a useful insight into the Islamic financial planning area and future Islamic estate planning studies. The implications of this research are pertinent to several parties. The implications to the authorities, for example, Majlis Agama Negeri, Director office of land and mines, and government agencies in offering efficient service-related product to Islamic estate planning. In addition, as this study finding reflect specifically on the factors of Islamic estate planning among Muslim entrepreneurs, the basic understanding of this group may develop. This might help financial planners and financial educator to design effective advice and guidelines for their clients, which might ultimately impact on Islamic estate planning behaviour.

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