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“Creating Young Entrepreneurs in Malaysia through Waqf Structuration Framework”

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ABSTRACT

The development of entrepreneurship has been growing in importance in Malaysia. The perceived importance of entrepreneurship to the growth of Malaysia's economy is evidenced by the absolute amount and variety of supporting mechanisms and policies that exist for entrepreneurs. The establishment of the Ministry of Entrepreneur Development in 1995 clearly reflects the government's concerted efforts on entrepreneurship and entrepreneur development, notably among university graduates. However, a study made by the Ministry of Higher Education found that entrepreneurship has yet to become a career choice among local university students as till 2014 only about 1% graduates of higher learning institutions become an entrepreneur within six months after they graduated. Parallel to this development, the ministry has made entrepreneurship development as an important agenda as the university entrepreneurship launched in 2012 to promote entrepreneurship among local universities. In the process of creating an entrepreneur, the task is not only to focus on initiative to create entrepreneurs alone but also pay attention to the efforts to develop quality, durability and high competitive entrepreneurs based on the study of waqf model. The appearance of Islamic economics and the pressing demands for greater accountability and better performance in the public sector organizations provided a force for the waqf revival in Malaysia that only focuses on programs involves religious activities and the traditional charitable avenues of orphanage and relief to the poor. Therefore, the study will explore on the use of adaptive structuration theory to proxy the conceptual framework of waqf young entrepreneur model and identify the structure of waqf young entrepreneur framework derived from the theory. It is expected that the adaptive structuration theory may contribute significantly to waqf young entrepreneur framework to create the structure of young entrepreneur that links with waqf fund that will benefit the government and the students. Therefore, by creating successful young entrepreneurs in Malaysia based on the waqf model, this target group not only will become employers but they are creating new entrepreneurs among young university graduates and, hence helping Malaysian government to reduce substantially the high rate of unemployment among university graduates in Malaysia.

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INTRODUCTION

Since 2012, the development of entrepreneurship has been growing in importance in Malaysia, notably developing university graduates to become young talented entrepreneurs. The perceived importance of entrepreneurship to the growth of Malaysia's economy is evidenced by the absolute amount and variety of supporting mechanisms and policies that exist for entrepreneurs. Malaysia is however ranked relatively low in terms of individual intentions to become entrepreneurs with only a score of 8.7% as reported by the Global Entrepreneurship Monitor (GEM) in 54 countries with average score of 30%.

The issue of entrepreneurship in Malaysia is closely tied to the other political economic

considerations that is rather unique to the Malaysian context, and thus has its own set of constraints to compete with matured entrepreneurs even while young entrepreneurs are being developed. In order to turn Malaysia into a high-income developed country in 2020, the main political agenda is to focus on the New Economic Model (NEM) which aims to transform the country's economic growth to a higher level. One of the criteria to NEM success is to increase the participation of young people to become an entrepreneur. Entrepreneurial is one of the prerequisites in order to strengthen national productivity, as documented in cabinet report by the Ministry of Entrepreneurship (2012). A study made by the Ministry of Higher Education also found that entrepreneurship has yet to become a career choice

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among local university students due to the lack of available funds to develop young and talented entrepreneurs.

Therefore, this research is timely to fill this gap by investigating factors that may influence young people to become an entrepreneur by establishing a Waqf Model of young entrepreneur in Malaysia. This is justifiable as Waqf and its management in Malaysia has been very much slowed down by the relevant authorities for a relatively long period of time due too many red-tapes. The main purpose of this research is to investigate the use of adaptive Structuration Theory to proxy the waqf model of young entrepreneurs in Malaysia. Ultimately, the study will identify the structure of young entrepreneur waqf model derived from that theory to answer the main reason for young people in Malaysia is ranked low in terms of individual intentions to become entrepreneurs and how waqf fund can contribute to produce young successful entrepreneurs in Malaysia.

1. *Problem Statement:*

As mentioned earlier, in order to turn Malaysia into a high-income developed country in 2020 is to focus on the New Economic Model (NEM) which aims to transform the country's economic growth to a higher level. A study made by the Ministry of Higher Education also found that entrepreneurship has yet to become a career choice among local university students. For example, in 2011 only about 1% graduates of higher learning institutions become an entrepreneur within six months after they graduated; which a total of 776 people from public universities, 259 of polytechnic graduates and 126 people from graduate community college. Parallel to this development, the ministry has made entrepreneurship development as an important agenda as the IPT Entrepreneurship (local universities) was launched in 2010 to promote entrepreneurship among local universities. These policy efforts and initiatives taken by the ministry in implementing culture and values of entrepreneurship learning among students and staff as well as to increase student and graduate entrepreneurship.

In the process of creating an entrepreneur, the task is not only to focus on initiative to create entrepreneurs alone but also pay attention to the efforts to develop quality, durability and high competitive young entrepreneurs in Malaysia. Additionally, financial support also important for entrepreneurial success as Prime Minister of Malaysia has announced in 2013 Budget, notably the number of incentives for young entrepreneurs under the "New Entrepreneurship Foundation" and loan funds under the "Young Entrepreneurship Fund" which open to all youth aged 30 years and below.

Entrepreneurship is the act of being an entrepreneur or "one who undertakes innovations, finance and business insight into an effort to

transform innovations into economic goods." This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses. Entrepreneurship starts from the existence of potential entrepreneurs, that an individual who not only had the courage to venture into entrepreneurial activity alone, but have faith and the ability to do it. Based on the study of perception, intentions and attitudes of society towards entrepreneurship undertaken by the Global Entrepreneurship Monitor (GEM) in 54 countries, Malaysia is ranked relatively low in terms of individual intentions to become entrepreneurs of only achieve a score of 8.7% compared country's highest score as Colombia (55.8%), Chile (46%) and China (42.8%), and hence, the study attempts to fill this research gap.

2. *Hypothesis Testing:*

On the above premises, the study has developed the following hypotheses:

H1: Group Structures has significant relationship with waqf young entrepreneur.

H2: Media Structures has significant relationship with waqf young entrepreneur.

H3: Group Attitudes has significant relationship with waqf young entrepreneur.

H4: Group Interaction Processes has significant relationship with waqf young entrepreneur.

H5: The relationship between Group Structures and waqf young entrepreneur is mediated by Group Interaction Processes.

H6: The relationship between Media Structures and waqf young entrepreneur is mediated by Group Interaction Processes.

H7: The relationship between Group Attitudes and waqf young entrepreneur is mediated by Group Interaction Processes.

3. *Literature Reviews:*

For the past ten years, the development of young entrepreneurship has been growing in importance in Malaysia. However, the concerted efforts are only felt with the report by Ministry of Entrepreneurship in 2012 and the establishment of its fund in 2013. As mentioned earlier, the critical issue of entrepreneurship in Malaysia is closely tied to the political and economic agenda that are unique to the Malaysian context, besides too much governmental red-tapes. In order to turn Malaysia into a high-income developed country in 2020 is to focus on the New Economic Model (NEM) which aims to transform the country's economic growth to a higher level with political agenda to increase the participation of young people to become an entrepreneur as it is one of the cores in order to strengthen national productivity (Khalid Nordin, 2012). A study made by the Ministry of Higher Education also found that entrepreneurship has yet to

become a career choice among local university students. Due to lack of special fund in implementing culture and values of entrepreneurship learning among students, this research will investigate and evaluate the use of adaptive Structuration Theory to proxy the waqf model of young entrepreneurs in Malaysia. Ultimately, the study will identify the structure of young entrepreneur waqf model derived from that theory to answer why young people in Malaysia is ranked low in terms of individual intentions to become entrepreneurs and how waqf fund can contribute to produce young successful entrepreneur in Malaysia.

In the process of creating an entrepreneur, the task is not only to focus on initiative to create entrepreneurs alone but also pay attention to the efforts to develop quality, durability and high competitiveness entrepreneurs. Entrepreneurship is the act of being an entrepreneur or "one who undertakes innovations, finance and business insight into an effort to transform innovations into economic goods." This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses. Entrepreneurship starts from the existence of potential entrepreneurs, that an individual who not only had the courage to venture into entrepreneurial activity alone, but have faith and the ability to do it. Based on the study of perception, intentions and attitudes of society towards entrepreneurship undertaken by the Global Entrepreneurship Monitor (GEM) in 54 countries, Malaysia is ranked relatively low in terms of individual intentions to become entrepreneurs of only achieve a score of 8.7% compared Country's highest score as Colombia (55.8%), Chile (46%) and China (42.8%). Therefore, this research is timely to fill this gap by investigating factors influence young people to become an entrepreneur. The aim of the study was to establish a waqf model of young entrepreneur in Malaysia.

Waqf and its management in Malaysia have been very much derelict by the relevant authorities for a relatively long period of time. In Malaysia, waqf is managed by State Islamic Religious Councils (SIRCS), which is the sole trustee for waqf resources. The appearance of Islamic economics and the pressing demands for greater accountability and better performance in the public sector organizations provided a force for the waqf revival in Malaysia Limited programs scope conducted by SIRCS in Malaysia where it only focus on programs involves religious activities and the traditional charitable avenues of orphanage and relief to the poor. According to Alina (2011), the level of education and awareness of waqf especially cash waqf is still lacking amongst people. However, she said, in Selangor, has the contrast because it has involved cash waqf in education such as building a computer

lab for a national school therefore benefiting wider portion of community.

The response of the Malaysian public towards cash waqf is still lacking. Mohsin (2009) reported the response received towards cash waqf is still low; even though it has shown some development but it still need more attempt because a goal to strengthen a waqf as a third sector in Islamic economy still at low level (Wafa, 2007). According to Arshad (2011) the understanding of Malaysian public toward waqf is too weak and constricted where they only linked it with the construction of mosque and waqf land for cemetery instead of a wider function and roles of waqf itself. Alina (2011) stated the local preference in Malaysian waqf only for religious purposes. Laldin (2005) also supported the statement where he stated that Malaysian only has the understanding that waqf is only for donation with the purposes of building mosque and sites for graveyard. Furthermore, the donors are not aware of diversifying their contribution under waqf properties are wider compared to zakah and sadaqah.

Although there are many cash waqf fund bodies, but the system and its allotment still need to be revived in order to reach the desired goals. This is evidenced by small amount of cash waqf collection and effectiveness of distributions and allocation. Therefore, the aim of this study is to develop a model of cash waqf through salary deduction for financing higher education loans in Malaysia.

Waqf plays a positive role in economic, social and moral development of Muslim societies over time. For instance in Istanbul, waqf played an important role in development and construction of public facilities (Soduman and Aysun, 2009). Furthermore, waqf practice would help in the fulfillment of religious requirement through performing a variety of activities and helping the poor, creating a job opportunity (Shahedur *et al.*, 2012). The purpose of waqf should be honest purpose as long as it does not disobey the Shari'ah (Yaakob, 2013). Waqf is not specifically mentioned in Al- Quran, but the concept of wealth sharing is strongly been highlighted as a religious endowment in Islam (Chepkwony, 2008). Waqf benefits are to be used generally for the specific purposes, which are mainly for charitable and welfare.

Waqf commonly has three special characteristics. The first one is perpetuity, which means that once a property is dedicated as waqf, then it will remains waqf forever (Mohammad Tahir Sabit & Abdul Hamid, 2006). Irrevocability is the second characteristics of waqf, which means the settler (waqif) will lack of power to revoke his donation at any time. As such, waqf is effective and necessary as soon as the declaration is made by the donor without any need for delivery of possession to the beneficiary (Mohammad Tahir Sabit & Abdul Hamid, 2006). The last characteristic is inalienability, which means that after a valid declaration is made, the subject

matter of the waqf passes out of the ownership of the waqif and it cannot be alienated or transferred either by the waqif or the mutawalli nor do their heirs can take it by way of inheritance (Mohammad Tahir Sabit & Abdul Hamid, 2006; Kahf, 1998; Arif and Bagus, 2011).

Likewise, waqf and cash waqf are two types of waqf. Land waqf is very popular and commonly practiced by the society; on the other hand cash waqf is not common in Malaysia but is growing steadily in the state government of Selangor with partnership with Bank Muamalat since 2013. Both land and cash waqf are used for the benefits of the society.

In recent years, many steps have been taken by the government and private companies towards boosted up the waqf developments in Malaysia. The establishment of the Department of Waqf, Hajj and Umrah in 2004 under the Ministry of Prime Minister Department shows the commitment of Federal Government to promote waqf activities at nationwide level (Mustafa Mohd Hanefah *et al.*, 2011). Amongst the main responsibilities of the Department are to organize, facilitate and improve SRIC in administrating and developing waqf properties in their respective areas. This is justified as the Waqf Foundation of Malaysia was set up in 2008 to reinforce waqf developments (Mustafa Mohd Hanefah *et al.*, 2011). Currently, the foundation actively promotes its waqf fund projects and cash waqf scheme. Corporate waqf share is launched in 2006 by Johor Corporation. The company becomes one of the privileged in promoting corporate social responsibility through philanthropic waqf practice (Mustafa Mohd Hanefah *et al.*, 2011). An-Nur Waqf Clinic in various places and a hospital in Pasir Gudang have been developed by Kumpulan Waqf An-Nur, a subsidiary of JCorp. The inventiveness taken by JCorp can be used as a role model for other private companies to keenly involve in promoting, establishing and developing waqf properties in Malaysia (Mustafa Mohd Hanefah *et al.*, 2011).

In Malaysia, Waqf Management of Selangor has introduced a scheme in 2013 called Selangor Share Scheme with the purpose to encourage the public to purchase the share units and to waqf the certificates in the name of Allah S.W.T. The Selangor Share Scheme introduced purposely to ensure that Muslims will benefit from the waqf practices. Moreover, Malaysian Islamic National Council Ruling at Kuala Terengganu agreed to allow the implementation of cash Waqf. In addition, cash Waqf in Malaysia have been implemented in various state religious councils such as Penang Waqf Fund Scheme, Selangor Waqf Share, Pahang Waqf Shares, Johor Waqf Shares, Terengganu Cash Waqf Scheme, and Malacca Waqf Shares (Ibrahim *et al.*, 2013; Abdullah, 2010).

Therefore, this research is timely to fill this gap by investigating factors that may influence young people to become an entrepreneur by establishing a Waqf Model of young entrepreneur in Malaysia. This is justifiable as waqf and its management in Malaysia has been very much slowed down by the relevant authorities for a relatively long period of time due

too many red-tapes. The main purpose of this research is to investigate the use of adaptive Structuration Theory to proxy the waqf model of young entrepreneurs in Malaysia. Ultimately, the study will identify the structure of young entrepreneur waqf model derived from that theory to answer why young people in Malaysia is ranked low in terms of individual intentions to become entrepreneurs and how waqf fund can contribute to produce young successful entrepreneur in Malaysia.

4. Research Framework and Methodology:

The study will employ an Adaptive Structuration Theory (AST) that has emerged as an important theory of group development (Poole, 1983). AST has its roots in Giddens' (1979) theory of structuration. The underlying concept is that both social and technical structures - roles, rules, norms, facilities and media to enable action, while at the same time acting as constraints within which groups must function. Thus, rules limit peoples' actions but also enable activities (Burke and Chidambaram, 1999). Structuration is the production and reproduction of social system by people's use of rules and resources in interaction. Communication matters when groups make decisions. Quality of structure means that rules and resources members use will affect decisions, and in turn those structures will be affected by those decisions. Social media networks are growing in popularity and influence rapidly around the world.

Based on the above premises, the study proposes the following waqf framework with reference to the Theory of Structuration developed by Burke and Chidambaram (1999):

While individuals use the networks to share and manage their personal lives, organizations are using the networks as a low-cost media resource for marketing, market research, and public relations. The affordability and accessibility of these networks give nonprofit community agencies an opportunity to compete for audience attention easier than ever before. Still, many community agencies are having difficulty managing the new resources and integrating them with current communication methods (Walter, 2013). Therefore, this research intend to investigate whether Adaptive structuration theory can proxy the Wasiat model as this theory indicates group and media characteristics, notably structures, constrain group interaction which affects members' perceptions, attitudes and behaviors. The group interaction processes represent instances where groups seek to alter structural constraints in response to their own needs and goals. In fact, the needs and goals of the group are also often evolving.

The cross sectional regression analysis will be used in this research to pre-test the model. Data includes students, higher education institutions, waqf funds and investors. It is expected that the adaptive structuration theory may contribute significantly to waqf young entrepreneur model. This model is proposed to create the structure of young entrepreneur that links with waqf fund that will benefit the government and the students, align with

National Key Economic area that to improve on employability.

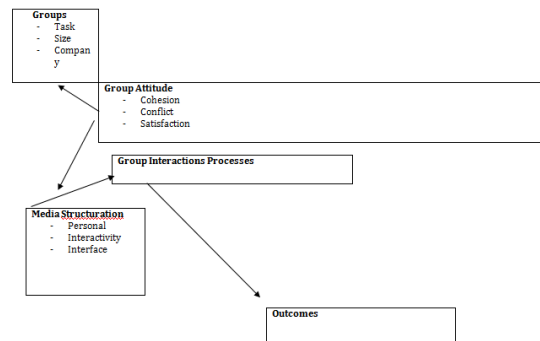


Fig. 1: Proposed Structuration Waqf Framework.

5. Concluding Remarks:

The development of entrepreneurship has been growing in importance in Malaysia. The perceived importance of entrepreneurship to the growth of Malaysia's economy is evidenced by the absolute amount and variety of supporting mechanisms and policies that exist for entrepreneurs. The establishment of the Ministry of Entrepreneur Development in 1995 clearly reflects the government's concerted efforts on entrepreneurship and entrepreneur development, notably among university graduates. However, a study made by the Ministry of Higher Education found that entrepreneurship has yet to become a career choice among local university students as till 2014 only about 1% graduates of higher learning institutions become an entrepreneur within six months after they graduated. Therefore, by creating successful young entrepreneurs in Malaysia based on the proposed waqf model, this target group not only will become employers but they are creating new entrepreneurs among young university graduates and, hence helping Malaysian government to reduce substantially the high rate of unemployment among university graduates in Malaysia.

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