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# THE CONCEPTUALISATION OF WORK INTEGRATED LEARNING PRACTICES IN HOSPITALITY EDUCATION TO DEVELOP STUDENTS' CAREER PREPAREDNESS: A PRELIMINARY PAPER

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## ABSTRACT

*The unwillingness of hospitality graduates to work in this industry after graduation has worsened the labour shortage issue in Malaysian hospitality sector. Collaboration between higher education institutions and industry players through work integrated learning (WIL) is critical for bridging theoretical knowledge and real-world application in the hospitality sector, thereby improving students' learning processes. Including WIL in the curriculum can help students prepare for their future careers, improve employability skills, and gain a rational understanding of 'knowledge' through the practice of 'action'. This article analyses the effectiveness of WIL practices in hospitality institutions by using survey research design to collect data from hospitality graduates, as well as semi-structured interview from graduates, institutions and industry partners in Johor and Klang Valley, Malaysia to meet the current needs of hospitality sector. Particular attention should be focused on enhancing students' self-efficacy, engagement, and satisfaction in WIL activities to increase their enthusiasm for pursuing careers in the hospitality sector. Therefore, upcoming hospitality programmes ought to thoughtfully integrate WIL into the curriculum, considering the needs of the industry and the career development pathways of graduates.*

**Keywords:** Career Preparedness, Collaboration, Hospitality students, Work Integrated Learning.

## 1.0 INTRODUCTION

The hospitality and tourism sector are a broad segment of the service industry that contributes to national income and creates numerous job opportunities. Malaysia's hospitality sector employs 23% of the workforce, or 3.5 million jobs (Kutty, 2024). Despite their potential to create a large number of job opportunities for locals, Malaysia's hospitality industry continues to face a long-term labour shortage and a lack of new talent (Hazim, 2022). The traditional hospitality and tourism roles in Malaysia have encountered considerable obstacles, experiencing a 63% decline compared to the previous year (Kelvin, 2024). In 2026, Malaysia aims to attract 35.6 million visitors as part of the Visit Malaysia Year 2026 initiative, which could potentially generate MYR147.1 billion in national income (Koumelis, 2024). As result, this sector necessitates a sizable workforce to function efficiently and deliver high-quality

services. Typically, it is expected that students who enrol in a hospitality and tourism programme will pursue their careers in this sector after completing the study (Dighliya, 2023). However, after graduation, there is a significant number of students expressed a lack of desire to work in this industry (Mqwebedu et al., 2022).

To address this issue, the hospitality industry must work together with the institutions to build a long-term talent pipeline for the future. Nowadays, students enter the workforce with unrealistic expectations and lack of employability skills. Students need to have full guidance and support from both institutions and industry players to succeed in their future careers. Inadequate understanding of how hospitality education should be approached indicates that learners may face difficulties adapting to future workplaces. Work Integrated Learning (WIL) is recognised as an effective learning technique that has the potential to improve students' learning outcomes. WIL applies theoretical knowledge to practical applications and real-world scenarios (Un Milagro, 2024). Students can gain a better understanding of industrial practices, work cultures, and the current needs of the hospitality sector. The primary objective of this study is to evaluate the effectiveness of WIL practices in hospitality education. This research explores the viewpoint on the importance of updating hospitality curriculum that align with industry demands, career requirements shifting and curriculum improvements. Despite the fact that WIL is deeply embedded in hospitality curriculum and has been extensively researched across multiple disciplines, more research is needed to determine the effectiveness of WIL activities in addressing the future needs of the hospitality sector.

## 2.0 Literature Review

### 2.1 Theoretical Foundation and Conceptualisation of Work Integrated Learning in Hospitality Education

The underpinning theory that guides this study is Experiential Learning Theory (ELT) which is developed by David A. Kolb in 1984. ELT provides a comprehensive framework on improving students' learning process by integrating concrete experience with reflective observation, abstract conceptualization, and active experimentation. By engaging their students in WIL activities, educators can better prepare their students for future careers (Ramakrishnan, 2024). *Concrete experience* represents WIL activities such as internships, work placements, and student-led enterprises that offer a valuable hands-on exposure to the students. Reflective observation involves students engaging in reflection sessions, maintaining reflective journals, or participating in group discussions to evaluate their experiences after completing an internship. Students can formulate theories or concepts informed by their own reflections through abstract conceptualisation. For instance, they might explore theories of customer service or management strategies and apply what they have learnt to real-world experiences. Active experimentation allows students to apply their newly acquired knowledge in new situations, such as taking on leadership roles in student organisations or completing new projects during internships. In the context of hospitality education, ELT provides a framework for creating curriculum and learning experiences that prepare students for the industry's practical demands (Guha, 2022). WIL is a valuable educational tool in tourism and hospitality education that can extend students' learning experiences beyond the traditional classroom. The hospitality industry is a highly practical, comprehensive, and applied profession that requires students to have both theoretical and practical skills to connect classroom learning to real-world industry experience. WIL has grown in order to provide students with relevant skills and experiences that can help them learn better (Croft & Wang, 2023). Many tourism and hospitality institutions now include WIL in their curricula, allowing hospitality students to learn more effectively and enthusiastically. As the industry evolves, hospitality professionals will need to be able to learn from their experiences.

Another theory that guides this study is Mark Savickas' Career Construction Theory (CCT), which was developed in 2005. Key components of CCT including career narratives,

constructivism, adaptability and flexibility, and meaning making (Wang & Li, 2024). Integrating CCT into hospitality education can help students manage the industry's complexities and pursue rewarding careers in various ways. Firstly, career development should be aligned with individual needs. CCT facilitates a more tailored approach to career growth by helping students create their own career paths by reflecting their personal values and interests. Secondly, enhanced career adaptability. CCT prepares students to navigate the ever-changing and often unpredictable hospitality industry. Third, more self-awareness. Reflective activities and narrative techniques assist students to become more self-aware, allowing them to understand their motivations and make sound professional decisions. Finally, explore relevant career options. CCT emphasizes the importance of meaning-making by aiding students in creating coherent and purposeful career narratives that promote job satisfaction and career fulfillment.

There are several WIL practices in hospitality education. Internships and work placement programmes provide students with hands-on experience in real-world settings, bridging the gap between academic theory and practical application. Internships produce overall positive results and demonstrate that they are mutually beneficial (Kroon & Franco, 2022). Internships significantly improve employment outcomes because employers value practical experience. Furthermore, Ritter et al. (2018) found that internships help employers identify potential employees for their businesses while also helping students develop employability skills. Internship experience positively influences students' willingness to enter the industry. Collins and Pearlman (2023) discovered that internships help students identify long-term career opportunities, become more creative, and produce satisfied interns. Supervisors can increase learning satisfaction during internships by developing strong Leader-Member Exchange relationships with their interns.

Simulation-based learning allows students to engage in realistic scenarios in a controlled environment (Collett, 2024). Simulation learning uses live-case studies, role play or computer programmes to simulate a real-world scenario. Simulation activities can help participants improve their skills, knowledge, and abilities in a variety of areas (Skagen et al., 2018). Simulations improve decision-making skills and adaptability, making students more appealing to employers. Utilising simulation as a teaching method is highly advisable because it aids students in identifying their mistakes and understanding how to connect theoretical concepts with practical applications. Simulation simplifies real-world scenarios and provides a risk-free environment where students can cultivate essential employability skills such as critical thinking, negotiation, time management, and self-directed learning. This on-campus WIL initiative also facilitates genuine collaborative learning, encouraging the sharing of knowledge and experiences as well as fostering teamwork among students (Lohmann et al., 2019). To enhance the effectiveness of this initiative, it is beneficial to incorporate face-to-face formative feedback, facilitate issue-based discussions between teams and tutors, and implement reflective practices.

Service-learning activities combine academic learning with community service to achieve meaningful educational outcomes (Moore, 2024). This program benefits students, communities, and institutions by promoting civic engagement and developing practical skills. Educators can integrate hands-on experiences with problem-solving tactics and interactive teaching techniques. Engaging students in service-learning activities could enhance their interpersonal skills such as problem-solving, critical analysis, effective communication, teamwork, and other abilities which is essential for their future employment (Aldridge et al., 2010). Furthermore, service-learning encourages students to address real community problems which allow them to reflect on their service experiences, democratic values, and

citizenship, thus strengthening the link between academic study and its real-world application in the community.

Project-Based Learning (PBL) allows students to explore, experiment, and collaborate with industry professionals in environments that simulate real-life scenarios. This activity develops competencies such as project management, collaboration, and technical skills, all of which are in high demand in the job market. Students gain first-hand knowledge and can work independently as a team to solve real-world industry problems with project-based learning (Jackson, 2017). Furthermore, industry projects also could develop and strengthen students' knowledge, skills, and behaviours required for effective teamwork (Mutereko & Wedekind, 2016). Students exercise their autonomy by engaging and collaborating with real-world industry partners to identify issues, establish objectives, and propose solutions.

Other than that, field trips are viewed as organised educational excursions to a predetermined location or setting (such as hotel tour or visit) designed to give students insights into industry management and operations, which aligns with the theoretical concepts and comprehension of particular subjects (Campbell & Gedat, 2021). Field trips enable students to apply what they have learnt in the classroom in real-world situations. Several studies have been conducted to assess the effectiveness of field trips in improving students' learning experiences. When students participate in field trips organised by their institutions, they have a better understanding of what they learnt in class (Manner, 2018). Competitions and hackathons encourage innovation and teamwork (Konak et al., 2024). Students who participate in such events develop stronger collaborative and creative skills, which are highly valued in the hospitality industry. Guest lectures and workshops expose students to industry trends and professional insights. The interactions with industry professionals through guest lectures and workshops broaden students' perspectives and enhance their career readiness (Thi Ngoc Ha, 2023). Mentorship programmes provide personalised guidance and career advice. Mentorship programme enhances students' professional development and helps them build valuable industry connections (Wang et al., 2023). Student-run enterprises such as campus cafes or event planning services provide practical management experience which develop entrepreneurial skills and give students a sense of ownership and responsibility (Jackson et al., 2022).

## **2.2 The Impacts of Work Integrated Learning on Students' Career Preparedness**

Career preparation is critical for a successful student's transition into the workforce. Career preparedness provides a framework for graduates to demonstrate the essential competencies needed for job success and long-term career growth (Heine, 2024). Higher education programmes and curricula are increasingly focusing on building graduates' capacity and relevant employability skills for career preparedness (Spanjaard et al., 2018). However, this effort is not entirely dependent on one side's efforts (academic). Providing students with meaningful and supportive learning environments requires the commitment of both educational institutions and industrial partners. Students must participate in these collaborations, and they cannot rely simply on the institution's attempts to align outputs with industry expectations. WIL offers distinct advantages in hospitality education as an effective method for addressing both student and industry requirements, allowing institutions to stand out in a competitive market. Integrating practical experiences into the hospitality curriculum is essential for adequately equipping students to meet industry expectations. When students engage in hands-on learning opportunities, they can develop and implement skills in real-world scenarios, leading to improved learning outcomes. There are few impacts of WIL in students'

learning process in terms of enhance career preparedness, skills development, and industry connection.

### **2.2.1 Enhance Students' Career Preparedness**

WIL programmes have the ability to enhance students' career preparedness for future workforce by equipping them with hands-on experiences and skills development in real-world scenario (Un Milagro, 2024). Jackson (2013) investigated how WIL activities such as practicum placements and co-op opportunities enhance the job prospects of undergraduates by helping them to improve self-confidence, gain a better understanding of employability skills, and become acquainted with workplace norms and culture. WIL programmes contribute to a deeper understanding of appropriate workplace behaviour by enabling students to observe their colleagues and supervisors in action. Additionally, Barron et al. (2005) found that students who are engaged in WIL have greater confidence and feel more equipped for the workforce. Students gain a deeper insight into industry dynamics and expectations, which can boost their confidence and effectiveness in their roles. This level of readiness results in improved performance and quicker career progression. Numerous studies indicate that graduates with WIL experiences have higher employment rates and earn greater salaries than their peers without such experiences.

### **2.2.2 Skills Development**

WIL activities positively influence students' employability. WIL programmes facilitate the transition from university to the workforce by assisting students in developing new skill sets and transferable skills, cultivating a professional identity and career resiliency that cannot be learnt in a classroom setting (Tiessen et al., 2018). WIL is particularly effective in developing the skills required by the industry including technical skills, soft skills and career management skills (Pasahol et al., 2023). Hard skills refer to technical abilities that relevant to specific industries. In hospitality industry hard skills include bed making and cleaning procedures (housekeeping), reservation system (front office), food service and preparation (food and beverage), event management and etc. Technical abilities are important because these skills display your knowledge and proficiency in your chosen subject. Technical skills demonstrate your capacity to fulfill the tasks and responsibilities assigned to you while also keeping you up to date on the most recent industry trends and advances. Meanwhile, soft skills encompass communication, teamwork, leadership, self-management and problem-solving skills. Soft skills allow you to effectively interact with others, face obstacles head on and achieve your goals. These skills also show your adaptability in different circumstances, a good attitude, and a strong work ethic, distinguishing you from others and emphasizing your own personality and potential. Career management skills include planning and managing your professional development. They cover self-awareness, goal setting, networking, résumé writing, interviewing, and negotiating. Career management skills allow you to take control of your career path and achievement. They provide a clear picture of your goals and the techniques for achieving them. They also help you leverage your talents and chances while overcoming flaws and obstacles. Clarke (2017) highlights that employers prioritize graduates who demonstrate all of these competencies.

### **2.2.3 Industry Connections and Collaborations**

Employers have their own expectations from students as they enter the labor market. Establishing partnerships with employers and community organizations really helps students to make meaningful connections and collaborations. The networking perspective has been identified as an important factor in students' career development and early success (Tiessen et al., 2018). A few studies have emphasised the importance of work integrated learning programmes in exposing students to real-world work situations and industry connections (Riley, 2024). Internships, co-ops, and industry-related projects enable students to build

valuable networks. These connections frequently lead to job offers because employers prefer to hire candidates they know. Other than that, the WIL programmes need to promote continuous feedback from employers to students. This could be enhanced by regularly inviting industry guest lecturers to share insights on what the industry requires from graduates. In addition, mentors from tertiary institutions should arrange visits to hotels so that students, mentors, and employers can interact. Clearly defined work-integrated learning programs should have specific objectives and goals to ensure that employers and students have clear expectations.

### **3.0 METHODOLOGY**

This study adopts an explanatory sequential research design that involves collecting quantitative data first and then determining which quantitative results required further explanation by using narrative data to explain or interpret numerical findings. In survey research, each respondent will get a structured questionnaire. This study will employ a non-probability sampling method which is convenience sampling. The sampling units and scope of this study will be defined to include both female and male graduates from hospitality programmes (from either public or private institutions) throughout Johor and the Klang Valley in Malaysia. This geographical area was selected mainly due to the likelihood of reaching qualified respondents. Additionally, it is essential that the respondents are hospitality graduates, as the focus of this study is to assess the impact of WIL programmes on the career preparedness of students. Consequently, hospitality graduates who have completed their studies are undoubtedly appropriate respondents for this study since they are poised to enter the workforce upon graduation.

The second phase of data collection is semi-structured interviews. The participants for the semi-structured interviews consist of graduates who are randomly selected from those who have completed survey, academic instructors, and industry partners who in charge of WIL activities by using non-probability sampling techniques including purposive and snowball sampling. Purposive sampling, also referred to as judgement sampling, involves the researcher using their own discernment to select informants for a research study. Participants need to be evaluated for their eligibility, while also determining the number of individuals to be included, the research location, and the methodology to be applied. This method necessitates the identification and selection of individuals or groups who have encountered the relevant issues and phenomena pertinent to the researcher's study. The population for this research comprises informants meeting the following criteria: (1) Hospitality graduates from both public and private institutions in Johor and the Klang Valley, (2) Staffs from these institutions (including educators, management, program coordinators, individuals responsible for WIL activities, and heads of programs), and (3) Industry partners (specifically departments responsible for recruitment and hiring, such as human resources staff and career and learning development personnel). Informants of both genders, male and female, will be chosen. The number of participants will be determined based on data saturation to collect insights on the effectiveness of WIL in improving career readiness for hospitality students. Collaboration with industry representatives in WIL activities allows institutions to learn more about employers' expectations for their future workforce by identifying current demands and trends, systems and technology used, and the knowledge, skills, and work ethics required to work in this industry. This study also identifies effective ways for institutions to improve the quality of their students' learning experiences, increase their interest in working in the hospitality industry, and better adapt to the needs of the job market. The instruments for questionnaires and semi-structured interviews will be based on following research questions:

**RQ1:** Are there any relationship between work integrated learning (curriculum integration, student engagement and satisfaction, value of collaboration) and career readiness among students?

**RQ2:** Does supportive learning environment mediate the relationship between student engagement and satisfaction in work integrated learning and career readiness?

**RQ3:** Does self- efficacy mediate the relationship between the effectiveness of work integrated learning and career readiness?

The specific research activities are outlined below:

1. Graduate survey and interview: The researcher investigates graduates' perceptions of WIL activities in their institutions to assist them in career preparation by measuring the level of student engagement and satisfaction in WIL programmes, assessing students' performance, self-efficacy, development of employability skills and examining the current state of hospitality education in higher learning institutions through visits, networks and conducting surveys.

2. Institution interview: The researcher examines the efforts of higher learning institutions especially educators to enhance student's learning process by using interactive WIL techniques to be embedded in their curriculum as well as providing industry connections, resources, facilities, students' career support and services.

3. Employer interview: The researcher meets with hotel's employers and industry associations to learn more about employers' current demand and future labour needs such as employment market trends, employability skills, knowledge, technology and systems requirements. Aside from that, the researcher also examines the level of industry participation in WIL activities in an effort to enhance students' learning process by providing them with exposure to hospitality operations as well as to encourage them to work in this industry by introducing and explaining them on career opportunities and growth so that they have a clear career path and direction after graduation.

Data collected from survey will be analysed by using SPSS version 26 to produce statistical data related to demographic information such as age, gender, level of qualification, major of study and employment status. Multiple linear regression analysis will be utilised to investigate the impacts of WIL on students' career readiness in term of enhancing career preparedness, skills development and industry connections and collaboration. Additionally, the qualitative data gathered from semi-structured interview will be analysed by using thematic analysis to identify emerging themes relevant to the study.

## **4.0 ANALYSIS AND DISCUSSION**

This analytical process will be carried out with the goal of assessing the effectiveness of the WIL programme and identifying areas for potential improvement. Offering more practical and hands-on experiences, increasing student engagement and satisfaction, promoting self-efficacy in students, and providing a student support and evaluation system in WIL activities have a significant impact on students' perceptions and expectations of working in the hospitality industry.

### **4.1 Providing More Practical Based and Hands-On Experiences**

WIL activities focus on students' learning process, progress, and improvement. WIL activities are inextricably linked to practical experience and exploration of real-world of work. It is critical to develop and strengthen the collaboration with industry and communities through WIL initiatives. A range of practical hospitality activities can be incorporated into learning sessions in WIL such as making beds, conducting cooking demonstrations, understanding front office operations, developing food and beverage service abilities, arranging table settings, and much more. Aside from that, industrial visits, entrepreneurship, projects, networking, and other WIL platforms could also provide students with hands-on experience, professional services, social practice, and work-study opportunities. The institution must focus



on developing students' innovative thinking as well as emerging technical support and new changes in industrial practices. Furthermore, institutions must incorporate new technologies to keep up with emerging trends as technology advances. It is possible to establish a blend class of theory and practical to stimulate students' interests and engagement in WIL activities.

#### **4.2 Enhance Students Engagement and Satisfaction**

Successful WIL depends on student engagement and satisfaction, which are essential for motivation and empowerment. Students' motivation to participate in WIL is most likely driven by industry expectations for relevant work experience and a desire to stand out in a competitive labour market. Students who took part in WIL reported greater confidence and job readiness. This readiness results in better performance and faster career advancement. Graduates with WIL experiences outperform their peers in terms of job placement and salary. Students who participate in WIL also improve their disciplinary knowledge, self-efficacy, leadership skills, self-management, analytical ability, critical thinking, self-awareness, self-confidence, effective communication, time management, networking, project management skills, and teamwork. They improve both workplace understanding and academic performance. The confidence to set and achieve career goals grows as theoretical skills and knowledge improve. These abilities are expected to help university graduates make a smooth transition to the workforce.

#### **4.3 Building Self-Efficacy in Students**

A positive learning environment can greatly help students develop their self-efficacy. Educators play an important role in shaping students' perceptions of their own abilities. Work integrated learning is an interactive teaching approach that requires active collaboration with industry partners to improve students' learning processes and allow them to believe in their abilities to develop their future careers while also facing challenges with confidence and resilience. Cultivating self-efficacy entails more than simply encouraging students; it also entails instilling a growth mindset, providing meaningful learning experiences, and providing scaffolding support to assist students in developing the skills and strategies required to navigate academic and personal challenges. WIL allows academic staff and industry supervisors to provide supportive guidance, constructive feedback, and opportunities for achievement. In addition, educators can highlight the accomplishments of others by inviting industry representatives for career talks that inspire them with their achievements in the hospitality industry while also exposing them to the nature of work and industry operations. Students who see others succeed are more likely to believe that they, too, can improve. Instructors can also help students develop a sense of self-relevance by connecting their personal interests and career readiness by exposing them to real-world situations and practical training in the hospitality industry through work-integrated learning experiences such as practical training, mentorship, and industrial visits. Institutions must review their course curricula to support student learning and growth by providing clear course content and future work expectations, as well as actionable and timely feedback that builds trust and encourages ongoing engagement and learning in WIL activities. When students see that their course is connected to their sense of purpose and relevant to their future career, they become confident and more motivated to work in hospitality industry.

#### **4.4 Offering Student Support and Evaluation Systems**

WIL activities can improve close collaboration with industry partners, cultivate employability skills and work ethics, help students gain professional experience, and instil a positive attitude towards working in the hospitality industry. Various types of WIL can shift from knowledge-oriented to literacy-oriented; keep up with current trends and demands in industrial practices; and incorporate network information technology, simulation experiments, and other

new technologies to increase student engagement in the learning process. It is necessary to strengthen the incentives for educators to participate in WIL; consider converting them into class hours; provide workload recognition and remuneration; and affirm and reward teachers who perform exceptionally so that students, academic staff, and industry representatives are widely and deeply involved in WIL activities. Academic staff in charge of WIL activities should have a high level of theoretical knowledge and professional skills, as well as a labour-oriented, practical subject background or long-term professional talents in a specific practical field, to ensure the quality of WIL programs that meet industry demands. At the same time, industrial representatives should be invited to conduct cooperative teaching for WIL. Exposure to the industrial nature of work, industrial visits, project collaboration, and other WIL activities may promote interactive exchanges and cooperative teaching among academic staff and industry managers. They can evaluate students' performance after WIL activities and provide career advice to them. Evaluation of students' performance and feedback after WIL programmes is critical to ensuring their full engagement. A strong team of educators and industry partners is needed to successfully implement WIL programs in institutions. WIL can help students improve their career awareness, preparedness, and employability skills. These are the keys to developing a qualified workforce for the future.

#### **4.0 CONCLUSION**

This paper describes the conceptualisation of WIL for nurturing students' career preparedness in the context of hospitality education. A strong collaboration between Hospitality industry and educational institutions in regard to WIL is necessary for enhancing students' interest and understanding of career prospects within the hospitality sector, as well as for improving their career preparedness. To do so, it is pertinent to create more practical and hands-on learning experiences such as real-world industry projects, programme simulations, and workplace-based learning into the curriculum. Additionally, some kind of WIL activities can be conducted through internships, apprenticeships or cooperative education programmes, which providing students with the opportunities to involve in real work environment. Encourage students to actively engage in WIL activities such as workshops and case studies that relate to industrial practices. Develop a mentorship program involving industry experts to assist students in practical projects, providing feedback that reflects real-world practices in the workplace.

Educational institutions must collaborate with industry partners to present real-world challenges for students to address, resulting in improved practical skills and enhanced problem-solving abilities. Creating an educational environment that encourages students to engage in both academic and practical opportunities of learning is the key to increase students' satisfaction and engagement in WIL. This may involve employing active learning techniques such as collaborative group projects and peer evaluations to boost engagement and participation. They also should consistently collect student feedback regarding the curriculum and adjust based on their preferences to enhance satisfaction and the relevance of the course. To boost students' self-efficacy, educational institutions should offer opportunities for skill development, self-reflection, and personal growth by incorporating resources for self-assessment and goal setting into the curriculum, aiding students in tracking their progress and strengthening their confidence in their capabilities.

Other than that, create opportunities for students to showcase their work and receive constructive feedback, fostering a sense of accomplishment. Organise workshops that focused on resilience and professional development to assist students in cultivating essential soft skills such as communication, time management, and stress management, all of which contribute to enhanced self-efficacy. Student support and evaluation systems require comprehensive support frameworks that help students not only for academic learning but also instant feedback and guidance in their WIL experiences. It is important to set up academic and career support services which are easily accessible to students including counselling

session, career guidance, as well as resources for mental health. Institutions also should adopt cumulative assessment mechanisms that provide constant feedback for students to track their progress in real-time and encourage strong communication channel among academic staff, industry mentors, and students to ensure alignment in expectations and progression for all parties involved. Enhancing the curriculum in WIL can be significantly achieved by prioritizing practical experiences, boosting student engagement in learning, improving self-confidence, and providing strong support systems. Implementing these practical recommendations into action will not only improve students' academic performance but also prepare them for their future careers by providing them with the essential skills, confidence, and assistance needed to excel in the job market. It is crucial for educators, industry professionals, and students to collaborate to ensure that the curriculum evolves in response to the ever-changing demands of the professional world.

## CO-AUTHOR CONTRIBUTION

No potential conflict of interest was reported by the author(s).

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# THE SUSTAINABILITY PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) WITHIN THE SERVICE SECTOR: A COMPREHENSIVE REVIEW.

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## ABSTRACT

*This comprehensive review investigates the sustainability performance of small and medium enterprises (SMEs) within the service sector, discussing the pressing need for a structured understanding of their contributions to sustainable development. Despite the growing recognition of SMEs as vital players in the service economy, their sustainability challenges and performance remain inadequately explored. Utilizing the PRISMA framework, we conducted an extensive literature search in reputable databases, which include Scopus as well as Web of Science (WoS), focusing on studies published in 2024. Our search yielded 33 relevant articles, which we systematically analyzed to identify key themes in sustainability performance. The findings are categorized into three main themes: (1) Digital Transformation & Innovation, highlighting the role of technological advancement in enhancing operational efficiency and sustainability; (2) Sustainable Practices & Corporate Social Responsibility (CSR), emphasizing the adoption of environmentally friendly practices and community engagement; and (3) Resilience, Strategy, & Competitiveness, which explores how SMEs navigate challenges as well as leverage strategies for sustainable growth. The review concludes that although SMEs are becoming more aware of the significance of sustainability, there is a significant variation in performance driven by factors such as industry type and organizational capacity. This research contributes to the academic discussion on sustainability in SMEs as well as offers practical insights for practitioners and policymakers focused on promoting sustainable practices within the service sector.*

**Keywords:** Sustainability, Performance, Sustainable, SMEs, Service Sector

## 1.0 INTRODUCTION

The importance of Malaysian SMEs in the service sector towards sustainability performance is increasingly recognized as a critical component of the nation's economic and environmental strategy. Small and medium-sized enterprises (SMEs) are pivotal in driving economic growth and innovation, particularly in the service sector, which is a significant contributor to Malaysia's GDP. Malaysia's GDP grew by 5.9% in Q2 2024, up from 4.2% in Q1, with seasonally adjusted

growth at 2.9%. This growth was primarily driven by the Services, Manufacturing, and Construction sectors. The Services sector expanded by 5.9%, led by gains in Wholesale and retail trade (4.8%), Finance & insurance (10.1%), and Transportation and storage (10.5%), with seasonally adjusted growth of 3.3% (DOSM, 2024).

Kind of Economy Activity	2022	2023	2023				2024		1H 2023	1H 2024
			Q1	Q2	Q3	Q4	Q1	Q2		
Services	11.0	5.1	7.1	4.5	4.9	4.1	4.8	5.9	5.8	5.4
Manufacturing	8.1	0.7	3.2	0.1	-0.1	-0.3	1.9	4.7	1.7	3.3
Construction	5.1	6.1	7.4	6.2	7.2	3.6	11.9	17.3	6.8	14.6
Agriculture	1.3	0.7	1.4	-0.7	0.3	1.9	1.7	7.2	0.3	4.5
Mining & quarrying	3.5	0.5	1.6	-2.1	-1.1	3.5	5.7	2.7	-0.2	4.3
GDP	8.9	3.6	5.5	2.8	3.1	2.9	4.2	5.9	4.1	5.1

Source: Department of Statistics, Malaysia

**Fig. Error! No text of specified style in document. Annual Percentage Change (%) of Malaysia's GDP by Kind of Economic Activity**

The integration of sustainable practices within these enterprises is essential for achieving long-term economic, environmental, and social benefits. Small and Medium Enterprises (SMEs) in Malaysia's service sector play a crucial role in driving sustainability performance, particularly through digital transformation and innovation, sustainable practices, and Corporate Social Responsibility (CSR). The integration of digital technologies into CSR activities has been shown to significantly enhance the sustainable competitive performance of SMEs. This digitalization not only improves operational efficiency but also fosters a digital organizational culture that supports sustainable growth (Ahmad et al., 2023; Costa Melo et al., 2023). Digital transformation and innovation have become critical components in the service sector, particularly for SMEs, as they drive resilience and strategic competitiveness. Research by Chatterjee et al. (2021),

Gennari (2023) and Islam et al. (2023) emphasizes the essential role of SMEs in the global economy, though their ability to integrate sustainable practices remains a significant challenge. Barriers such as limited financial resources, insufficient skills, and resistance to change hinder their transition toward sustainable business models (Akinola & Obokoh, 2024; Al-Mutawa & Saeed Al Mubarak, 2024; de Jong & Wagenveld, 2024). Overcoming these challenges requires SMEs to adopt innovative and sustainable approaches that enhance both their resilience and competitiveness. The adoption of sustainable practices is increasingly tied to the integration of digital transformation and CSR initiatives. Digital technologies can significantly improve the operational efficiency and sustainability of SMEs, as demonstrated by Ahmad et al. (2023) and Sun et al. (2023). These technologies not only streamline processes but also facilitate the development of a culture that prioritizes sustainable practices. By embedding digital innovation within CSR activities, SMEs can enhance their ability to respond to market demands while contributing to long-term resilience and competitiveness (Awad & Martín-Rojas, 2023; Huang & Shen, 2024). This synergy reflects the principles of the dynamic capabilities theory, which underscores the importance of adapting to evolving environments through strategic resource management (Awad & Martín-Rojas, 2023).

The COVID-19 pandemic has underscored the importance of digital transformation and CSR in building organizational resilience. SMEs have increasingly leveraged digital technologies to strengthen CSR initiatives, enabling them to navigate uncertainty and maintain their competitive edge in dynamic markets (Awad & Martín-Rojas, 2023; Gregurec et al., 2021). Furthermore, sustainable supply chain management has been recognized as a crucial



element in improving SME performance across environmental, social, and business dimensions. In this context, CSR practices combined with digital innovation have proven to be pivotal in enhancing resilience and sustainability within SMEs. Incorporating CSR-driven strategies also fosters sustainable competitive advantages. Studies by Ay and Yilmaz (2024) and Kumar et al. (2024) indicate that CSR activities can directly enhance organizational performance by fostering a competitive edge. This advantage is further amplified when CSR efforts are integrated with digital transformation, as this combination enables SMEs to innovate and adapt more effectively to changing market dynamics (Ahmad et al., 2022; Zhang et al., 2024). In Malaysia, service sector SMEs are encouraged to adopt digital transformation strategies that align with CSR initiatives, supporting broader sustainability goals while driving economic growth (Mukhtar et al., 2023; Zahid et al., 2024). Promoting a green organizational culture and integrating ESG disclosures can also foster innovation, enabling SMEs to achieve sustainable development objectives (Mukhtar et al., 2023).

In summary, the integration of digital transformation, CSR, and sustainable practices is essential for enhancing the resilience and strategic competitiveness of SMEs in Malaysia's service sector. This holistic approach not only supports business growth but also contributes to the broader goal of sustainability.

### **1.1 Research Questions**

Establishing Research Questions (RQs) is a fundamental step in the planning phase of any systematic literature review (SLR), as it shapes the review's approach and methodology (Kitchenham, 2007). To meet the objective of assessing and analyzing current research, this study applied the PICO framework—a tool often recommended for formulating RQs in qualitative research (Lockwood et al., 2015). PICO, representing Population, Interest, and Context, structures research questions to ensure clarity, guiding the study in formulating its three main questions.

1. How do digital transformation and innovation affect the sustainability performance of Small and Medium Enterprises (SMEs) within the service sector?
2. What impact do sustainable practices and Corporate Social Responsibility (CSR) initiatives have on the long-term sustainability of SMEs in the service sector?
3. How do resilience and strategic competitiveness influence the sustainability outcomes of SMEs in the service sector?

### **1.2 Research Objectives**

The research objectives of this study are designed to investigate the key factors influencing the sustainability performance of Small and Medium Enterprises (SMEs) in the service sector. The following objectives have been developed to address these critical areas:

1. To examine the impact of digital transformation and innovation on the sustainability performance of SMEs in the service sector.
2. To assess the effect of sustainable practices and Corporate Social Responsibility (CSR) initiatives on the long-term sustainability of SMEs in the service sector.
3. To investigate how resilience and strategic competitiveness influence the sustainability outcomes of SMEs in the service sector.

## **2.0 LITERATURE REVIEW**

SME sustainability in the service sector is vital for economic growth and employment yet challenging to implement. Key factors supporting SME sustainability include external support, technology, and flexible planning. Duffett et al. (2023) report that student-run marketing agencies (SRMAs) boost SME awareness and customer loyalty. Lopez-Torres et al. (2024)



find that information technology strengthens innovation and visibility. Amoah et al. (2021) show that social media helps SMEs in developing regions overcome marketing challenges, and Ebrahimi (2022) underscores adaptable strategies in renewable energy SMEs, where joint ventures and knowledge management support decision-making. Additionally, ambidextrous innovation (AI), as well as market orientation capability (MOC), are critical. Akbari et al. (2022) argue that MOC aligns resources with market insights, aiding SMEs in tourism, but warn that over-reliance may impede performance. Funding mechanisms, particularly Islamic microfinance, offer essential support, as noted by Hussein Kakembo et al. (2021). Majid et al. (2020) highlight that eco-efficiency can drive growth but also result in higher costs. Despite privacy concerns, Msomi and Kandolo (2023) and Al-Mutawa and Saeed Al Mubarak (2024) emphasize how digital finance and cloud computing improve productivity. Kusumawati (2021) notes that while these sustainability initiatives can increase turnover, they may not lead to immediate financial gains. Additionally, Alhamawndi and Almahmoud (2020) highlight the role of business incubators in Iraq in promoting sustainable entrepreneurship by supporting green initiatives, which often face financial challenges. These studies collectively emphasize that SMEs must balance market orientation, innovation, financial planning, and eco-efficiency to ensure long-term sustainability. Sustainable financing is crucial for resilience. Hussein Kakembo et al. (2021) find that Islamic microfinance fosters inclusivity in Uganda et al. (2023) emphasize digital finance and financial literacy for resource management. Stakeholder pressure and CSR are vital for SME sustainability, with Khan et al. (2024) and Ali et al. (2021) noted the impact of green practices in Pakistani SMEs, while Nasir et al. (2024) highlighted green innovation in Malaysia. Digital tools also aid sustainability, with Borcoşi et al. (2023) showing digital signatures reduce costs and Lee et al. (2021) promoting an ECF recommendation system for better digital capability. Together, these studies reveal the importance of technology, finance, and adaptable strategies for sustainable SME development.

Performance metrics play a critical role in advancing environmental sustainability in SMEs. Banelienė (2021) suggests a KPI model that includes sustainability-focused indicators across operations, aiding in tracking environmental impact. Ali et al. (2021) support this with evidence that lean and Six Sigma practices complement Banelienė's model by reducing waste and facilitating structured monitoring for sustainable growth. Ahmad et al. (2024) also link CSR digitalization to improved competitiveness in Pakistani SMEs, especially with digital-friendly organizational cultures. Türkeş (2024) adds that Romanian SMEs benefit from integrating e-marketing with sustainability and technology. Strategic tools like the Dynamic Balanced Scorecard (DBSC) enhance adaptability and innovation, as Yanine et al. (2020) explain, while Ferreira & Silva (2022) emphasize sustainability-oriented supplier selection for strengthening supply chains. Collectively, these studies advocate for digital integration, strategic tools, and performance metrics to foster sustainable SME practices. SME sustainability in developing countries faces major barriers, including political instability, corruption, and COVID-19 disruptions, as seen in Ethiopian SMEs, which need policy reform for stability (Abdissa et al., 2022). Al Junaid Industrial Group's pandemic response in the UAE HVAC industry underscores the value of strategic marketing and adaptive planning for resilience (Al Suwaidi & Ahmad, 2021). Green dynamic capabilities (GDC) are vital for SME agility, as GDC fosters creativity to meet market shifts, as illustrated by Thai SMEs (Kiranantawat & Ahmad, 2023). International growth via digital platforms, like Malaysian SMEs' co-creation with service providers, aids sustainability abroad (Mohamad et al., 2022). Additionally, the need for transparent reporting is evident, as financial cooperatives disclose more than SMEs, suggesting regulations could improve SME transparency (Yakar & Çaliyurt, 2021).

In summary, sustainability in service-sector SMEs depends on adaptability, digital transformation, green innovation, and alternative financing. Strategic capabilities like MOC, AI, and digital finance enable SMEs to meet market demands. At the same time, green practices and CSR contribute to social and environmental objectives, helping SMEs build resilience and compete globally despite eco-efficiency costs in developing regions.

### 3.0 MATERIAL AND METHODS

Systematic literature reviews often utilize the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) methodology, referred to as enhancing transparency and consistency in the review process (Page et al., 2021). Using PRISMA guidelines offers a structured way to identify, screen, and select studies, emphasizing randomized studies for reduced bias. This analysis, drawing from Scopus as well as WoS, guarantees an extensive and credible synthesis through four stages: identification, screening, eligibility, and data extraction.

#### 3.1 Identification

This study followed key steps in the systematic review process, starting with the selection of keywords and related terms from dictionaries, thesauri, and prior research, then creating search strings for Scopus as well as WoS, yielding 1110 relevant publications (see Table 1).

Table 1. The search string

Scopus	TITLE-ABS-KEY ( ( sustainability OR sustainable ) AND ( service* OR tertiary ) AND ( sme* OR "mid-sized" ) AND ( performance* OR outcome* OR impact OR achievement* ) ) AND PUBYEAR > 2022 AND PUBYEAR < 2025 AND PUBYEAR = 2024 AND ( LIMIT-TO ( SRCTYPE , "j" ) ) AND ( LIMIT-TO ( PUBSTAGE , "final" ) ) AND ( LIMIT-TO ( DOCTYPE , "ar" ) ) AND ( LIMIT-TO ( LANGUAGE , "English" ) )
Date of Access: October 2024	
WoS	(sustainability OR sustainable) AND (service* OR tertiary) AND (sme* OR "mid-sized") AND (performance* OR outcome* OR impact OR achievement* ) (Topic) and 2024 or 2023 (Publication Years) and Article (Document Types) and English (Languages) and Article (Document Types) and Article (Document Types) and English (Languages) and 2024 (Publication Years)
Date of Access: October 2024	

#### 3.2 Screening

In the screening phase, studies were assessed for relevance to the research questions using topic keywords, and duplicates were omitted. At first, 1,016 publications were excluded, resulting in 94 papers selected for further review relying on the inclusion criteria, as outlined in Table 2. The review focused on literature types likely to provide insights, excluding sources like book series, book reviews, meta-syntheses, meta-analyses, conference proceedings, and chapters. Only English-language publications from 2024 were included, with 21 additional papers removed as duplicates.

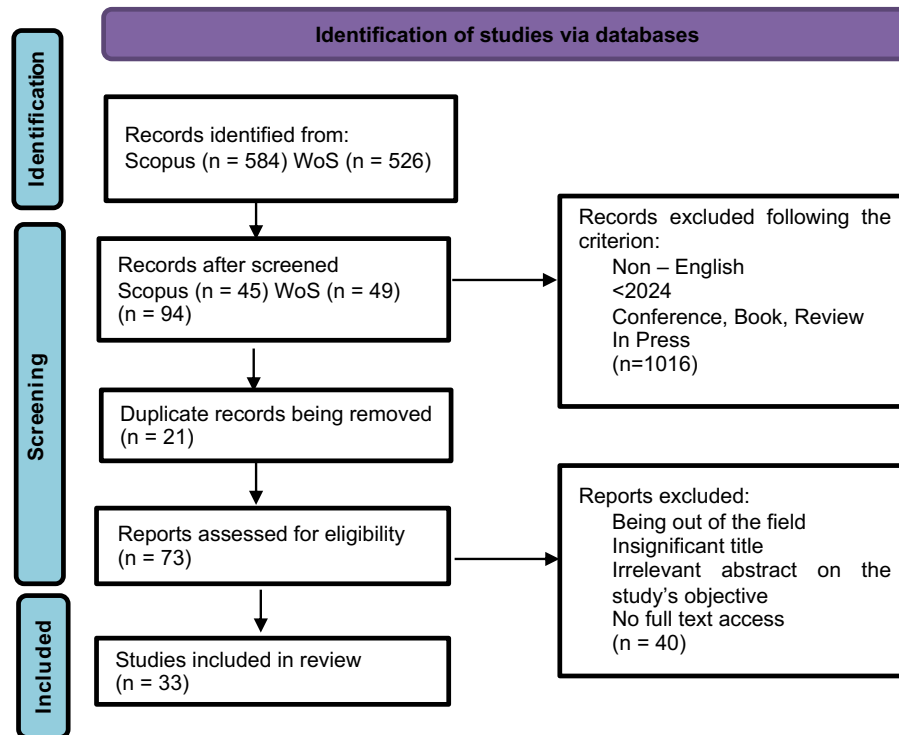
Table 2. The selection criterion of searching.

Criterion	Inclusion	Exclusion
Language	English	Non- English
Timeline	2024	<2024
Literature Type	Journal (Article)	Conference, Book, Review
Publication Stage	Final	In Press

#### 3.3 Eligibility

In the third stage, which is called the eligibility phase, 66 articles were shortlisted for further review. At this stage, each article's titles as well as main content were carefully reviewed to

ensure they met the inclusion criteria and aligned with the objectives of the current research. As a result, 40 articles were excluded due to factors such as being outside the field of interest, lacking relevance in title, having abstracts irrelevant to the study's objectives, lacking full-text availability, or not empirically supported. Thus, 33 articles were retained for the next stage of review.



**Fig. 2** Flow diagram of the suggested searching study

### 3.4 Data Abstraction and Analysis

This research employed an integrative analysis to combine multiple research designs, concentrating on quantitative approaches to identify relevant topics and subtopics. Data collection began with a review of 33 publications related to the study's themes. Key studies on the SMEs' sustainability performance in the service sector were examined for their methodologies and findings. The authors developed themes based on the evidence, keeping a log to document interpretations and insights. Finally, they compared findings to identify inconsistencies in theme development and discussed any conceptual disagreements among co-authors.

**Table 3.** Number and Details of Primary Studies Database

No	Authors	Scopus	WoS	Theme
1	(Al-Somali et al., 2024)	/	/	Digital Transformation & Innovation
2	(S. A. R. Khan et al., 2024)	/	/	Digital Transformation & Innovation
3	(Svanberg & Ståhlberg, 2024)	/	/	Sustainable Practices & CSR
4	(Restrepo-Morales et al., 2024)	/	/	Digital Transformation & Innovation
5	(Dong & Zhang, 2024)	/	/	Sustainable Practices & CSR
6	(Valdez-Juárez et al., 2024)	/	/	Digital Transformation & Innovation
7	(Ingaldi & Ulewicz, 2024)	/	/	Sustainable Practices & CSR

8	(Lapalikar et al., 2024)	/		Sustainable Practices & CSR
9	(Saiful-Haq et al., 2024)	/		Resilience, Strategy & Competitiveness
10	(Moraga et al., 2024)	/		Resilience, Strategy & Competitiveness
11	(Yildiz et al., 2024)	/		Sustainable Practices & CSR
12	(Manta & Mansi, 2024)	/	/	Resilience, Strategy & Competitiveness
13	(Carreira et al., 2024)	/		Sustainable Practices & CSR
14	(Asiri et al., 2024)	/	/	Digital Transformation & Innovation
15	(Gazi et al., 2024)	/	/	Sustainable Practices & CSR
16	(Shava, 2024)	/	/	Resilience, Strategy & Competitiveness
17	(Creazza et al., 2024)	/		Sustainable Practices & CSR
18	(Gomes et al., 2024)	/		Sustainable Practices & CSR
19	(Metaxas, 2024)	/		Resilience, Strategy & Competitiveness
20	(Islam Bhuiyan et al., 2024)	/		Digital Transformation & Innovation
21	(Al-Mutawa & Saeed Al Mubarak, 2024)	/		Digital Transformation & Innovation
22	(Sang et al., 2024)	/		Sustainable Practices & CSR
23	(F. A. Khan et al., 2024)	/		Resilience, Strategy & Competitiveness
24	(Ramadan et al., 2024)	/		Resilience, Strategy & Competitiveness
25	(Michalakopoulou et al., 2024)	/		Digital Transformation & Innovation
26	(da Silva & Marques Cardoso, 2024)	/		Resilience, Strategy & Competitiveness
27	(Elfaki & Ahmed, 2024)	/	/	Resilience, Strategy & Competitiveness
28	(Suchek et al., 2024)	/		Sustainable Practices & CSR
29	(Borrero & Yousafzai, 2024)	/	/	Sustainable Practices & CSR
30	(A. N. Khan et al., 2024)	/	/	Digital Transformation & Innovation
31	(M Ahmad et al., 2024)	/		Sustainable Practices & CSR
32	(Türkeş, 2024)	/	/	Digital Transformation & Innovation
33	(Tohari et al., 2024)	/		Resilience, Strategy & Competitiveness

#### 4.0 QUALITY OF APPRAISAL

In line with the guidelines outlined by Kitchenham (2007), once we had identified primary studies, we proceeded to evaluate the research quality discussed as well as contrast them quantitatively. In this research, we employed the quality assessment criteria by Anas Abouzahra et al. (2020), which include six quality attributes specific to our systematic literature review.

#### 5.0 RESULT AND FINDING

Table 4 presents the performance assessment results for the chosen primary studies. The table outlines a quality assessment method where reviewers independently evaluate studies using set criteria, scoring each as 'Yes' (Y), 'Partly' (P), or 'No' (N). Scores are combined, and only studies with a total score above 3.0 proceed to the next stage, ensuring a basic quality standard for further analysis. The assessment criteria are rated using a three-point scale: 'Yes' (Y) receives a score of 1 if the criterion is fully met, 'Partly' (P) gets 0.5 if it is only partially fulfilled and has certain limitations, and 'No' (N) is assigned a score of 0 if the criterion is not met at all. Below is the quality assessment table for the selected papers:

- QA1. Is the purpose of the study clearly stated?
- QA2. Is the interest and the usefulness of the work clearly presented?
- QA3. Is the study methodology clearly established?
- QA4. Are the concepts of the approach clearly defined?
- QA5. Is the work compared and measured with other similar work?

- QA6. Are the limitations of the work clearly mentioned?

Table 4. Assessment Performance

Data	QA1	QA2	QA3	QA4	QA5	QA6	Total Mark	(%)
PS1	Y	Y	Y	Y	P	Y	5.5	91.67%
PS2	Y	Y	Y	Y	P	Y	5.5	91.67%
PS3	Y	Y	P	Y	P	P	4.5	75%
PS4	Y	Y	Y	Y	P	Y	5.5	91.67%
PS5	Y	Y	Y	Y	P	P	5	83.33%
PS6	Y	Y	Y	Y	Y	Y	6	100%
PS7	Y	Y	Y	Y	P	P	5	83.33%
PS8	Y	Y	Y	Y	P	P	5	83.30%
PS9	Y	Y	Y	Y	P	Y	5.5	91.70%
PS10	Y	Y	Y	Y	P	P	5	83.30%
PS11	Y	Y	Y	Y	P	Y	5.5	91.70%
PS12	Y	Y	Y	P	P	N	4	66.70%
PS13	Y	Y	Y	P	N	N	3.5	58.30%
PS14	Y	Y	Y	Y	Y	Y	6	100%
PS15	Y	Y	Y	Y	P	Y	5.5	91.70%
PS16	Y	Y	Y	Y	P	P	5	83.33%
PS17	Y	Y	Y	Y	Y	P	5.5	91.67%
PS18	Y	Y	Y	Y	Y	Y	6	100%
PS19	Y	Y	Y	Y	P	Y	5.5	91.67%
PS20	Y	Y	P	Y	Y	P	5	83.33%
PS21	Y	Y	Y	Y	P	Y	5.5	91.67%
PS22	Y	Y	Y	P	P	P	4.5	75%
PS23	Y	Y	Y	Y	Y	P	5.5	91.70%
PS24	Y	Y	Y	Y	Y	P	5.5	91.70%
PS25	Y	Y	Y	Y	Y	Y	6	100%
PS26	Y	Y	Y	Y	Y	Y	6	100%
PS27	Y	Y	Y	P	P	P	4.5	75%
PS28	Y	Y	Y	Y	P	P	5	83.30%
PS29	Y	Y	Y	Y	Y	Y	6	100%
PS30	Y	Y	Y	Y	Y	Y	6	100%
PS31	Y	Y	Y	Y	Y	P	5.5	91.67%
PS32	Y	Y	Y	Y	Y	P	5.5	91.67%
PS33	Y	Y	Y	Y	Y	P	5.5	91.67%

Upon reviewing the table, it is evident that most of the studies performed well in the quality assessment, with scores ranging from 4.5 to 6, indicating that they met the quality criteria. Studies such as PS6, PS14, PS18, PS25, PS26, PS29, and PS30 achieved the highest possible score of 6, demonstrating they fully met all six criteria. These studies are considered to be of the highest quality, with a clear purpose, robust methodology, well-defined concepts, relevant comparisons with other research, and acknowledgment of study limitations. The few studies with lower scores, such as PS12 (score: 4) and PS13 (score: 3.5), still met the

minimum inclusion threshold. Only studies with scores below 3.0 would be excluded. Overall, most studies are of high quality and will proceed to the next stage of the analysis.

The developed themes were revised for consistency and underwent a thorough selection process to assess relevance and validity. During the expert review, the clarity, significance, and domain relevance of each sub-theme were evaluated. Any inconsistencies were addressed through comparison and collaboration, leading to further refinement of the themes based on expert feedback. The studies were categorized into three distinct themes: (1) Digital Transformation and Innovation, (2) Sustainable Practices and CSR and (3) Resilience, Strategy, and Competitiveness.

### **5.1 Theme 1: Digital Transformation and Innovation**

The digital transformation of SMEs in the service sector serves a substantial role in enhancing sustainability performance, especially following the COVID-19 pandemic. As per Al-Somali et al. (2024), robust cybersecurity is essential for SMEs in Saudi Arabia, as it contributes to resilience and sustainability, irrespective of cultural factors. Khan et al. (2024) discuss how blockchain technology can improve sustainable supply chain performance by integrating sustainable service quality attributes, indicating that innovative technologies are critical for meeting sustainability goals amid environmental challenges. Restrepo-Morales et al. (2024) highlight that the financial difficulties caused by the pandemic have spurred innovation among Latin American SMEs, showing that crises can drive transformative actions that enhance competitiveness. Moreover, Valdez-Juárez et al. (2024) investigate the complex relationship between financial performance as well as digital transformation, finding that while digital initiatives foster innovation, their immediate financial gains may be limited without a clear alignment with sustainability objectives. Asiri et al. (2024) emphasize the value of sustainable technologies like big data analytics in improving business performance, pointing out that perceived ease of use, as well as management support, are crucial for successful adoption.

Research by Bhuiyan et al. (2024) highlights the benefits of digital transformation for SMEs like improved operational efficiency as well as customer service, which lead to reduced operational and marketing costs. This transformation allows SMEs to concentrate on value-adding activities and foster technological innovation despite facing challenges in technology adoption and strategic planning. Al-Mutawa and Saeed Al Mubarak (2024) further emphasize the importance of cloud computing in improving sustainability, with factors like cost reduction and reliability significantly affecting performance. Similarly, Michalakopoulou et al. (2024) note that even conservative sectors like legal services can leverage digital tools for growth. Knowledge management, as well as artificial intelligence (AI), are vital for supporting innovation in SMEs alongside operational improvements. Khan et al. (2024) show that effective knowledge management frameworks aid AI adoption in construction SMEs, emphasizing the need for openness to innovation and knowledge integration. Similarly, Türkeş (2024) illustrates how sustainability, e-marketing, as well as technology orientation may improve online business performance in the post-pandemic e-commerce landscape. However, SMEs face challenges such as cybersecurity threats, inadequate training, and limited resources, which can impede innovation. Khan et al. (2024) highlight the necessity of addressing these barriers to develop strategies for smoother transitions to technology-enhanced operations, stressing the importance of continuous employee training and a culture of ongoing learning.

In summary, digital transformation and innovation are vital for improving the SMEs' sustainability performance in the service sector by enhancing operational efficiency and customer relationships. Effective management of this transformation requires continuous innovation, strategic planning, and proper training, along with strong technological infrastructures to meet sustainability demands in a digital economy.

## **5.2 Theme 2: Sustainable Practices and CSR**

The SMEs' sustainability performance in the service sector highlights the importance of integrating sustainable practices and CSR into their operations. Transitioning to a circular economy allows SMEs to cut waste, improve resource efficiency, and foster innovation, leading to economic benefits from savings in material and waste management (Carreira et al., 2024; Ingaldi & Ulewicz, 2024). However, SMEs face challenges like complex regulations and shifting consumer expectations. For example, the employment of the Goods and Services Tax (GST) in India has raised compliance requirements, highlighting the need for supportive frameworks and educational resources (Lapalikar et al., 2024). Consumer perceptions significantly impact sustainability efforts, particularly in the hospitality sector, making effective communication of sustainability initiatives crucial (Yildiz et al., 2024). While supply chain finance can improve sustainability, it may also increase vulnerabilities due to reliance on larger firms (Dong & Zhang, 2024). Gazi et al. (2024) note that CSR enhances environmental performance, with green capabilities and transformational leadership as key mediators. They emphasize that perceived organizational support can strengthen CSR initiatives, suggesting that SMEs should develop CSR strategies aligned with sustainability goals while navigating regulatory complexities (Ahmad et al., 2024; Gazi et al., 2024). In logistics, Creazza et al. (2024) find that strong communication and shared goals between shippers and logistics service providers are essential for successful green logistics, indicating the need for robust partnerships to advance sustainability (Creazza et al., 2024; Gomes et al., 2024). Suchek et al. (2024) explore how Industry 4.0 technologies, as well as participation in global value chains (GVCs), may assist the implementation of circular economy practices among SMEs, cautioning that improper integration may impede sustainability efforts (Borrero & Yousafzai, 2024; Suchek et al., 2024).

In summary, the SMEs' sustainability performance in the service sector is influenced by regulatory challenges, consumer perceptions, and supply chain dynamics. Integrating CSR is essential for improving environmental outcomes and relies heavily on organizational support. Additionally, collaboration in logistics and the strategic use of Industry 4.0 technologies can enhance sustainability initiatives, but addressing compliance issues and managing supply chain complexities is critical for fostering sustainable growth.

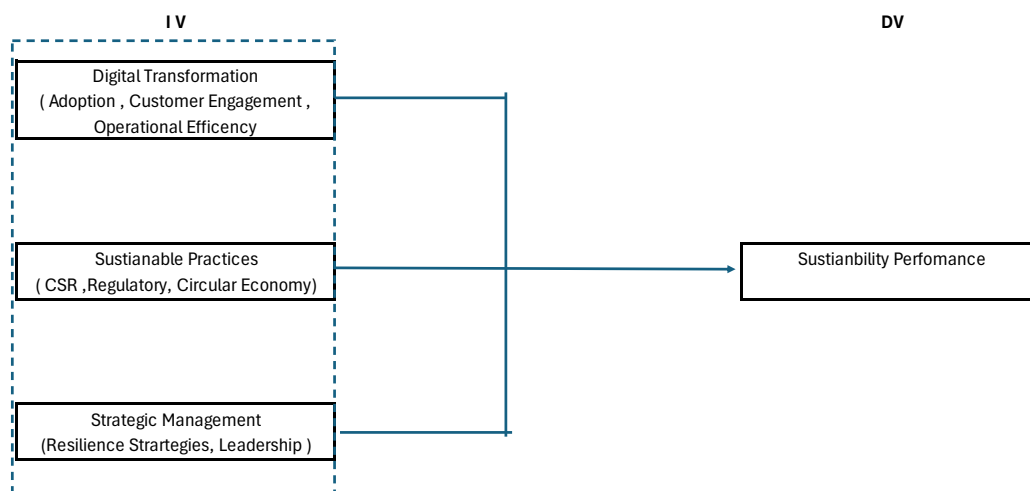
## **5.3 Theme 3: Resilience, Strategy, and Competitiveness**

The SMEs' sustainability in the service sector has become a substantial topic, particularly in the wake of disruptions caused by COVID-19. In addition, it is vital to enforce efficient strategies to foster resilience and facilitate economic recovery. Saiful-Haq et al. (2024) explore Jakarta's initiatives to assist SMEs through collaborative governance, improving access to finance, and addressing gaps in digital infrastructure via Small and Medium Enterprise Cooperative Banks (SCBs). In the Philippines, Moraga et al. (2024) emphasize the significance of organizational resilience in the restaurant industry for economic sustainability, noting that sense-making and problem-solving are vital, while crisis anticipation yields mixed outcomes. Globalization offers additional avenues, with Moraga et al. (2024) advocating for circular economy principles in procurement to enhance resource efficiency and competitiveness. Shava (2024) underscores the fundamentals of robust information and communication technology (ICT) in areas with limited resources, suggesting that ICT failures can impede SME growth; thus, government support for ICT is critical for improving transaction efficiency and customer satisfaction.

Territorial assets contribute to SME competitiveness as Metaxas (2024) demonstrates the value of local resources in Thessaloniki, Greece, such as labour and agglomeration, which benefit commercial enterprises. Furthermore, F. A. Khan et al. (2024) emphasize the influence of tactical green marketing in managing stakeholder expectations and CSR for sustainable success. Ramadan et al. (2024) investigate how effective managerial skills and advanced

inventory management, for instance, Activity-Based Costing (ABC) as well as Economic Order Quantity (EOQ), can enhance profitability for SMEs in Hungary, indicating that investments in managerial training and efficient inventory practices are vital for growth. Competition also plays a role in promoting SME sustainability, as Da Silva and Cardoso (2024) ) da Silva and Cardoso (2024) demonstrate in their study of Portugal's ornamental stone industry, where collaboration among competitors increases efficiency and aligns with Sustainable Development Goals (SDGs). They recommend further exploration of coopetition's advantages across different sectors. Technological innovation is another critical factor in achieving sustainability, illustrated by (Elfaki & Ahmed, 2024), who connects technological advancements with financial development as well as the decrease of income inequality in Asia via the Technological Kuznets Curve (TKC). Here, this framework supports SDG 10, indicating that targeted policies in research and development, alongside supportive financial environments, can benefit SMEs. Lastly, Tohari et al. (2024) emphasized the significance of incentives, and quality services play a critical role in encouraging compliance, highlighting the need for favourable tax policies and education to support small, micro, as well as medium enterprises in Kediri City.

In summary, the sustainability performance of SMEs is shaped by factors such as stakeholder engagement, managerial skills, innovation, competition, technology, and tax compliance. To achieve sustainable growth, a comprehensive strategy integrating these elements is essential. Moreover, resilience strategies, local resources, and external influences, along with collaborative governance and effective ICT initiatives, are critical for SMEs to navigate obstacles and seize opportunities in a dynamic economic landscape.



**Fig. 3** Proposed Framework

This framework highlights the key independent variables digital transformation, sustainable practices and strategic management that drive the sustainability and competitiveness of SMEs. By adopting advanced technologies, implementing sustainable operations, and developing effective resilience strategies, SMEs can enhance their overall performance, remain competitive in the market, and achieve long-term sustainable growth. The dependent variable, sustainability performance captures the holistic outcome of these efforts.

## 6.0 DISCUSSION

Digital transformation plays a vital role in enhancing the sustainability performance of SMEs in the service sector, particularly following the challenges posed by the COVID-19 pandemic. Technologies such as blockchain, AI, and cloud computing help SMEs improve operational



efficiency, customer service, and innovation, all while reducing costs and fostering sustainability. However, the successful adoption of these technologies is not without challenges. SMEs often face barriers such as cybersecurity risks, limited resources, and inadequate employee training. Effective management support, continuous innovation, and robust technological infrastructures are essential for overcoming these obstacles and ensuring that digital initiatives align with broader sustainability goals.

Sustainable practices and Corporate Social Responsibility (CSR) are crucial for improving the environmental performance of SMEs. Transitioning to a circular economy, adopting green logistics, and implementing Industry 4.0 technologies can foster resource efficiency and innovation, but these efforts are often hindered by regulatory complexities and shifting consumer expectations. SMEs must also address compliance challenges and communicate their sustainability initiatives effectively to stakeholders. CSR strategies, supported by organizational commitment and leadership, help SMEs navigate these hurdles and enhance their environmental impact. Collaborative efforts, such as partnerships in logistics and participation in global value chains, are key to advancing sustainability goals and improving overall business performance.

Resilience, strategy, and competitiveness are essential for SMEs to thrive in a rapidly changing economic landscape. Following disruptions like the COVID-19 pandemic, SMEs must adopt strategies that foster resilience and ensure long-term sustainability. Collaborative governance, efficient ICT infrastructure, and leveraging local resources contribute to SME recovery and growth. Furthermore, investments in managerial skills, innovation, and green marketing help SMEs manage stakeholder expectations and improve their competitiveness. A comprehensive strategy that integrates these elements, including effective tax policies and supportive financial environments, is necessary for SMEs to overcome challenges and seize opportunities for sustainable development and growth.

## 7.0 CONCLUSION

In conclusion, the sustainability and competitiveness of SMEs in the service sector are heavily influenced by the integration of digital transformation, sustainable practices, and resilience strategies. Digital technologies enable SMEs to improve efficiency and innovation while aligning with sustainability goals, though challenges such as cybersecurity risks and resource constraints must be addressed. Incorporating CSR and sustainable practices, such as circular economy principles and green logistics, can enhance environmental outcomes, but regulatory complexities and shifting consumer expectations require careful management. Additionally, resilience strategies, such as leveraging local resources, investing in ICT infrastructure, and adopting effective management practices, are crucial for SMEs to navigate disruptions and remain competitive. A holistic approach combining these elements is essential for SMEs to achieve long-term growth and sustainability in a dynamic economic environment.

## CONFLICT OF INTEREST

The authors state they have no conflicts of interest to disclose concerning this research.

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## THE CURRENT RESEARCH TRENDS ON WAQF IN SOCIAL DEVELOPMENT: A THEMATIC REVIEW

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### ABSTRACT

*Waqf involves the dedication of assets or wealth for charitable purposes. The development of waqf has significantly contributed to social progress, encompassing various domains such as health, education, poverty alleviation, and business development. Despite its vast potential, waqf remains underemphasized in its role in economic development, raising concerns regarding its impact on advancing the welfare of the ummah and broader economic growth. This study reviews articles published between 2019 and 2024 to explore research trends concerning waqf's role in social development. Employing a thematic review (TR) methodology, the research incorporates keywords such as "health," "education," "economics," and "business" sourced from the Scopus and Web of Science (WoS) databases. The thematic analysis reveals five principal themes: Corporate and economic development through Waqf, Sustainability and innovation in Waqf, Challenges and issues in waqf management, Legal and regulatory aspects of Waqf, and Technology application in Waqf. These findings offer valuable insights for researchers and practitioners by enhancing their understanding of how waqf can be more effectively integrated into various social and economic development sectors.*

**Keywords:** Waqf, waqf trends, thematic review, social development, trends

### 1.0 INTRODUCTION

Waqf has served as a foundational institution in the advancement of Islamic civilization since the formative period of Islam (Aziz et al., 2024). Waqf plays a significant role in fostering social development through its financial and administrative mechanisms. As a financial tool, waqf supports the creation of commercial and welfare organizations, contributing to economic and social well-being (Shaikh et al., 2017). It also benefits Islamic property management, advancing infrastructure and social wealth (Asni et al., 2020). Waqf-based public areas

promote communities' self-sufficiency through collective participation, highlighting its community-centered approach to resource distribution (Rochani et al., 2024).

Waqf also serves as a business instrument for social welfare. Waqf-based entrepreneurship creates economic opportunities and sustainable growth (Iman & Mohammad, 2017). The Corporate Waqf Core Principles drive social and economic transformation by strengthening waqf institutions (Asni et al., 2020). Digital waqf initiatives, such as stock waqf, underline waqf's historical role in advancing Islamic civilization and fostering economic development. The utilization of Islamic financial institutions enhances waqf planning to address socioeconomic challenges (Sugianto et al., 2022).

Waqf has historical significance in community development, with evidence of its positive impact on education, health, and public sectors (Fawwaz et al., 2021). It has been noted that waqf can contribute to infrastructure development, economic empowerment, and the welfare of individuals and communities (Iskandar et al., 2021; Mohsin, 2019). Furthermore, waqf institutions have a proven track record in promoting welfare and social development (Ubaidillah et al., 2021). Nevertheless, it will be interesting to observe the emerging trends and patterns based on research that explores the role of waqf in-depth concerning social development in the existing literature. This article aims to conduct a thematic review of discussions on the current research trends on waqf in social development, encompassing education, health, economy, and business, as published from 2019 to 2024. Health, education, economy, and business can be categorized within the broader social development framework, as they play a pivotal role in fostering societal progress and improving the overall quality of life. (Ali & Khan, 2023; Hui, 2022). This assessment will utilize the following research questions:

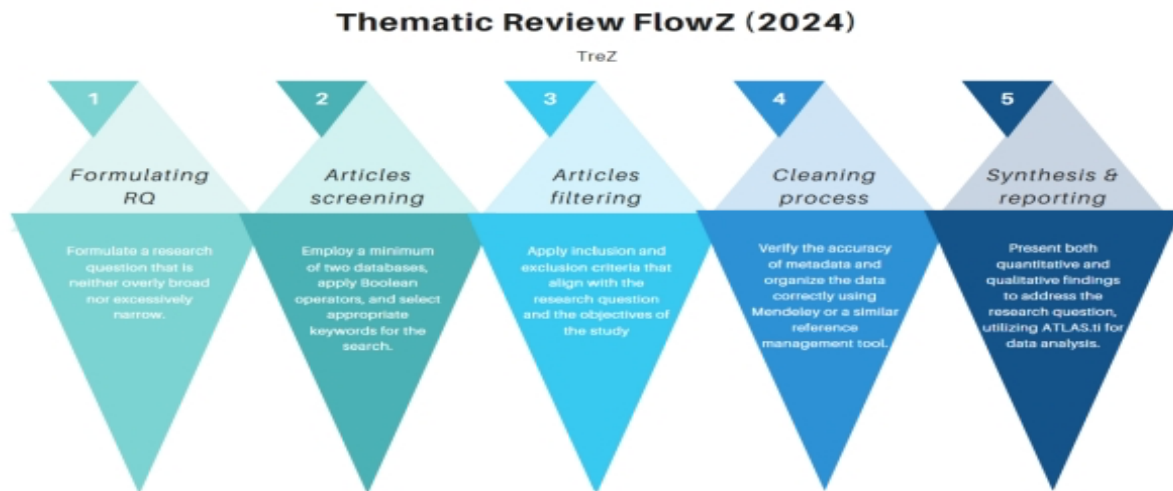
**RQ: What are the current trends in the research of waqf in social development (Health, education, economics, and business) from 2019 to 2024?**

## **2.0 MATERIALS AND METHOD**

Thematic reviews using ATLAS.ti as the instrument was first introduced by (Zairul, 2020, 2021, 2022, 2023). Copyright protection has also been granted to this approach, registered under CRLY2023W02032 (Zairul, 2023). As a result of the thematic analysis procedure employed in this study's literature review, TreZ is implemented. Thematic analysis is the process of identifying patterns and constructing themes through substantial reading on the (Braun & Clarke, 2006, 2012).

This process starts with formulating a research question, which serves as a guide for the next study stage and setting the scope and focus (Defining the Research Question). The next step involved filtering articles, including identifying and selecting studies based on their relevance to the research questions formulated (Filtering) (Refer to Figure 1). After that is a further filtering stage (See Figure 2), where inclusion and exclusion criteria are used to refine the selection of studies, ensuring that only the most relevant articles are kept for further analysis.





**Fig. 1:** Thematic Review FlowZ (TreZ)(Zairul, 2023)

The fourth step is the final cleaning (Finalization) (Figure 1), which involves double-checking the article's metadata to ensure the accuracy and completeness of the collected data. The final step is data extraction (Synthesis), where thematic analysis is carried out using tools such as ATLAS.ti 24 to develop themes based on in-depth reading of the selected articles. This systematic technique increases the reliability and rigor of the study, ensuring a thorough examination of the literature.

Table 1. Search strings from Scopus and WoS

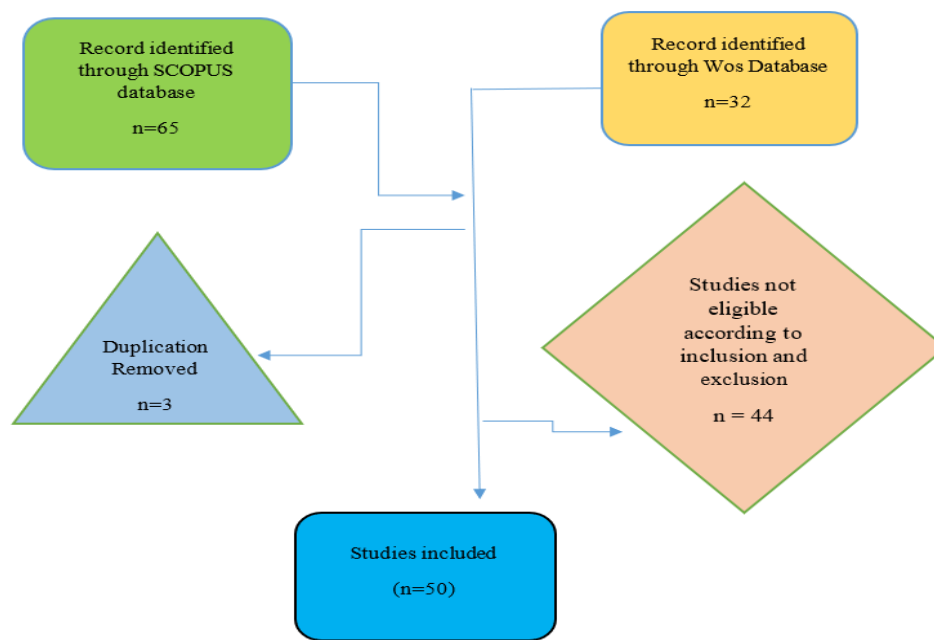
SCOPUS	TITLE-ABS-KEY ( waqf AND ( ( health OR covid ) OR ( education ) OR ( poverty ) OR ( economic ) OR ( business OR entrepreneur* ) ) ) AND ( LIMIT-TO ( PUBYEAR , 2019 ) OR LIMIT-TO ( PUBYEAR , 2020 ) OR LIMIT-TO ( PUBYEAR , 2021 ) OR LIMIT-TO ( PUBYEAR , 2022 ) OR LIMIT-TO ( PUBYEAR , 2023 ) OR LIMIT-TO ( PUBYEAR , 2024 ) ) AND ( LIMIT-TO ( DOCTYPE , "ar" ) ) AND ( LIMIT-TO ( SRCTYPE , "j" ) ) AND ( LIMIT-TO ( LANGUAGE , "English" ) ) AND ( LIMIT-TO ( OA , "all" ) ) )	65 results
Web of Science (WoS)	Waqf AND ((health OR covid) OR (education) OR (poverty) OR (economic) OR (business OR entrepreneur*)) (Topic) and 2024 or 2023 or 2022 or 2021 or 2020 or 2019 (Publication Years) and Article (Document Types) and English (Languages) and All Open Access (Open Access)	32 results

This step focuses on identifying patterns and building categories to understand the current trends in the research of waqf in social development (health, education, economics, and business) from 2019 to 2024. The primary purpose of this phase is to analyze and interpret the study results to provide recommendations for future research in the field of waqf in social development related to health, education, economics, and business. Through this approach, the evolution of trends can be clarified while helping to identify essential future innovations or new directions for this instrument.

To ensure a comprehensive and relevant analysis, the literature for this review was selected based on the criteria that have been set as follows: 1) only literature published between 2019 and 2024 is taken into account to ensure that the study is current and significant; 2) the use of critical keywords such as ( waqf AND ( ( health OR covid ) OR ( education ) OR ( poverty ) OR ( economic ) OR ( business OR entrepreneur\*) ) to ensure that focus is given to studies that are directly related to the main theme of the research. This careful selection process aims to capture comprehensive insights and recent developments in the field.

The literature review was conducted through a search in two primary databases, namely SCOPUS and Web of Science (WOS), which were chosen because of the database's extensive coverage of journals that have been researched and are relevant to the principles of the cyclical economy in the context of the construction industry and the built environment. Through the SCOPUS database, the search was performed using the keywords "TITLE-ABS-KEY (waqf AND ((health OR covid) OR (education) OR (poverty) OR (economic) OR (business OR entrepreneur\*))). The articles searched for are from 2019 to 2024, limited to academic articles in English with open access AND ( LIMIT-TO ( PUBYEAR , 2019 ) OR LIMIT-TO ( PUBYEAR , 2020 ) OR LIMIT-TO ( PUBYEAR , 2021 ) OR LIMIT-TO ( PUBYEAR , 2022 ) OR LIMIT-TO ( PUBYEAR , 2023 ) OR LIMIT-TO ( PUBYEAR , 2024 ) ) AND ( LIMIT-TO ( DOCTYPE , "ar" ) ) AND ( LIMIT-TO ( SRCTYPE , "j" ) ) AND ( LIMIT-TO ( LANGUAGE ) ) AND ( OA , "all" ) . This strategy yields 65 articles, showing much recent literature in the field. In contrast, a search on the Web of Science was performed more broadly using the exact keywords without restriction to a specific field, focusing only on open-access articles in English, which resulted in 32 articles. The difference in the number of articles retrieved from these two databases reflects the variation in journal coverage, index depth, and their respective search algorithms, contributing to the diversity of the literature for this study.

In the context of a thematic review (TreZ), the literature selection process from the SCOPUS and Web of Science databases is carefully performed using specific search strings. The methodological steps ensure that the selected studies are of high quality, further increasing the validity and reliability of the review results (see Table 1). The search begins by formulating questions based on the objectives of the study. This query retrieved results from the SCOPUS and Web of Science databases, which yielded 65 and 32 records, respectively. Initial search results include a wide range of relevant literature. After the results from both databases were combined, the next step was to identify and remove duplicate entries, of which 3 duplicates were removed. Then, the consolidated records are further filtered based on the inclusion and exclusion criteria carefully formulated to be consistent with the research questions. 44 records were removed in this phase for not meeting the established criteria, ensuring that only genuinely relevant studies were considered.



**Fig. 2.** Inclusion and Exclusion criteria in TreZ (Zairul, 2023)

Finally, 50 studies were selected for the thematic review (TreZ). These studies have met all the specified eligibility requirements and are expected to contribute significantly to the research question. A systematic approach was used in selecting these studies to ensure that only relevant data were included, and bias was minimized, thereby increasing the reliability of the review's conclusions. This report provides a clear and transparent overview of the methods used in selecting studies, essential for reproducibility and trust in the results presented (see Figure 2).

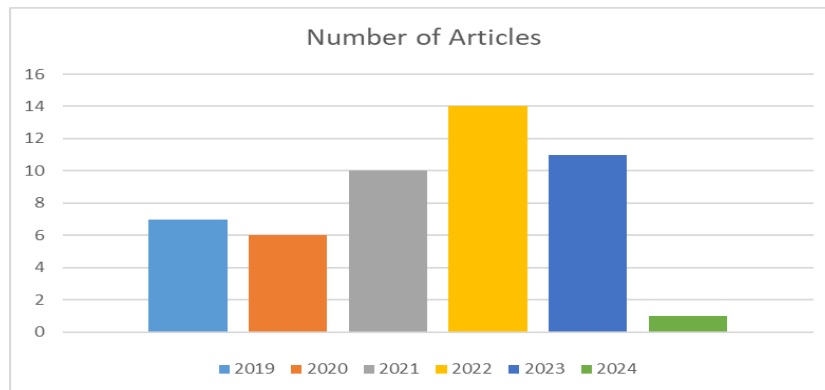
### 3.0 RESULTS AND DISCUSSIONS

This thematic review (TreZ) provides an overview from 2019 to 2024 concerning waqf in social development. The selected articles relate to waqf's roles, contributions, and challenges as an essential instrument in social development. Waqf is identified as a highly effective tool for contributing to economic growth and social welfare by supporting various initiatives, including social welfare and economic development (Haneef et al., 2015). Conceptually, the included articles discuss the advantages and issues related to waqf. Additionally, this study has important implications. This literature review provides information on the functions of waqf in providing continuous financial resources for various social initiatives, encompassing social welfare. Moreover, this economic support helps empower communities and reduces dependency on external aid.

Furthermore, studying waqf can lead to developing robust legal and regulatory frameworks that ensure transparency, accountability, and effective management of waqf assets. This enhances public trust and encourages more contributions to waqf institutions. Therefore, the key findings of the thematic review are summarized in this section. The quantitative section will support the quantitative reporting for thematic assessment. The first research question will be supported by qualitative evaluation, and the second by quantitative insight.

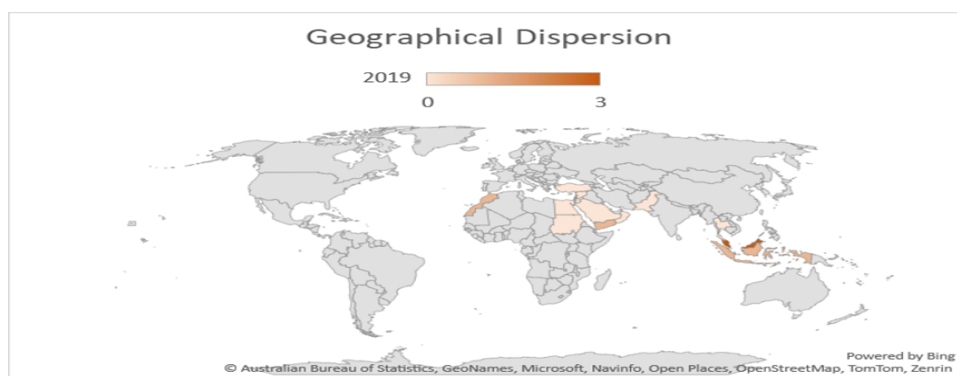
### 3.1 Quantitative reporting

The year of publication, research location, journal background, and subject themes used to analyze study trends reflect the research patterns on waqf in social development and partially address the study to explore the current trends in the research of waqf in social development (Health, education, economics, and business) from 2019 to 2024). Figure 3 shows the number of related articles published increased significantly from 2019 to 2022 but began to decline in 2023, partly due to the review conducted in early 2022.



**Fig. 3** Number of articles

Figure 4 explains the distribution of the countries or regions studied. Regarding the number of papers, the topic 'research of waqf in social development' is very popular in Asia, particularly in Indonesia and Malaysia. The dataset provides a longitudinal analysis of the involvement of a variety of countries in waqf studies from 2019 to 2024, documenting the annual frequencies of occurrences associated with specific characteristics or events within the field. The objective of this analysis is to clarify the trends and patterns that have been identified during this period. The data indicates that the incidence of occurrences varies significantly among the examined countries. It is important to note that certain countries demonstrate consistent and high levels of involvement over multiple years, while others exhibit sporadic or minimal participation. Europe, Indonesia, Malaysia, and Yemen, each of which reported at least one occurrence in 2019, are notable contributors to the dataset, suggesting their early relevance during the study period. In 2020, there has been a minor change in the pattern of involvement, as Turkey has begun to establish itself as a significant participant, while Indonesia and Malaysia continue to participate. The emergence of these countries implies broadening the scope of the events or characteristics being monitored.



**Fig. 4.** Geographical Dispersion

From 2021 to 2024, the frequency of waqf-related events and studies showed significant fluctuations. Indonesia led in 2021 with five events, doubling to ten in 2022, reflecting heightened activity and interest. The emergence of new contributors, including Egypt, Jordan, Morocco, Saudi Arabia, Singapore, Sudan, Syria, and Thailand, highlighted a growing global focus on waqf studies. However, Indonesia's frequency decreased to six in 2023, though its historical leadership in the field persisted. Malaysia consistently maintained its relevance, indicating sustained engagement in waqf initiatives. By 2024, occurrences declined sharply across most countries, with only Dubai and Turkey reporting one event each. This drop may signal shifts in research priorities or funding allocations. Despite this decline, the earlier surge underscores increased global interest and diversification in waqf research, with Indonesia and Malaysia remaining central to these developments.

The analysis illustrates a dynamic geography of country involvement over the six-year period. The sustained high frequencies of countries like Indonesia and Malaysia are noteworthy, indicating their ongoing significance in the context of waqf studies. In contrast, countries with sporadic or minimal occurrences may suggest areas of lesser relevance or emerging interest. The substantial apex in 2022, followed by a decline in 2024, underscores the impact of various factors, including academic interest, regional priorities, and resource availability, on waqf research. This report emphasizes the significance of longitudinal data in comprehending the trends and changes in international involvement within waqf studies, providing valuable insights for policymakers and researchers.

Next, this study identifies the themes that attract the attention of academics using a broad definition of the research of waqf in social development, namely T1 (Corporate and Economic Development through Waqf), T2 (Sustainability and Innovation in Waqf), T3 (Challenges and Issues in Waqf Management), T4 (Legal and Regulatory Aspects of Waqf), and T5 (Technology and Innovation in Waqf).

Table 2. Authors Vs Theme

	THEME 1: Corporate and Economic Development through Waqf	THEME 2: Sustainability and Innovation in Waqf	THEME 3: Challenges and Issues in Waqf Management	THEME 4: Legal and Regulatory Aspects of Waqf	THEME 5: Technology Application in Waqf
(Raja Adnan et al., 2022)	1	-	-	-	-
(Sulistiyowati et al., 2022)	-	-	1	-	-
(Khairuddin & Ishak, 2023)	1	-	-	-	-
(Qurrata et al., 2019)	-	-	1	-	-
(Saad et al., 2019)	-	-	1	-	-
(Tahiri Jouti, 2019)	-	1	-	-	-
(Faturrohman et al., 2020)	-	-	-	-	1

(Khan, 2019)	-	1	-	-	-
(Tekdogan, 2020)	-	1	-	-	-
(Janom et al., 2019)	-	-	-	-	1
(Sulistiani, 2021)	-	-	-	1	-
(Soemitra et al., 2022)	1	-	-	-	-
(Suhaimi & Suhaimi, 2020)	1	-	-	-	-
(Sapuan & Zeni, 2021)	-	1	-	-	-
(Sipan et al., 2021)	-	-	1	-	-
(Huda & Santoso, 2022)	-	-	1	-	-
(Hafandi & Handayati, 2021)	-	-	-	1	-
(Eficandra, 2022)	-	1	-	-	-
(Ibrahim et al., 2021)	1	-	-	-	-
(Sobhan et al., 2022)	-	-	1	-	-
(Kunhibava et al., 2023)	-	1	-	-	-
(Hassama & Ismail, 2023)	1	-	-	-	-
(Radzi Sapiee, 2022)	1	-	-	-	-
(Yusuf & Maulana, 2023)	1	-	-	-	-
(Agaileh, 2024)	-	-	-	-	1
(Yumna et al., 2024)	-	1	-	-	-
(Islamiyati et al., 2022)	-	1	-	-	-
(Syibly et al., 2022)	-	-	-	1	-
(Ahyani et al., 2021)	-	-	-	1	-
(Guelida et al., 2022)	-	-	-	1	-
(Saad et al., 2022)	1	-	-	-	-
(Zawawi et al., 2023)	-	1	-	-	-
(Priyadi & Achiria, 2022)	1	-	-	-	-
(Wijaya, 2023a)	-	1	-	-	-
(Fitri, 2021)	1	-	-	-	-
(Wira, 2023)	-	1	-	-	-
(Ibrahim, 2023)	1	-	-	-	-
(Widiastuti et al., 2022)	-	1	-	-	-
(Ari & Koc, 2021)	1	-	-	-	-
(Abu Talib et al., 2020)	-	-	-	1	-
(Sulaiman & Alhaji Zakari, 2019)	-	1	-	-	-

(Fauzi et al., 2022)	-	-	1	-	-
(Osman & Agyemang, 2020)	-	-	1	-	-
(Fauziah, 2021)	-	-	1	-	-
(Lestari et al., 2023)	-	-	-	1	-
(K. M. Ali & Kassim, 2020)	-	1	-	-	-
(Islam et al., 2023)	1	-	-	-	-
(Afroz et al., 2019)	-	1	-	-	-
(Priyadi et al., 2023)	1	-	-	-	-
(Usman & Rahman, 2021)	-	-	1	-	-

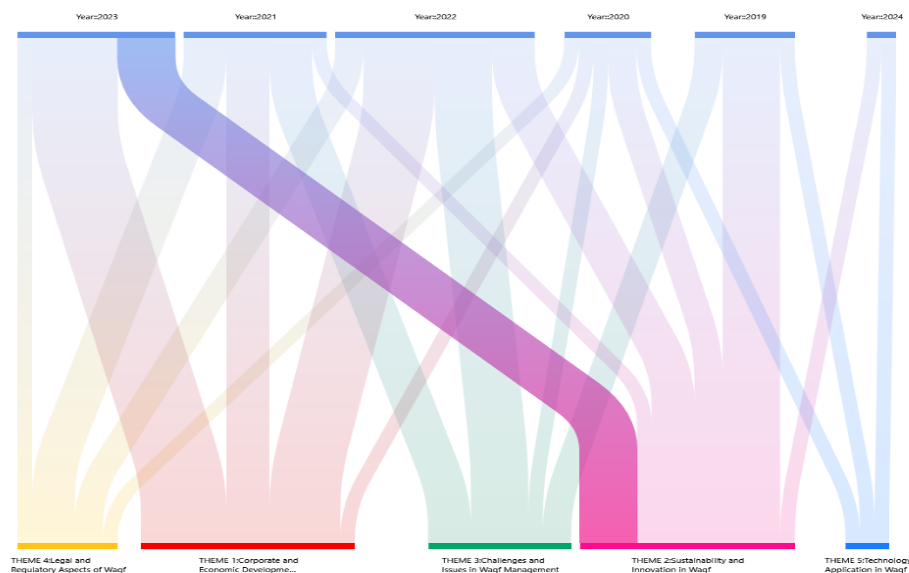
Next, table 3 shows the most published papers in Islamic finance, Business, and Law journals. The highest-ranking journal is the ISRA International Journal of Islamic Finance, with 4 publications, followed by the Journal of Islamic Accounting and Business Research, with 3 publications. Other journals have 2 publications and 1 publication, respectively.

Table 3. Periodical vs. year of publications.

Journals	2019	2020	2021	2022	2023	2024	Totals
ISRA International Journal of Islamic Finance	2	0	-	-	2	-	4
Islamic Economic Studies	-	-	-	1	-	-	1
International Journal of Applied Economics, Finance and Accounting	-	-	-	-	1	-	1
Humanities & Social Sciences Reviews	2	-	-	-	-	-	2
Journal of Islamic Monetary Economics and Finance,	-	2	-	-	-	-	2
Indonesian Journal of Electrical Engineering and Computer Science	1	-	-	-	-	-	1
Jurnal Hukum Keluarga dan Hukum Islam	-	-	1	-	-	-	1
Journal economies	-	-	-	1	-	-	1
Malaysian Journal of Shariah and Law	-	1	-	-	1	-	2
International Journal of Business and Society	-	-	1	-	-	-	1
Journal of the Malaysian Institute of Planners	-	-	1	-	-	-	1
Academic Journal of Interdisciplinary Studies	-	-	-	1	-	-	1
Studies Applied Economics	-	-	2	-	-	-	2
Jurnal Ilmiah Syari'ah,	-	-	-	1	-	-	1
General Management	-	-	-	2	1	-	3
Journal of Islamic Thought and Civilization (JITC)	-	-	-	1	-	-	1
Journal of Governance and Regulation	-	-	-	-	-	1	1
Journal of Islamic Monetary Economics and Finance,	-	-	-	-	-	1	1
International Journal of Public Policy and Administration Research	-	-	-	1	-	-	1
Journal of Religious Studies	-	-	-	2	-	-	2

Jurnal Hukum dan Pranata Sosial,	-	-	1	-	-	-	1
UUM Journal of Legal Studies	-	-	-	1	-	-	1
Qudus International Journal of Islamic Studies (QIJIS)	-	-	-	1	-	-	1
Jurnal Wacana Hukum Islam dan Kemanusiaan	-	-	-	-	1	-	1
Law Reform	-	-	1	-	-	-	1
International Journal of Islamic Thought	-	-	-	-	1	-	1
Islamiyyat	-	-	-	-	1	-	1
Heliyon	-	-	-	1	1	-	2
Borsa Istanbul Review	-	-	1	-	-	-	1
Journal of Islamic Accounting and Business Research	1	2	-	-	-	-	3
Turkish Journal of Islamic economics	-	-	1	-	-	-	1
Islamic Economics	-	-	-	1	-	-	1
Etikonomi	-	1	-	-	-	-	1
Administrative sciences	-	-	-	-	1	-	1
Journal of Asian Finance, Economics and Business	1	-	-	-	-	-	1
Asian Economic and Financial Review	-	-	-	-	1	-	1
Jurnal Pengurusan	-	-	1	-	-	-	1
Totals							50

To sum up, this section provides an overview of the response to RQ1. The research trends on the role of waqf in social development are reflected through general trends in waqf. The reviewed articles have explored various themes, the most popular being sustainability and innovation in waqf. Additionally, the application of technology in waqf has been suggested, as very few studies have touched on developing systems for waqf (Figure 5).



**Fig. 5.** Themes of the study vs publication years.



### 3.2 Qualitative reporting

This comprehensive thematic analysis provides an overview of the waqf research in social development from 2019 to 2024. Five main themes have been identified. Theme 1, "Corporate and economic development through waqf," has 15 mentions, highlighting the role of waqf in corporate and economic development. For corporate and economic development, waqf is important as it provides sustainable financial resources that empower communities, reduce poverty, and support economic infrastructure. Theme 2, "Sustainability and innovation in waqf," also with 15 mentions, emphasizes the importance of sustainability and the need for innovation in waqf. Sustainability ensures that waqf assets continue to benefit society in the long term. Innovation enables waqf to adapt to social, economic, and technological changes, ensuring that waqf remains relevant and capable of meeting the ever-changing needs of society.

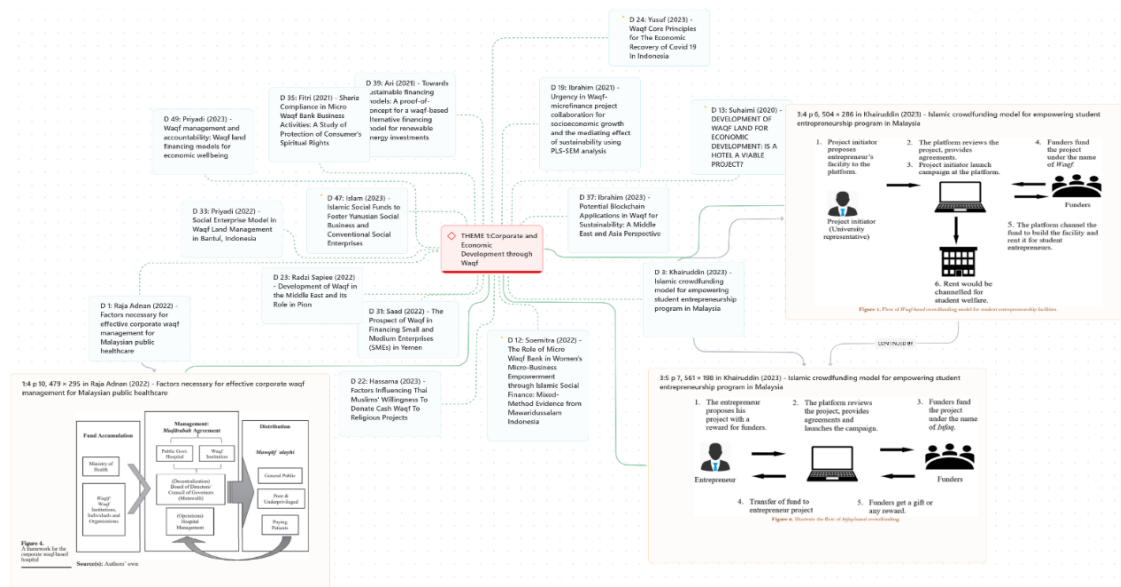
The next theme, Theme 3, is "Challenges and Issues in Waqf Management" with 11 mentions. It reflects the issues and challenges faced in the implementation and management of waqf across various aspects. Waqf management faces major challenges, such as a lack of transparency and accountability, management expertise, and unclear legal frameworks. Additionally, asset maintenance, succession of managers, public awareness, and technology adaptation pose obstacles. Furthermore, the next theme identified is Theme 4, "Legal and Regulatory Aspects of Waqf," with 7 mentions, explaining the importance of legal aspects in waqf administration to ensure that waqf management is conducted transparently and responsibly. This includes openly reporting on the use of funds, asset distribution, and financial decisions to stakeholders.

The fifth theme is "Technology Application in Waqf" with 3 mentions. Technology is important in waqf as it enhances management efficiency, transparency, and accountability through computerized management systems and blockchain. Technology also facilitates information accessibility, data management, and analytics, and simplifies contributions through digital platforms. Moreover, technology aids in performance monitoring and reporting, reduces operational costs, and improves communication with donors and the community. It also supports the development and innovation of new projects and provides educational and training tools for waqf managers.



**Fig.6:** The themes to answer RQ

### 3.2.1 Theme 1: Corporate and Economic Development through Waqf



**Fig. 7: Theme 1 (Corporate and Economic Development through Waqf)**

Figure 7 illustrates the potential of waqf in corporate and economic development through the productive management of waqf land and assets as theme 1. Effective financing models, such as equity-based approaches, are essential to unlocking waqf's economic potential, especially given the constraints waqf institutions face due to limited funds (Ari & Koc, 2021). In Indonesia, integrating waqf with microfinance has been explored to promote socio-economic growth, mainly through projects prioritizing urgency and sustainability (Ibrahim et al., 2021). Additionally, the Waqf Core Principles (WCP) development aims to support economic recovery, especially during crises like the COVID-19 pandemic (Yusuf & Maulana, 2023).

Historically, waqf has supported social and economic development, from funding religious institutions to promoting trade and industry (Radzi Sapiee, 2022). Integrating waqf with other Islamic social funds, such as zakat and qard hasan, can also create self-sustaining, socially beneficial ventures that promote long-term societal well-being (Islam et al., 2023). The Waqf-Owned Financial Intermediary (WOFI) model has emerged as a key innovation, enabling capital pooling for large-scale projects like solar power plants. This model helps reduce wealth inequality while fostering economic growth and supporting sustainable development goals (Ari & Koc, 2021). The productive use of waqf land has also been demonstrated in regions like Bantul Regency, Indonesia, where hydroponic cultivation and biofloc farming have created economic opportunities for local communities (Priyadi & Achiria, 2022).

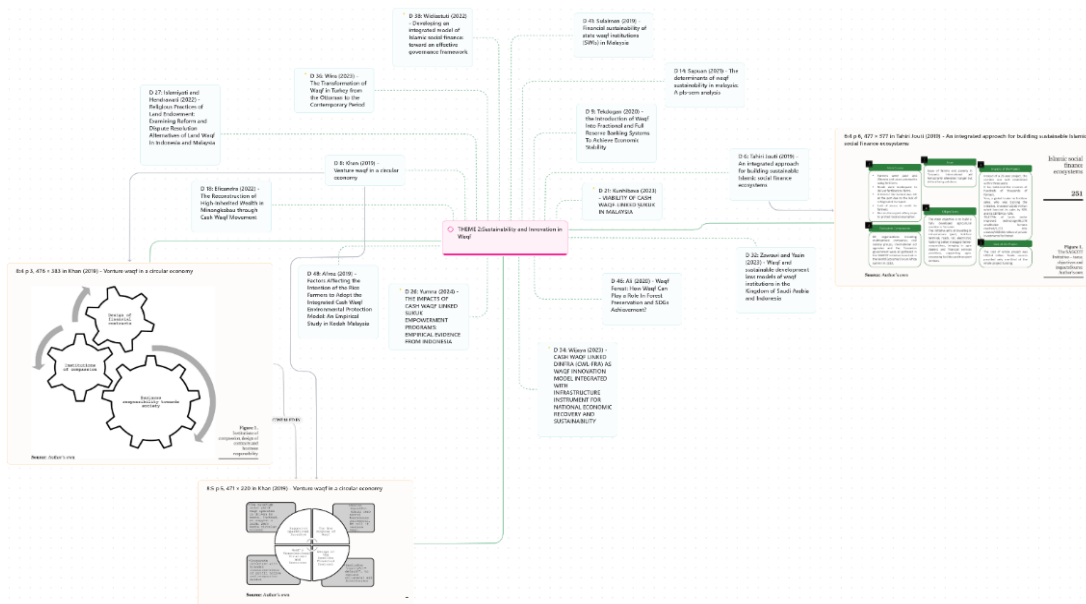
### 3.2.2 Theme 2: Sustainability and Innovation in Waqf

Figure 8 shows theme 2 about Sustainability and Innovation in Waqf. Waqf has significant potential in advancing sustainability and fostering innovation, mainly through models integrating environmental protection, economic development, and community empowerment. Various studies have highlighted how waqf can contribute to Sustainable Development Goals (SDGs), especially in poverty reduction, climate action, and sustainable agriculture.

A key innovation is the development of productive waqf forests, which provide intangible benefits such as environmental protection and generate tangible returns that can

fund further forest development. These forests can support SDGs like poverty alleviation, climate action, and biodiversity conservation, aligning with global sustainability targets (Ali & Kassim, 2020). In Saudi Arabia and Indonesia, waqf has also been instrumental in sustainable development, particularly in education, water supply, and poverty reduction. The waqf system has shown how legal frameworks and cross-sector collaboration can ensure the sustainability and transparency of waqf management to achieve SDGs (Yasin et al., 2023).

Another innovative approach is the Integrated Waqf Environmental Protection Model (IWEPP), which encourages farmers to adopt sustainable practices to address climate change. The adoption of this model among farmers in Kedah is influenced by social norms and awareness of climate risks, underscoring the potential of waqf to foster community-driven environmental protection (Afroz et al., 2019).



**Fig. 8: Theme 2 (Sustainability and Innovation in Waqf)**

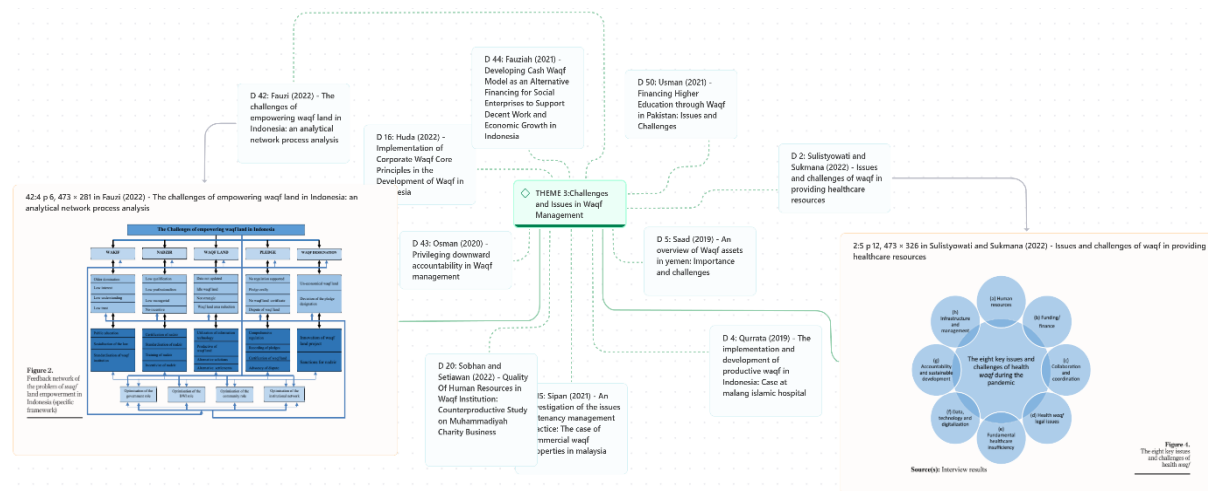
Cash waqf has also emerged as a significant contemporary model with the potential to support infrastructure development and national economic recovery. The Cash Waqf Linked DINFRA (CWL-FRA) model, which integrates cash waqf with infrastructure financing, exemplifies how waqf can be harnessed for long-term economic sustainability. This innovative model provides a sustainable source of social funds, helping to finance infrastructure while contributing to the broader goals of economic development and social welfare (Wijaya, 2023).

Furthermore, in the Minangkabau region, the cash waqf movement has been used to restore the role of high-inherited wealth, empowering communities to reclaim and manage ancestral assets. This approach offers a model for transforming traditional wealth into productive assets that support local economic development and improve community welfare (Eficandra, 2022).

### 3.2.3 Theme 3: Challenges and issues in waqf management

Theme 3 focuses on the challenges and issues in waqf management, particularly its role in socio-economic development. In Indonesia, social enterprises contribute to the SDGs, particularly by empowering minorities, but financial sustainability remains a challenge due to the conflict between social missions and investor returns. Fauziah (2021) introduces the

Integrated Cash Waqf Social Enterprise Business (ICWSE-B) model, using cash waqf to provide a sustainable financial solution for decent work and economic growth (SDG 8), blending Islamic finance with modern business practices.



**Fig. 9: Theme 3 (Challenges and issues in waqf management)**

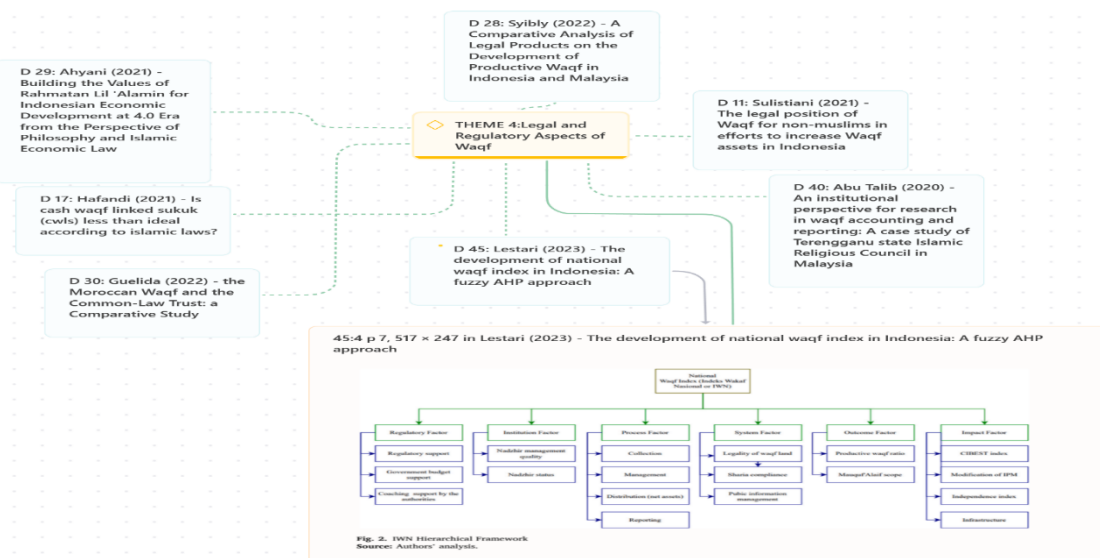
Corporate Waqf Core Principles (CWCP) offer another approach to sustainable waqf management, with Huda (2022) comparing YBW UII Yogyakarta's model of developing waqf assets through corporate management. Despite some deviations, proper application of CWCP is essential for long-term sustainability. However, challenges like counterproductive behaviour, a limited understanding of regulations, and organizational issues hinder effective waqf management. Sobhan and Setiawan (2022) emphasize the need for emotional intelligence and a conducive work environment to improve asset management. Engagement with beneficiaries is also crucial, as overemphasizing financial tools without stakeholder involvement reduces waqf's impact (Osman, 2020).

In Indonesia, obstacles to waqf land utilization include low public trust, unprofessional nadzir, and idle lands. Solutions proposed include education, nadzir certification, and technology (Fauzi, 2022). In Malaysia, tenancy management and rental arrears pose barriers to the financial sustainability of commercial waqf properties (Sipan, 2021). In Yemen and Pakistan, governance, resource issues, and legal barriers also impede the use of waqf in education and other sectors (Saad, 2019; Usman, 2021). These studies underscore waqf's potential in economic development but highlight the need for innovative models like ICWSE-B and CWCP to address human resource, operational, and engagement issues to maximize waqf's socio-economic impact.

### 3.2.4 Theme 4: Legal and Regulatory Aspects of Waqf

The "Legal and Regulatory Aspects of Waqf" theme explores various frameworks, challenges, and comparative analyses. Ahyani (2021) emphasizes integrating *rahmatan lil 'alamin* values into Indonesia's economic development during the 4.0 era, showcasing how Islamic economic law promotes justice and addresses weaknesses in conventional systems. Modern applications, such as cash waqf and halal industries, highlight the adaptability of Islamic principles to foster inclusive socioeconomic growth.

Hafandi (2021) examines Cash Waqf Linked Sukuk (CWLS), part of Indonesia's National Money Waqf Movement. While aligned with Islamic law, CWLS requires refinements to meet community expectations. Similarly, Guelida (2022) compares Morocco's Waqf with common-law trusts, noting shared asset-management goals but differences in economic roles, as Morocco's Waqf remains primarily religiously oriented.



**Fig. 10: Theme 4 (Legal and Regulatory Aspects of Waqf)**

The National Waqf Index (IWN) proposed by Lestari (2023) identifies six regulatory, institutional, process, system, outcome, and impact factors to standardize performance evaluation, enhancing Waqf governance and socioeconomic contributions. Sulistiani (2021) highlights the potential of non-Muslim contributions to Waqf, expanding its socioeconomic impact beyond religious boundaries. Meanwhile, Abu Talib (2020) investigates institutional pressures on Waqf accounting in Malaysia, emphasizing transparency and accountability influenced by religious principles.

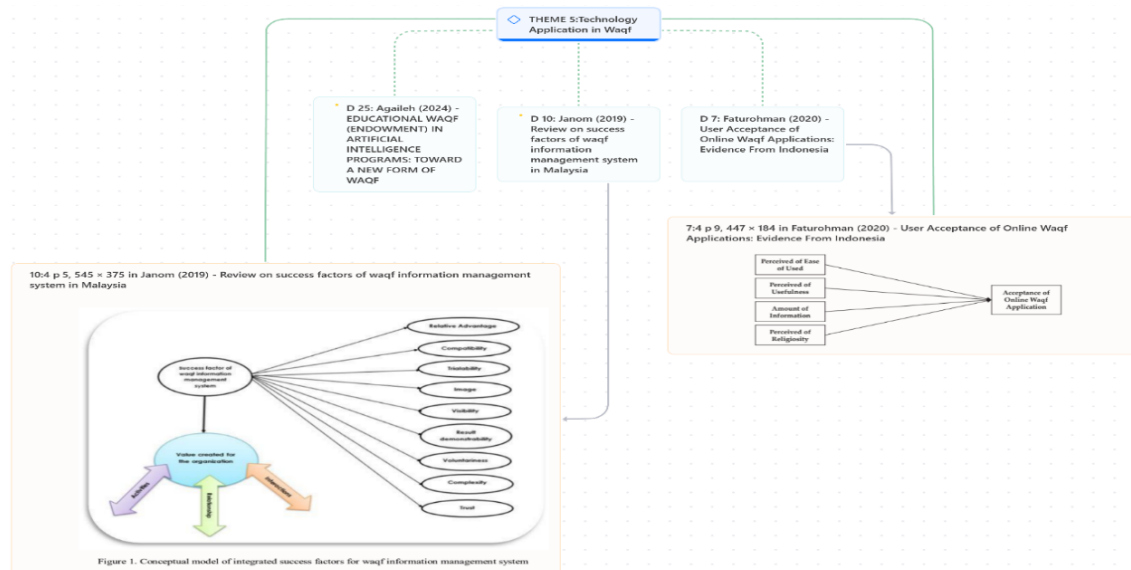
Finally, Syibly (2022) compares productive Waqf development in Indonesia and Malaysia, showing how colonial histories shaped their legal frameworks. Both nations have advanced Waqf integration, highlighting the need for adaptive reforms to promote socioeconomic development. These studies collectively reveal how Waqf can align traditional Islamic principles with modern systems, fostering sustainable progress while preserving cultural and religious heritage.

### 3.2.5 Theme 5: Technology Application in Waqf

The theme of technology in waqf highlights its transformative potential in enhancing efficiency, transparency, and user engagement. Agaileh (2024) explores waqf's application in supporting artificial intelligence (AI) educational programs in Dubai. The study underscores the integration of waqf with modern education, emphasizing its role in advancing economic progress and social justice. It highlights the UAE's legal waqf structure and potential to attract investments in innovative initiatives like AI. Janom et al. (2019) focus on waqf information administration systems in Malaysia, identifying challenges such as incomplete data, lack of transparency, and asset mismanagement. The study proposes a conceptual model that



addresses these issues through improved connections, trust, compatibility, and demonstrability, enhancing waqf management systems and delivering better stakeholder outcomes.



**Fig. 11: Theme 5 (Technology Application in Waqf)**

Using the Technology Adoption Model (TAM), Faturhman et al. (2020) evaluate user acceptance of online waqf apps in Indonesia. Key factors include perceived utility, ease of use, and comprehensive information delivery. The study recommends user-friendly designs and incentives to maximize currency waqf collection, demonstrating how technology can expand waqf's reach and impact. These studies illustrate how integrating technology into waqf administration can address traditional challenges while promoting sustainability, transparency, and accessibility. Balancing modern solutions with waqf's core principles ensures continued socioeconomic contributions in contemporary contexts.

#### 4.0 DISCUSSION AND FUTURE STUDIES

This study emphasizes the role of various waqfs in driving social development, focusing on innovation in productive waqf asset management and sustainability-oriented models (Wijaya, 2023). The integration of waqf with equity-based financing, microcredit, and cash waqf shows its potential to address poverty, education, and renewable energy issues (Ahmad & Karim, 2019). However, challenges such as unused waqf assets, limited financial resources, and less efficient governance continue to hinder the effectiveness of waqf institutions (Sharip et al., 2019). Sustainable practices, such as the development of productive waqf forests and models such as the Integrated Waqf Environmental Protection Model (IWEP), also reflect the waqf's ability to contribute to the global Sustainable Development Goals (SDGs), particularly in climate action, biodiversity, and community welfare (Islamiyati, 2023).

Governance and technology have emerged as key drivers to modernize waqf management (Fatoni, 2021). Although legal frameworks and models such as Corporate Waqf Core Principles (CWCP) and Integrated Cash Waqf Social Business (ICWSEB) address operational challenges, issues such as low public trust, nazir professionalism, and regulatory inconsistencies persist (Kasri & Hilmi, 2020). Integrating technology, including online waqf

platforms and AI-driven solutions, can improve transparency, accountability, and stakeholder engagement (Yusop et al., 2024). However, the balance between using modern tools and preserving traditional waqf principles remains important (Shaikh et al., 2017).

Future studies should focus on improving waqf governance through innovative technologies like blockchain and explore interdisciplinary approaches by integrating waqf with Islamic social finance instruments such as zakat and qard Hasan. A comparative analysis of global waqf frameworks can identify best practices for governance and socioeconomic impact. Additionally, studies on public trust, stakeholder engagement, and human capital development can strengthen community engagement and operational efficiency, enabling waqfs to address complex socioeconomic challenges while aligning with the global sustainability agenda.

## 5.0 IMPLICATIONS OF STUDY

This study explores the transformative potential of waqf in driving social development through integration into modern sectors like health, education, and business. Analyzing studies from 2019 to 2024 identifies key themes, including corporate growth, sustainability, innovation, legal frameworks, and technology applications. These findings reveal waqf's role in fostering economic empowerment, reducing poverty, and enhancing access to education while promoting collaboration between philanthropic and business sectors.

The study provides valuable insights for policymakers, practitioners, and researchers to modernize waqf practices and address societal challenges. Emphasizing sustainability, innovation, and legal aspects, it highlights technology as a critical enabler for optimizing waqf impact, enhancing asset management, and broadening access to services. Ultimately, this study establishes waqf as a strategic tool for sustainable social welfare and economic growth, offering a robust foundation for future research and practical applications to improve the well-being of the ummah.

## COAUTHOR CONTRIBUTION

All authors have reached a consensus and collaborated in this publication with no conflicts.

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## A CONCEPT OF QUALITY OF WORK LIFE IN THE TEXTILE MANUFACTURING INDUSTRY

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### ABSTRACT

*The manufacturing sector is one of the important sectors of Malaysia's economy. In 2024, this sector is projected to grow by 4.2%, a notable increase from the estimated 1.4% in 2023. This growth rate is higher than other sectors, marking a substantial difference of 2.8% between the years 2023 and 2024. Although it is forecast to expand in 2024 nonetheless, the textile industry within this sector has experienced limited growth, attributed to its perception as labour-intensive. In formulating New Industrial Master Plan (NIMP) 2030, the government recognized 12 key challenges and one of them is the stagnation of labour productivity. This problem arises when the pace of improvement in worker productivity gradually slows down or stops. The Quality of Work Life (QWL) is one of the key factors that impact the workers' productivity. It is applied to ensure the workers can enjoy a good work environment and other practices to boost their job performance and reduce turnover. QWL encompasses various dimensions, including work environment, compensation and reward, job security, and development and opportunities. This paper aims to assess the concept of QWL within the textile manufacturing industry. The review highlights the necessity for textile manufacturers to implement effective QWL strategies to foster a motivated workforce and maintain competitiveness. By prioritizing QWL initiatives, organizations can create a supportive workplace to attract talent and retain skilled employees. This paper contributes to the understanding of QWL as a strategic Human Resource Management (HRM) practice and recommendations for future research and practical applications in this sector.*

**Keywords:** Textile manufacturing industry, Quality of Work Life (QWL)

### 1.0 INTRODUCTION

The manufacturing sector is one of the important sectors of Malaysia's economy. It has contributed to the country's gross domestic product (GDP), exports, and employment rates. In the third quarter of 2024, Malaysia's GDP of the manufacturing sector has shown a better growth which increased by 5.6% as compared to previous quarter of the same year that recorded 4.7% (Department of Statistics Malaysia, 2024). According to the Ministry of Investment, Trade, and Industry (2023), the manufacturing sector has contributed 24% to Malaysia's GDP and 84% to total exports, as well as employment opportunities for approximately 2.7 million citizens. This sector plays a significant role in boosting Malaysia's

Gross Domestic Product (GDP). Recent data from the Statista Research Department (2023) reveals a consistent rise in the sector's contribution to Malaysia's GDP over the past few decades. Specifically, in 2022, the manufacturing sector made a substantial contribution of RM 364.52 billion, marking a notable increase from around 337.22 billion Malaysian ringgit in 2021. As reported by The Star Online (2023), the boosted growth rate can be attributed to better performance in industries focusing on both exports and domestic markets. It consists of various industries, including electronics, automotive, textile, and food processing.

On September 1, 2023, the New Industrial Master Plan (NIMP) 2030 was launched to mark a significant milestone in the nation's journey towards the MADANI economy (Shahril, 2023). It is a commitment to the growth of the nation's manufacturing sector with ambitious microeconomic targets that include boosting the Gross Domestic Product (GDP) of this sector (Shahril, 2023). To position Malaysia as a global leader in industrial development, expanding domestic connections to generate prosperity throughout the nation from manufacturing activities, and reinforcing its standing in the global value chain, the NIMP 2030 was formulated (Ministry of Investment, Trade, and Industry, 2023). This new master plan prioritizes the growth of the nation's economy and aims to ensure resilience in the face of emerging challenges and five megatrends. It goes beyond government initiatives, fostering collaboration with the private sector to jointly work towards the shared objective of elevating Malaysia to a high-income economy with increased economic complexity. In formulating the NIMP 2030, the Malaysian Government recognized 12 key challenges faced by the country and one of them is the stagnation of labour productivity (Ministry of Investment, Trade, and Industry, 2023). According to the Department of Statistics Malaysia (2024), labour productivity, in essence, quantifies the amount of output generated per hour worked or per individual employed. It is often misunderstood as an indicator of how 'hardworking' workers are; however, it more accurately reflects the effectiveness of skills, machinery, and processes in place. Policymakers closely monitor labour productivity, as it serves as a crucial determinant of sustainable economic growth (Department of Statistics Malaysia, 2024). Stagnation of labour productivity occurs when the rate at which labour productivity increases slow down or stops entirely over a period of time. When labour productivity stagnates, it means that despite continued work and potentially even investments in technology or skills, the output generated does not significantly improve.

According to Farhana et al. (2022), Malaysia's textile manufacturing industry face major challenge of the availability of workers due to low population density and a labour deficit. In this industry, the employees are paid below minimum wages, have excessive working hours, and need to work in unsafe working conditions (United Nations Environment Programme, 2020). Therefore, this issue is expected to be solved by migrating skilled workers from other emerging countries. However, this approach raises additional concerns, including issues related to wages and payment, gender, forced labour, trade unions, and employment legal status. Workers in this industry are also being exposed to endotoxins and cotton dust, which threaten their health (Christiani, 2021). The speech of the Chairperson of the Malaysian Textile Manufacturers Association (MTMA), Datuk Seri Tan Thian Poh, further strengthened the allegation of this subsector limiting growth, and he indicated his concern about this issue arising in this industry (Malaysian Investment Development Authority, 2023). The MTMA's chairperson also stated that rather than solely focusing on competition the textile industry should focus on being lucrative through enhancing industry productivity. He also emphasizes that it is necessary to improve the productivity of this industry to ensure its success. Achieving this goal is closely tied to creating a workplace that promotes innovation, efficiency, and high job performance. Currently, there are approximately 1,473 textile factories in all over states of Malaysia, as reported by the Department of Statistics Malaysia (DOSM). The intense competition among local manufacturers striving to produce high-quality textiles and products. The competition of this subsector shows significant impacts of the textile manufacturing industry on Malaysia's GDP, imports, and exports (Farhana et al., 2022). To add, Malaysian textile manufacturers also contribute to supplying a diverse range of high-quality products to

well-known global brands such as Nike, Ralph Lauren, Reebok, Adidas, Gucci, Gap, Puma, Calvin Klein, Walt Disney, Ashworth, Under Armour, and Uniqlo. This reflects the industry's outstanding performance and increasing assurance in the global marketplace (Farhana et al., 2022).

The Quality of Work Life (QWL) within a company is the key factor that impacts the productivity and job performance of the employees and will then improve the growth of the organization (Asharini et al., 2018). Numerous dimensions of QWL have been examined by previous researchers, including those focused on the textile manufacturing sector; however, the findings remain inconclusive. As a result, a more thorough and comprehensive set of dimensions for assessing QWL in this sector has to be developed.

## **2.0 LITERATURE REVIEW**

According to Michael (2022) QWL is an inclusive strategy that aims to improve the work environment while addressing the personal needs of the employees. Past studies examining QWL primarily centered on the work environment, but it is currently shifting to prioritize understanding and fulfilling the needs of the employees. In a nutshell QWL acknowledges and encourages employees' overall needs and goals throughout their employment journey. Saraji and Dargahi (2006), mentioned that QWL is an approach that involves employers making contributions to enrich the lives of their employees. The finding of each past studies differed; for instance, Saraji and Dargahi (2006) found that the dimension of work environment which consists of occupational health and safety, and supportive managers or supervisors together with monetary compensation are the most important factors to increase QWL that contributes to employees' satisfaction, trust and unity and cooperation among workers. Aruldoss et al. (2020) stated that QWL consists of multi-faceted dimensions that include elements like job security, training and career advancement, reward and benefit and conducive working environment. By Enhancing QWL it will increase employees' productivity and improve job performance (Asharini et al., 2018). Past studies have shown that various dimensions of QWL have a direct influence on overall job performance (Michael et al., 2022; Suci et al., 2022). The researchers that explored QWL have used a different range of dimensions and factors according to the topics and industries they conducted the study (Ramachari et al., 2013).

### **2.1 Quality of Work Life in the Textile Industry**

The textile industry should mainly focus on improving the quality of work life because it was found that by providing good QWL it will enhance the employees' commitment and engagement towards the work. QWL should become a key Human Resource (HR) strategy, including guidelines and rules for enforcement (Venkateswaran et al., 2023). According to Nanjundeswaraswamy and Beloor (2022), this industry is hard to recruit and retain young workers as this industry seems less attractive to them compared to other industry. Therefore, the researcher stated, it should design better management strategies for better performance to increase attractiveness of this industry and decrease the intention of the workers to quit their job. Nanjundeswaraswamy and Beloor (2022), suggest practical implications for the employers to identify suitable components of QWL to enhance employees' performance as well as hiring plans among skilled and talented employees.

Prior studies examined QWL in certain aspects across a range of sectors, including education, services, tourism, and manufacturing. There are also several studies that have explored the dimensions of QWL, specifically within the textile manufacturing industry. The concept of QWL has evolved from focusing solely on the workplace environment to addressing various worker needs and satisfaction factors. Different studies examine the influence of QWL differently based on the needs of the research that was conducted. Some researchers that conduct their studies in the textile manufacturing to identify the influence of QWL on the turnover intention (Karunanayake & Weligamage, 2016; Indhumathi et al., 2019). However,

most of the researchers conducted their studies in this industry to examine the level of QWL among the workers in order to ensure workers' productivity, satisfaction and job performance (Enamul et al., 2015; Jain et al., 2023; Koruca et al., 2011; Nanjundeswaraswamy & Swamy, 2013; Rathamani & Ramchandra, 2013; Sundarapandian & Kanagaabuselvam, 2013; Venkateswaran et al., 2023).

## **2.2 Dimensions of Quality of Work Life in the Textile Industry**

The quality of work life is one of the key factors that impact the productivity of the workers that is applied to ensure the workers can enjoy good work environment and other practices to boost their job performance and reduce turnover. It can be categorized into a few dimensions, including work environment, compensation and reward, job security, and development and opportunities. For the work environment dimension, it consists of ergonomics and safety measure, physical and psychological work environment, and safe and healthy working conditions (Tarafder, 2019; Rithinyo et al., 2022). Meanwhile, for compensation and reward it consists of financial measure such as wages, salaries, and rewards which maintain productivity and maintain satisfactory performance (Nanjundeswaraswamy & Beloor, 2022). Job security is one of the dimensions that employees desire for their job stability and for them to not being impacted by unpredictable policies which will make them insecure (Swamy & Rashmi, 2015). For the development and opportunities, it consists of sufficient training that provided to the workers for their self-growth opportunities and to develop human capacities (Nanjundeswaraswamy & Beloor, 2022).

### **2.2.1 Work Environment**

The environment in this industry is a crucial factor to ensure the workers are comfortable working in a long period. Workers in this subsector are exposed to a variety of risks and hazards while performing their assigned tasks, which can result in both short-term and long-term injuries. A few researchers such as Tarafder (2019) and Rithinyo et al. (2022) have raised concern of work environment and ergonomics in this industry. Rithinyo et al. (2022) mentioned that repetitive process in a fixed posture can cause musculoskeletal disorders that usually impacts body parts especially in the elbow, shoulders, wrists, hands and back. Previous studies often use the dimensions that relate to the environment such the physical and psychological work environment and the safe and healthy working conditions as one of the QWL dimensions. Venkateswaran et al. (2023) conducted a study to investigate QWL, job satisfaction and employee performance in textile industries during Covid-19. The result of this study found that, compared to male, female workers were highly viewed the environment and safety measures of QWL as it scores the highest mean among other dimensions. The researcher also emphasized that safe working conditions and good relationship with colleagues and supervisors will improve the QWL of the employees.

Karunanayake and Weligamage (2016) investigated the impact of QWL on the intention of sewing machine operators to quit the Sri Lankan garment sector. The findings of this study revealed that the strong negative relationship for this study was for safe and healthy working conditions. This dimension showed the strongest contribution to explaining turnover intention among operators in the apparel industry. The researcher also emphasized the importance of safe and healthy working conditions that encourage the workers to perform well and positively contribute to the organizational goal. This was supported by a study conducted by Sundarapandian and Kanagaabuselvam (2013), which emphasized the importance of this dimension as the factor of a good work environment. In this study, the researcher measures working conditions through level of dust, adequate ventilation, lighting facilities, working positions, heavy lifting, and level of noise. Nanjundeswaraswamy and Beloor (2022) conducted a study of the QWL of employees that work in the garment industry by using measurement of facility factors by combining transportation facilities, safety measures and safe and healthy facilities with the same factors. The researcher however measured the work

environment factor through a good work environment, rules and regulations, and a motivating work environment.

Jain (2016) stated psychological work environment is one of the dimensions of QWL. In this study, the researcher aimed to investigate the problems of inefficient functioning of the textile industries in Rajasthan which stem from poor QWL. The result of this study showed that psychological environment, for instance, the bonding with the team is one of the crucial factors that needed to enhance QWL in the textile industry. The researcher also concludes the importance of improving interpersonal relations and take proper care of the workers' welfare, safety, and benefit measures to provide the workers with a good and conducive work environment that will improve their performance and productivity. This was supported by the study that conducted by Enamul et al. (2015) in which the researcher also emphasized developing an environment of informal relationships and open communication as one the factors to be considered by the employers to improve QWL in this industry. In a study conducted by Koruca et al. (2011), the researcher focused on the work environment as the dimensions of QWL that classifies to physical and psychological, environment and psychology, education, ergonomics, occupational health, organization, motivation and performance, and work safety. The researcher analyses education through the knowledge and capability of the work environment and work education on site. Education, followed by ergonomics and work safety scored the highest level of satisfaction which result in minimal risk for all operators and in a good level in the factory.

### **2.2.2 Compensation and Reward**

According to Diyana (2024), the issue that arises in most of industries in Malaysia is low minimum wages that is paid to them. The minimum wages of this country is still in planning and has been proposed of raising from RM 1,500 to RM 1,700; however, some economists have strongly suggested that it should be increased at least 33% to RM 2,000 per month because the current wages is below the cost of living in this country (Diyana, 2024). The assistant manager of Institute for Democracy and Economic Affairs (IDEAS), Doris Liew, mentioned that raising wages in the sectors like food and beverage (F&B), as well as textile, wearing apparel, and leather industry where the workers earn less on average will be harder (Diyana, 2024). However, she highlights that these industries should enhance efficiency through technology rather than relying on low-wage workers to save costs (Diyana, 2024).

QWL also can be measured through compensation and rewards given to the workers such as wages, salaries, and rewards. In the study conducted by Nanjundeswaraswamy and Beloor (2022), the researcher categorizes compensation and rewards by measuring wage policies, fine policies, rewards, and salaries that are paid. This dimension played an important role in ensuring satisfaction among employees. This was supported by the result of the study conducted by Venkateswaran et al. (2023), in which the researcher concluded that, the workers tend to be more productive and maintain good performance when they are satisfied with the salary, wages, bonuses and rewards given. The researcher also suggests that in order to increase employee productivity and loyalty, the company should offer them a wage and salary that is comparable with their education and job experience. In a study conducted by Jain (2016), one of the measurements of QWL was related to rules and regulations of compensation in the industry. It was found that the respondents agree that the rules and regulations related to compensation in this industry are adequate and fair. However, the workers of this subsector expected more changes in the salary and monetary benefits offered to them in order to be more satisfied with the existence of QWL in this industry (Jain, 2016). Apart from that, respondents evaluated this dimension as one of the key factors required to improve QWL. The researcher also suggested that textile industries could make better pay changes, increase increments, and adopt fair compensation policies to promote worker performance and productivity. Previous studies have also found the importance of compensation and rewards in reducing turnover intention among the workers that work in the



textile industry (Karunanayake & Weligamage, 2016). The result from this study showed adequate and fair compensation was one the best predictors for determining turnover intention. According to the researcher, the companies should compensate their employees according to their efficiency and establish a fair income distribution among them. Enamul et al. (2015) in the study conducted, found that workers of the garment industry were more likely to disagree with the compensation package that offered. From his study, this dimension scored highest percentage of suggestions recommended by the respondents to provide a better compensation package. Sundarapandian and Kanagaanbuselvam (2013) also emphasizes, the workers in this industry expected to increase in pay as fair and equitable wages have become one of the concerns among the workers.

### **2.2.3 Job Security**

Job security is one of the dimensions of QWL where the employees desire job stability and prefer not to be impacted by employers' unpredictable policies that leave them insecure (Swamy & Rashmi, 2015). In the study conducted by Venkateswaran et al. (2023), it was found that all dimensions of QWL including job security are directly influence employees' job satisfaction and performance. In the scenario that happened in the textile industry that is located in Madurai, where the workers' rights were denied and they will be dismissed if they start a trade union or join any existing trade union and their name will be blacklisted so they are unable to obtain work in the region (Sundarapandian & Kanagaanbuselvam, 2013). This situation that happened because of the employers' unpredictable policies that will increase job insecurity among workers. The researcher stated a few factors that become insecurity that faced by the workers in the textile industry such as transfer to other duties, threat of dismissal, threat of unemployment, unexpected changes in the work, and intolerable increase of workload. Among these factors, threat of unemployment is the lowest insecurity that faced by the workers. From the result of this study, it can be concluded that one of the expectations of the workers is to assure job security in this industry.

Nanjundeswaraswamy and Beloor (2022), emphasized job security can be measured by fringe benefits, security in the workplace, and social security benefits. The outcomes of the study indicated a high correlation between employees' QWL status and job stability. Hence, job security is the highest predictor of QWL compared to other dimensions that used in this study. However, in the study conducted by Rathamani and Ramchandra (2013), job security was measured by comprehensive work, challenging work, opportunities to improve job, and use of newly acquired knowledge. In this study, job security was then scored the lowest factor to influence employees' QWL as it scored mean value of 2.26 compared to the highest factor which is motivational insights at mean value of 3.00. Job insecurity can affect the business due to the instability in jobs will give major source of stress to workers (Sana & Mohammad, 2022). The study was conducted to examine the cause of job insecurities among employees of textile industry. In this study the researcher stated that when the workers are worried about losing job, they tend to suffer health problems both mentally and physically. It will also increase the intention to quit their job and more care less about the organization (Sana & Mohammad, 2022).

### **2.2.4 Development and Opportunities**

Development and opportunities consist of sufficient training programmes provided to the workers, opportunities for self-growth, opportunities to participate in making decision, and opportunities to develop human capacities. Training and development are one of the crucial dimensions of QWL as it will directly influence employees' job satisfaction and performance (Venkateswaran et al., 2023). Nanjundeswaraswamy and Beloor (2022) measure this dimension through sufficient training programs provided, opportunities for employee's self-growth, and Training programs that are challenging to execute. Karunanayake and Weligamage (2016) emphasize that development of human capabilities is among other factor

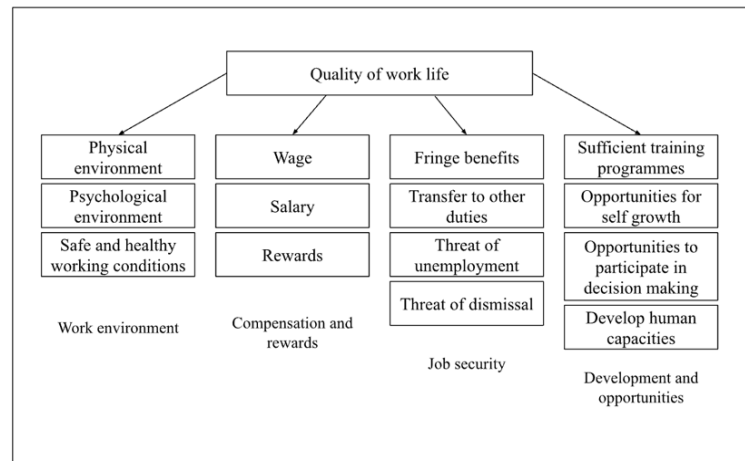
that the organization should consider as for young workers who have various skills to polish at the workplace. The researcher also stated that the organization should encourage the younger generation to make decisions and provide training and development for a clear career path. Development of human capabilities among other dimensions that are the best predictors for determining turnover intention among the workers of this industry.

Enamul et al. (2015) stated that workers in the textile industry expected an increase in development opportunities as a desirable factor that employers should consider. In the study conducted by Rathamani and Ramchandra (2013), the researcher examines opportunities to develop human capacities through accurate information, appreciate workers' ideas, technical planning, and information of other departments. Personal growth and career opportunities has been ranked as the third factors that influences the QWL, with the mean score of 2.34 (Rathamani & Ramchandra, 2013). Development and opportunities are closely related to the previous dimension, which is job security. The growth and development of human capacities focused on job design and optimal utilisation of employment skills and abilities to ensure opportunities for job stability (Sundarapandian & Kanagaabuselvam, 2013). This is support by Karunanayake and Weligamage (2016), where the research stated that by providing necessary training and development it will then ensure workers' job security.

The findings from previous studies highlight various key dimensions of QWL that depend on the context of each study. The results of studies conducted by Venkateswaran et al. (2023) and Jain (2016) reveal that employees QWL will improve when they receive good compensation and rewards together with a conducive work environment. This is supported by Enamul et al. (2015), that found the most significant element in QWL is compensation packages and followed by safe and healthy working conditions. However, Nanjundeswaraswamy and Beloor (2022) identified job security and the work environment as the highest-ranked components of QWL. Similarly, Rathamani and Ramchandra (2013) stated that safe and healthy working conditions were the most favourable factors selected by respondents, the result also suggest that development opportunities, job security, and compensation and rewards are dimensions of QWL that expected by the employees. Sundarapandian and Kanagaabuselvam (2013) emphasized job security as the most important dimension expected by workers to improve QWL. While Karunanayake and Weligamage (2016) highlighted the significance of safe and healthy working conditions in reducing turnover intentions among workers, Indhumathi et al. (2019) prioritized compensation and rewards, opportunities to growth, job security, and a positive psychological environment as significant variables in reducing turnover rates. Despite of all the dimensions that focus by previous researchers, Koruca et al. (2011) only focus on the work environment and in the study, it was found that the level QWL in the textile company was not at an optimal level.

The quality of work life can be categorized into four categories which are work environment, compensation and rewards, job security, and development and opportunities. They are the most used dimensions in previous studies that examine QWL in the textile industry. Hence, figure 1 shows the proposed conceptual framework for this study.

A proposed conceptual model of the quality of work life in the textile manufacturing industry are shown in Figure 1.



**Fig. 1** A conceptual model of quality of work life in the textile manufacturing industry

### 3.0 CONCLUSION

Previous study that was conducted in the textile manufacturing industry have found the importance of the dimensions of QWL in this industry. The most crucial dimension of QWL is the work environment provided to the workers to ensure their well-being is supported. Most researchers stated their concern of the environment in this industry that threatened workers while completing their job. Apart from that, the next important factor of QWL is the fair and adequate compensation and reward given to the workers. This component is significant in retaining people because previous research has shown that compensation raises are one of the variables that employees expect in order to keep loyal to one organisation. Previous researchers emphasized that development and opportunities and job security are closely related. To ensure that employees feel secure in their jobs, the organisation should give sufficient training and development to allow them to grow and use their optimal skills and abilities. The organization should ensure the workers feel less insecure; therefore, they can perform well without being insecure and stressed.

In conclusion various studies have explored the importance of QWL to ensure employees productivity and their job performance. By improving employee's productivity and performance, it will also increase organization output and will give a positive impact towards the textile manufacturing industry. Research indicates that organizations that prioritize QWL initiatives witness enhanced employee satisfaction, which translates into higher commitment levels and reduced turnover rates. For instance, studies have shown that a supportive work environment, compensation and rewards, job security, and development and opportunities significantly contribute to QWL. Companies that prioritise QWL can build a more engaged and productive staff, resulting in greater success in an increasingly competitive market. Hence, it will achieve the goals of ensuring improvement of this subsector of the manufacturing sector.

### 4.0 SUGGESTION FOR FUTURE RESEARCH

Future research should broaden this study by viewing other dimensions of QWL that may be a crucial factor in determining the needs of the workers. Some of the dimensions that were mentioned by the previous researchers which received less attention are work schedule, grievance handling, constitutionalism, work, and total life space and working hours. Future research should expand this study to other subsectors of the manufacturing industry in order to acquire a better understanding of QWL. Furthermore, combining measures applied by other researchers may provide a broader view of factors that influence worker satisfaction. By examine a broader range of subsectors and QWL aspects might help identify specific needs and areas for improvement, ultimately enabling increased job satisfaction and well-being among industrial workers.

## CO-AUTHOR CONTRIBUTION

Nuzulizzwan, A. H., made an important contribution to the general writing and development of this journal publication. Rahim, N. R. A. took the responsibility of grammar correction and thorough editing to ensure clarity and accuracy throughout the research. Meanwhile, Ramli, M. F played a vital role in organizing and structuring the study's design, assisting in aligning it with the objectives and structure of this journal paper.

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## CONFLICT OF INTEREST STATEMENT

The authors declare there is no conflict of interest related to this journal paper.

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# FROM GRADUATION TO UNDEREMPLOYMENT: TACKLING THE STRUCTURAL IMBALANCES IN SKILL DEVELOPMENT AND JOB CREATION

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## ABSTRACT

*Graduate underemployment is a critical issue affecting both developed and developing countries. Despite a significant rise in the number of graduates, the labour market faces a persistent mismatch between the qualifications of graduates and available job opportunities. This study investigates the trends, causes, and consequences of skill mismatch, focusing on the growing concern of overeducation. Despite the increasing number of graduates, the analysis reveals a widening gap between the number of graduates produced and the availability of skilled jobs. The Malaysian labour market has seen a shift in job creation, emphasising semi-skilled positions rather than high-skilled roles. As a result, graduates increasingly take on jobs that only partially utilise their qualifications, contributing to rising underemployment. The economic consequences of underemployment are significant, as graduates' skills remain underutilised in roles that fail to match their expertise. This mismatch not only reduces individual productivity but also limits overall economic growth. Socially, underemployed graduates may experience lower wages, job dissatisfaction, and a sense of unfulfillment, which can further exacerbate career stagnation. To address this issue, the gap between the growing number of graduates and the creation of skilled jobs must be closed. This study calls for a coordinated effort from the government, educational institutions, and industries to address these structural imbalances, ensuring that graduates are equipped with the skills needed for emerging job opportunities and contributing to sustainable economic development.*

**Keywords:** Graduate Underemployment, Graduates, Overeducation, Job Creation, Skilled Jobs, Higher Education

## 1.0 INTRODUCTION

Matching skills with jobs has become a critical policy concern, particularly during global economic instability. Skills mismatch is a structural issue arising when the workforce's skills do not align with job requirements. While some degree of mismatch is inevitable in a rapidly evolving labour market, persistently high levels of skills mismatch impose significant economic and social costs. These costs affect employers,

workers, and society by reducing productivity, increasing recruitment challenges, and limiting career progression opportunities.

Globally, there is mounting evidence of a growing disconnect between workers' skills and the competencies employers seek. For example, the Organisation for Economic Co-operation and Development (OECD) highlighted significant mismatches between individuals' skills and educational qualifications. In the European Union, over 40% of workers perceive a mismatch between their skill levels and job requirements, with similar trends observed in Mexico, Japan, and Korea. Employers in these regions report difficulty finding candidates with the right skills, with 40% indicating challenges in meeting job requirements. The consequences of these mismatches are stark: in Europe alone, 45% of workers report either insufficient skills for their current roles or being overqualified for their jobs. Similarly, more than half of the workforce in Romania, Greece, Hungary, and Albania experience skill mismatches, underscoring the global nature of the issue.

Malaysia, too, is grappling with skills mismatch challenges, compounded by structural issues in the labour market. During the implementation of the Eleventh Malaysia Plan (2016–2020), the country witnessed a significant 25.2% increase in graduates, rising from 4.28 million in 2016 to 5.36 million in 2020 and further to 5.61 million in 2021. Despite a commendable graduate employability rate of 85.5%, a significant proportion – 80.3% of graduates face skill-related underemployment. This translates to 1.55 million graduates in roles that do not match their skills or qualifications. Skill shortages can only be filled when the higher education system and training prepared by employers can produce workers who meet the skill requirements. Some firms, especially those operating in a rapidly changing market, usually look to hire workers with higher qualifications. They believe that workers with higher qualifications can adapt to the rapid change of the future market (Desjardins & Rubenson, 2011).

The issue extends beyond underemployment statistics. Malaysia's labour force exhibits underutilisation, with gaps between the supply and demand of skilled labour. For instance, while underemployment rates were 2.3% in the first quarter and 2.5% in the second quarter of 2021, nearly half of these underemployed workers could take on additional work. Skill-related underemployment highlights the disparity between workforce capabilities and employer demands, further reflected in the mismatch between educational qualifications and labour market requirements.

Statistics from the Malaysian Graduate Tracer Studies indicate a 42% increase in graduates from 185,126 in 2011 to 260,701 in 2019. However, this growth has yet to be matched by an equivalent rise in job opportunities aligned with graduate qualifications. Compounding the issue is the uneven distribution of graduates across disciplines. While arts and social science graduates have increased significantly, the number of science graduates—critical to meeting the demands of the Fourth Industrial Revolution (IR 4.0)—has declined. This imbalance exacerbates job competition among science graduates, with only 10% finding employment upon graduation.

Persistently high rates of skill-related underemployment reflect deeper structural issues in the Malaysian labour market. The Malaysian labour force is underutilised or underemployed. The gap refers to the differences between demand and supply of labour. Underemployment may be due to work or short work. The total

underemployment was 2.3 percent (in the first quarter) and 2.5 percent (in the second quarter). Half of the underemployed workers were willing and able to do more work (Nur Thuraya Sazali, 2020). Contributing factors include changes in industry demand, technological advancements, and a disconnect between the skills taught in educational institutions and those required by employers. For fresh graduates, the lack of work experience, limited professional networks, and insufficient job-ready skills exacerbate their struggles to secure suitable roles. Prolonged unemployment or underemployment can lead to skill atrophy, further perpetuating the mismatch (Bank Negara Malaysia, 2021).

In the literature, Freeman (1976) found that underemployment was mainly due to the problem of rapid expansion of higher education, which caused an oversupply of graduates to the labour market relative to demand. Vedder, Denhart, and Robe (2013) explained that underemployment is often due to job applicants graduating from less selective colleges or with a major that has little value in the job market. Fogg, Harrington, and Khatiwada (2019) concluded that the low quality of higher education causes underemployment. Many graduates lack basic numeracy and literacy skills and cannot perform workplace tasks.

This study aims to address these pressing issues by achieving two key objectives: first, to identify trends in skill-related underemployment among graduates, and second, to investigate the factors contributing to this phenomenon. The analysis encompasses both labour supply and demand perspectives. On the demand side, it examines job availability, job creation, and the extent of skilled job fulfilment. On the supply side, it explores graduate statistics and employment trends.

This study seeks to provide actionable insights for policymakers to formulate strategies that mitigate underemployment and skill mismatches by addressing these gaps. It also offers valuable guidance to the education sector, enabling it to better align academic programs with the evolving demands of the labour market. Bridging these gaps will contribute to optimising Malaysia's workforce potential and foster sustainable economic growth.

## **2.0 LITERATURE REVIEW**

Skills mismatch represents a critical challenge to ensuring a sustainable and equitable future for work, with consequences spanning individuals, firms, and countries. It affects individuals through wage penalties and overeducation, firms through reduced productivity and market share, and nations through diminished competitiveness and lost investments. According to the International Labour Organisation (ILO, 2020), skills mismatch arises when education and training need to meet labour market demands. The rapid pace of technological changes, demographic shifts, and labour market restructuring exacerbates this misalignment.

Skills mismatch manifests across various dimensions, including skill shortages, skill gaps, and overeducation. Skill shortages occur when specific skills are in high demand but need to be supplied. Recent studies, such as McGuinness et al. (2016), Latifa (2023), and Whelan et al. (2024), highlight that skill shortages are pronounced in sectors experiencing rapid technological transformation, including information technology and renewable energy. Employers face challenges in sourcing workers



with specialised technical expertise, resulting in slowed innovation and economic inefficiencies.

Skill gaps, on the other hand, refer to workers lacking the requisite skills for their current roles. The ILO (2021) identifies that rapid technological changes often exacerbate skill gaps, particularly among mid-career workers whose skills may lag behind emerging industry standards. Skill gaps can also stem from the limited responsiveness of educational systems to evolving labour market needs (OECD, 2023). Research by Kupets (2015) suggests that skill gaps are particularly evident in economies transitioning towards Industry 4.0, where digital literacy and problem-solving skills are increasingly prioritised. Also, the focus of the research on skills mismatches should not be limited to education and training systems as it may be a misguidance. The role of wage-setting may be a critical factor in skill mismatch (Roland & Thijs, 2017).

Several studies have explored factors contributing to skills mismatch. The mismatch is not solely attributable to education and training systems but is also influenced by labour market dynamics and wage-setting mechanisms. Choi (2016), Kim and Lee (2023), and Fleckenstein et al. (2023) found that immobility and barriers such as non-recognition of qualifications can hinder workers' ability to secure jobs matching their skills, while Restrepo (2015) argue that rigid wage structures in some countries discourage firms from hiring workers with advanced skills, contributing to underutilisation.

Green and McIntosh (2007) investigated skills and educational mismatches in Britain using a cross-sectional survey of 4,470 individuals aged 20–60. They found that overqualified and over-skilled workers were more likely to work in low-skill industries, with managers and professionals experiencing the lowest incidences of over-skilling. Individual characteristics (e.g., age, marital status) and job status (e.g., full-time employment) were significant determinants of overqualification. Their analysis highlighted that overqualification often represents underutilised skills, whereas underqualification showed no apparent connection to underskilling.

Technological advancement remains a key driver of skills mismatch. As noted by CEDEFOP (2023), the rapid pace of globalisation and automation often outpaces workers' ability to adapt, leading to skills obsolescence. Sectors experiencing technological disruption, such as manufacturing and finance, face challenges in maintaining workforce alignment with evolving skill demands.

Overeducation, a dimension of skills mismatch, arises when workers possess qualifications exceeding job requirements. Recent studies shed light on the prevalence of overeducation in developed and developing economies. For instance, Ramos and Ramos (2020) found that nearly 20% of tertiary-educated workers in the European Union were employed in positions requiring lower qualifications. The study also highlighted that overeducation is linked to reduced job satisfaction and lower earnings, contributing to workforce inefficiencies. Cutillo and Di Pietro (2006) analysed overeducation in the Italian graduate labour market using a sample of 14,383 graduates. They identified age and gender as significant factors, with older workers more likely to experience overeducation while females were less likely to do so. Workers with postgraduate qualifications and extensive experience were less likely to be overeducated. Furthermore, job characteristics such as full-time employment and

self-employment were associated with reduced probabilities of overeducation. However, graduates in economics and statistics were more likely to be overeducated than those in law, sciences, and agriculture. These findings contrasted with earlier studies by (Dolton & Vignoles, 2000).

Meroni and Vera-Toscano (2017) examined overeducation among graduates. They observed that overeducation was more prevalent among general degree holders than among those with professional qualifications, such as engineering and accounting. The study underscored the importance of aligning educational curricula with labour market demands to mitigate the mismatch. Robst (2007) examined the alignment between college majors and occupations in the U.S. Using a logit model and data from 124,063 individuals, he observed that graduates with specific skill sets—such as those in library science, engineering, and architecture—were less likely to experience mismatches compared to those with general skill sets, such as English and social sciences. Postgraduate degree holders were also less likely to face mismatches, emphasising the role of specialised education in reducing skills mismatch.

Lim (2013) studied graduate overeducation using longitudinal data from two surveys of 154 employed graduates in Malaysia. The findings revealed that professional degree holders, particularly in accounting, were less likely to experience overeducation than business administration and finance graduates. Family background factors, including economic inactivity, also significantly influenced the likelihood. Larger sample sizes were associated with increased odds of overeducation. Similarly, Alzubaidi (2021) analysed overeducation among Saudi Arabian graduates and found that individuals with general-field degrees, such as humanities, were more prone to overeducation than those in STEM fields. The study emphasised the need for targeted career counselling and skills enhancement programs to address this challenge.

The dynamics of skills mismatch underscore the importance of addressing both supply- and demand-side factors in the labour market. Recent research emphasises the growing role of technological advancements, labour mobility, and wage-setting mechanisms in exacerbating or mitigating mismatch. Policymakers must collaborate with educational institutions and industries to align educational outcomes with emerging labour market needs. By addressing these challenges comprehensively, stakeholders can foster workforce adaptability, enhance economic efficiency, and promote a more resilient labour market.

### **3.0 METHODOLOGY**

This study employed a comprehensive data set from various reports to analyse graduate employment trends and skill-related underemployment. The data sources include the Graduate Statistics (2017–2021) published by the Ministry of Higher Education (MOHE), the Labour Force Survey 2021, and the Labour Market Review 2022 from the Department of Statistics Malaysia (DOSM). These datasets provide critical insights into the representation of graduates in the workforce and the dynamics of skill utilisation in the Malaysian labour market.

The proportion of graduates in skill-related underemployment (SRU) is calculated to evaluate the representation of graduates within specialised recruitment categories. This is done by dividing the number of graduates employed in SRUs by the total number of SRUs ( $\text{Number of graduates in SRUs} / \text{Number of SRUs}$ ). This metric explains how graduates are distributed in specific employment units requiring specialised skills.

Next, the proportion of graduates in the labour force is assessed to examine their representation within the workforce. This is calculated by dividing the total number of graduates in the labour force by the total labour force size. This calculation indicates the overall integration of graduates into the labour market and their contribution to the economy.

To measure graduate employment, the study determines the proportion of graduate employment, which is the ratio of employed graduates to the total number of employed individuals in the labour force. This metric reflects how graduates contribute to overall employment in the country.

The availability of skilled positions is analysed using the proportion of filled-skilled jobs, calculated by dividing the number of filled-skilled jobs by the total number of filled jobs. This metric provides an overview of the availability of skilled job opportunities relative to the total job market.

The study further breaks down graduate employment by skill categories to understand the alignment between educational qualifications and job roles. The proportion of graduates in skilled jobs is calculated by dividing the number of graduates in skilled positions by the total number of employed graduates. This measure assesses the extent to which graduates are employed in positions that match their qualifications and training.

In addition, the proportion of graduates employed in semi-skilled jobs is determined by dividing the number of graduates in semi-skilled positions by the total number of employed graduates. This calculation identifies the share of graduates working in roles requiring some skill level but potentially not fully utilising their educational background.

Finally, the proportion of graduates employed in low-skilled jobs is analysed by dividing the number of graduates in low-skilled positions by the total number of employed graduates. This measure highlights the prevalence of underemployment among graduates, where individuals work in jobs that do not require their level of education.

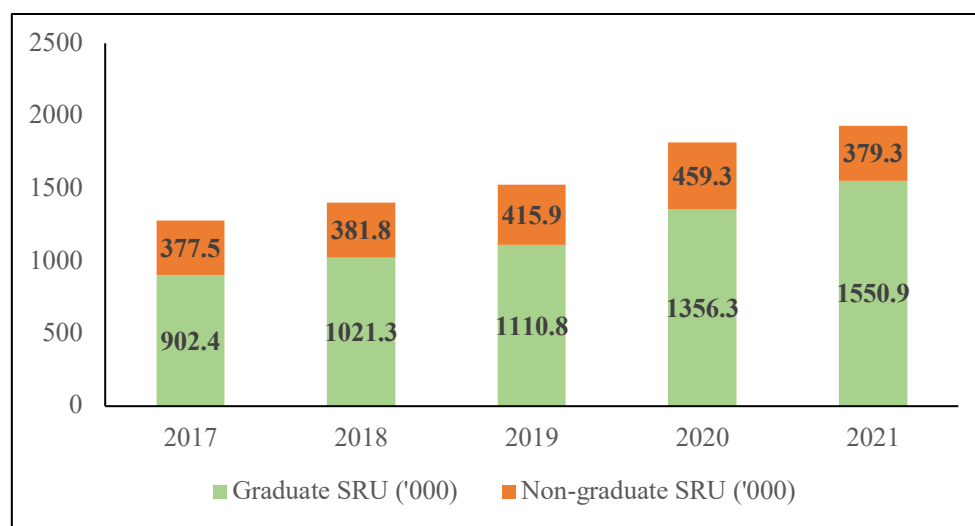
By employing these metrics, this study provides a detailed examination of the representation and utilisation of graduates in Malaysia's labour market, contributing valuable insights into the challenges of skill-related underemployment and mismatches.

#### **4.0 DISCUSSION AND FINDINGS**

This study elaborates on the findings using statistical tools such as trend analysis and proportions, mainly focusing on the number of graduates, skill-related underemployment, graduate employment, and the availability of skilled jobs. The following analysis examines labour demand and supply in the Malaysian labour market.

Figure 1 illustrates the trend in skill-related underemployment in Malaysia from 2017 to 2021. The data reveals a significant increase of approximately 51%, from 1.27 million people in 2017 to 1.93 million in 2021. Among this group, graduate skill-related underemployment also saw a notable rise, increasing by about 72%, from 0.9 million individuals in 2017 to 1.55 million in 2021. While graduate employability has improved, growing from 79.1% in 2017 to 85.1% in 2021, the proportion of graduates experiencing skill-related underemployment has steadily increased. In 2017, 70.5% of individuals in skill-related underemployment were graduates; by 2021, this figure had climbed to 80.3%. These findings highlight a concerning trend: despite the rise in graduate employability, many graduates accept jobs that must align with their qualifications.

This shift is especially troubling as it points to a growing willingness among graduates to accept semi-skilled or low-skilled jobs, even when they possess higher educational qualifications. This mismatch between qualifications and job opportunities underscores a fundamental issue in the labour market, indicating that the needs of the educational system and labour market must be fully aligned. Addressing this issue is critical for ensuring that graduates are employed in roles that match their skillsets and qualifications, ultimately fostering a more efficient and sustainable labour market for Malaysia's workforce.



Sources: MOHE, 2021; DOSM, 2022

**Fig. 1.** Skill-related Underemployment in Malaysia, 2017 – 2021

Graduate statistics reports show that graduates increased by about 31%, from 4.28 million in 2016 to 5.61 million in 2021 (MOHE, 2022) – an increase in the proportion of graduates in the Malaysian labour force. The rise in graduates naturally contributes to an overall increase in the proportion of Malaysian graduates. As more

individuals complete their tertiary education, they enter the job market, impacting the demographic composition of the workforce. This demographic shift has broader implications for the labour market dynamics, influencing factors such as job competition, the demand for diverse skill sets, and the need for corresponding adjustments in employment opportunities.

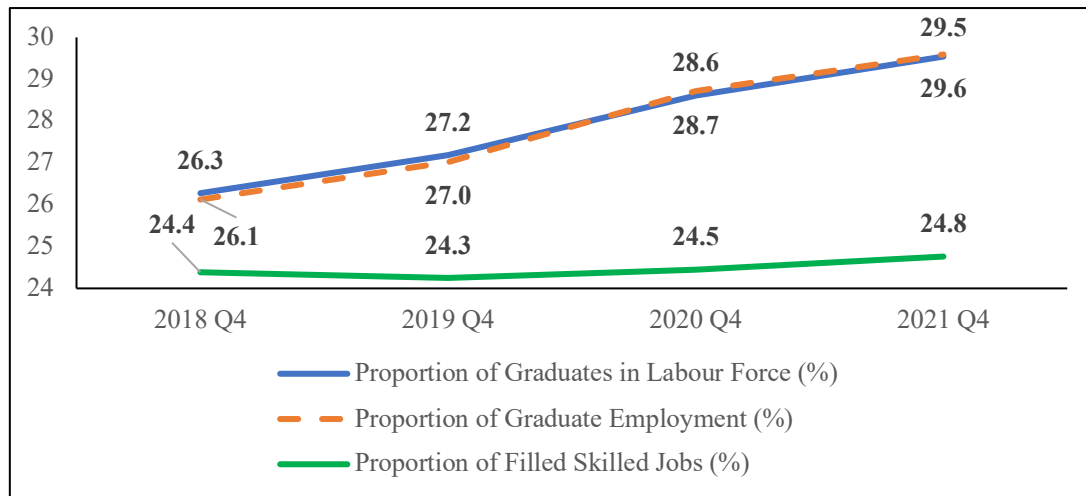
Moreover, the increase in the proportion of graduates in the labour force may have implications for the economy, including skill utilisation, job market alignment, and the effectiveness of educational policies. The subsequent sections of this analysis will further explore how this influx of graduates intersects with the prevailing challenges of underemployment, particularly regarding skill-related mismatches and the distribution of graduates across skilled, semi-skilled, and low-skilled job categories. Understanding this context is vital for formulating effective policies and interventions to align educational outputs with Malaysia's evolving labour market demands.

According to the Graduate Statistics report, the number of graduates in Malaysia increased by approximately 31%, rising from 4.28 million in 2016 to 5.61 million in 2021 (MOHE, 2022). This significant increase is reflected in the growing proportion of graduates within the Malaysian labour force, as illustrated in Figure 2. The rise in the number of graduates entering the workforce directly contributes to the overall expansion of the graduate population. As more individuals complete tertiary education, they are increasingly joining the labour market, resulting in a shift in the demographic composition of the workforce.

This demographic shift has profound implications for labour market dynamics. A larger graduate cohort impacts job competition as more individuals with higher educational qualifications vie for available positions. It also influences the demand for diverse skill sets as employers seek candidates to meet the evolving needs of a more educated workforce. Consequently, the increase in graduates necessitates corresponding adjustments in employment opportunities, particularly in sectors that require more specialised skills and higher levels of education.

Furthermore, the growing proportion of graduates in the labour force presents several challenges and opportunities for the Malaysian economy. One key challenge is ensuring that the skills acquired through formal education are effectively utilised in the workplace. This concern underscores the need to align educational outputs and labour market demands. The mismatch between graduates' skills and the skills required by employers can exacerbate issues such as skill-related underemployment, which remains a pressing concern.

The implications of this shift also extend to the broader economic context. A surge in graduate numbers may influence the distribution of graduates across various job categories, including skilled, semi-skilled, and low-skilled roles. As the number of graduates increases, the pressure on skilled jobs intensifies, potentially leading to an oversupply of graduates in some sectors and undersupply in others.



Sources: (DOSM, 2023; MOHE, 2022)

**Fig. 2.** The proportion of Graduates in the Labour Force, Graduates' Employment, and Filled Skilled Jobs in Malaysia

A notable trend is the decline in the proportion of graduates employed in professional roles, which dropped from 75.5% in 2017 to 66.1% in 2021. In contrast, the proportion of graduates in semi-skilled and low-skilled jobs has steadily increased. By 2021, most graduates were employed in semi-skilled roles, including clerical support workers, service and sales workers, and craft and related trades workers. This trend reflects a concerning shift in the labour market, as the percentage of graduates securing employment in skilled jobs continues to decline. From 2017 to 2021, the proportion of graduates in professional roles decreased by 9.4 percentage points, highlighting the growing difficulty graduates face in finding positions that fully utilise their qualifications and training. This decline suggests that the labour market needs to absorb graduates in line with the demand for their specialised skills and expertise.

At the same time, the data reveals a rising proportion of graduates employed in semi-skilled and low-skilled jobs, traditionally associated with lower educational requirements. In 2021, many graduates found themselves in positions such as clerical support, service and sales, and craft trades—jobs that do not necessarily leverage the advanced skills and knowledge obtained through tertiary education. This shift in employment patterns raises concerns about the optimal use of graduate skills and highlights a growing mismatch between educational qualifications and job opportunities. The increasing prevalence of graduates in semi-skilled roles further underscores the need to examine the underlying factors contributing to this trend. Key factors may include the evolving demands of the job market, the pace at which industries adapt to new technologies and skill requirements, and potential discrepancies between the skills taught in educational programs and the practical needs of employers. Additionally, the growing number of graduates may be contributing to heightened competition for professional roles, making it more challenging for graduates to secure positions that align with their qualifications.

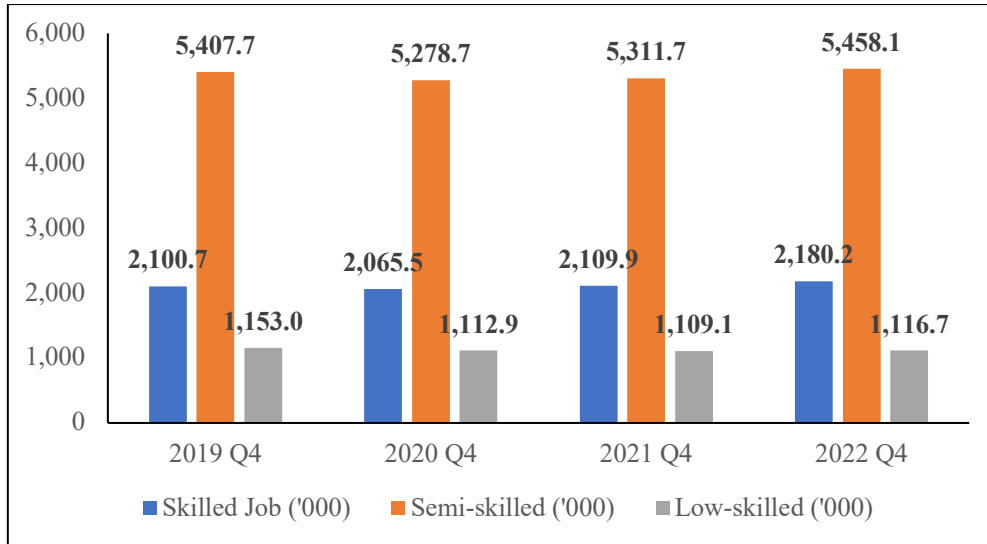
Addressing this shifting employment landscape requires a comprehensive approach from policymakers, academic institutions, and employers. Policymakers must ensure that labour market policies foster an environment where job creation aligns with the skills graduates possess. Educational institutions must review and potentially redesign curricula to ensure graduates have skills that meet industry demands, particularly in emerging fields. Employers must also recognise the importance of developing opportunities that match graduates' qualifications and contribute to long-term career growth and economic productivity.

Ultimately, creating a labour market where graduates can secure employment commensurate with their education is crucial. By ensuring better alignment between educational outputs and employment opportunities, the potential for individual career growth and broader economic productivity can be maximised, leading to a more sustainable and effective labour market.

This study further examines job availability (in Figure 3) and job creation trends (in Figure 4) in the Malaysian labour market between 2019 and 2022, focusing on the increasing emphasis on semi-skilled and low-skilled jobs. The findings reveal a persistent trend: a substantial proportion of available and newly created jobs are in semi-skilled occupations. As the number of graduates with tertiary education continues to rise, competition for these positions intensifies, exacerbating the challenges for graduates seeking employment that aligns with their qualifications.

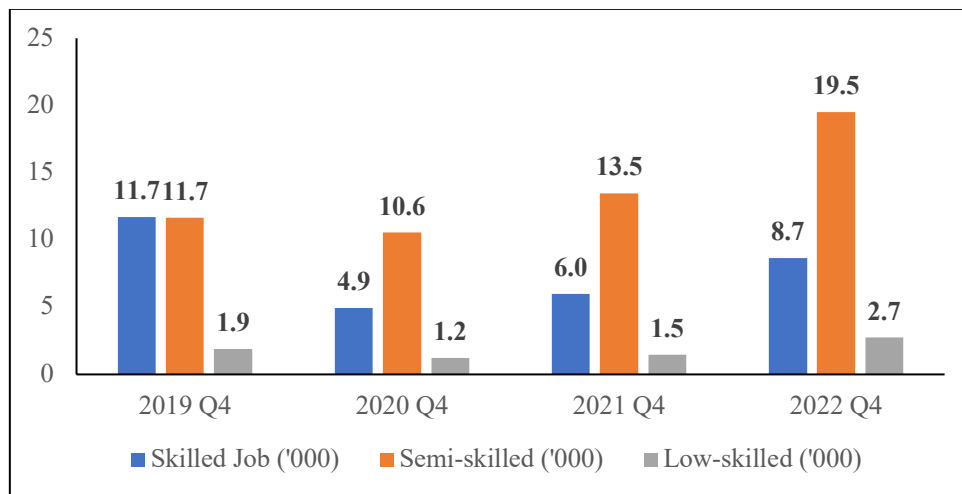
The labour market is increasingly characterised by an imbalance where the supply of graduates with higher qualifications exceeds the demand for high-skilled jobs. The demand for high-skilled positions remains relatively low, while semi-skilled jobs dominate both availability and creation. Consequently, graduates are often forced to accept roles that only partially utilise their educational backgrounds, contributing to a qualification-job mismatch. This trend highlights a key issue: the growing disconnects between the skills graduates possess and the available jobs. This mismatch between qualifications and job opportunities reflects more profound structural challenges within the Malaysian labour market. The supply of tertiary-educated workers is outpacing the creation of high-skilled roles, suggesting that educational outputs need to be fully aligned with the economy's demands. This situation leads to higher rates of underemployment and raises concerns about the efficient utilisation of human capital, which could undermine long-term economic productivity and growth.

Addressing these issues requires a multifaceted approach. Policymakers, educational institutions, and employers must collaborate to create a more dynamic and responsive labour market. Academic programs must be updated to align more closely with industry needs, particularly in emerging sectors where high-skilled jobs are expected to grow. At the same time, there is a need to stimulate the creation of high-skilled employment through targeted economic policies that promote innovation and the development of industries that require advanced skills.



Source: (DOSM, 2023)

**Fig. 3. Jobs Available in Malaysia**



Source: (DOSM, 2023)

**Fig. 4. Jobs Creation in Malaysia, 2019 Q4 – 2022 Q4**

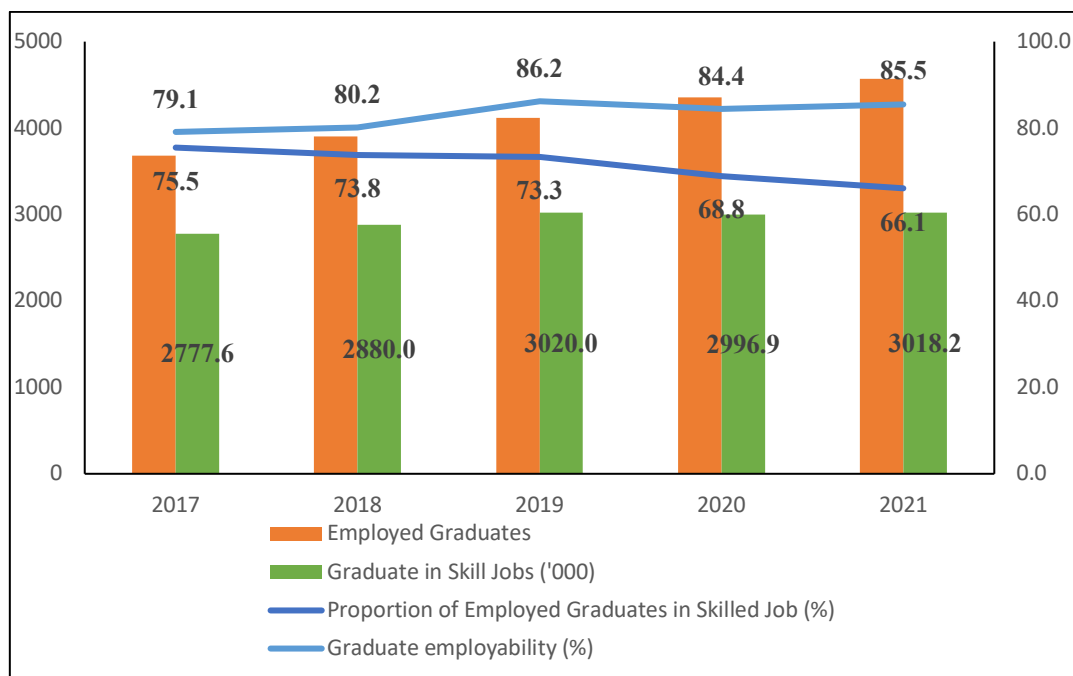
Integrating statistics from the Ministry of Higher Education (MOHE) and the Department of Statistics Malaysia (DOSM), this study highlights a notable discrepancy between the increasing number of graduates and the quality of employment opportunities available (as depicted in Figure 5). It cannot be denied that there has been a significant increase in the number of graduates produced in recent years, with figures rising by over 20%. This surge in graduate output has led to a corresponding increase in employed graduates, which saw a 25% rise. However, a concerning trend emerges when examining the types of jobs these graduates secure.

While graduate employability remains high, exceeding 80%, the number of graduates employed in skilled jobs has stagnated, failing to keep pace with the growth in overall graduate employment. This is further reflected in the decline in the proportion



of employed graduates in skilled positions, signalling that an increasing number of graduates are absorbed into semi-skilled and low-skilled jobs. This stagnation, coupled with the continued expansion in the number of graduates entering the workforce, suggests a growing mismatch between graduate qualifications and the availability of skilled job opportunities.

Despite the positive employability figures, the underemployment issue cannot be overlooked. The increasing number of graduates working in lower-skilled positions raises concerns about the adequacy of the labour market in accommodating the educational qualifications of the workforce. This phenomenon calls for a more in-depth examination of the structural challenges in the labour market and the need for policies that better align graduate skills with market demands. Therefore, while graduate employability rates are high, the quality of job placements, specifically in skilled roles, requires urgent attention to avoid a potential widening of the skills gap and ensure that graduates are equipped to contribute effectively to Malaysia's economy.



Source: (MOHE, 2022; DOSM, 2023)

**Fig. 5.** Trends in Graduates Employment and Employability

## 5.0 CONCLUSION

In conclusion, this study has highlighted significant concerns regarding graduate underemployment in the form of overeducation in Malaysia. There are insufficient skilled jobs for graduates nowadays. The growing disparity between the number of graduates entering the job market and the availability of skilled jobs points to an apparent mismatch between the skills of the workforce and the demands of the labour market. This imbalance may be attributed to the rapid pace at which Malaysian higher education institutions (HEIs) produce graduates, while the creation of skilled jobs has yet to keep pace. As a result, an oversupply of graduates is contributing to

overeducation, where individuals are employed in positions that must fully utilise their qualifications.

The implications of this underemployment are twofold: economically and socially. Economically, the underemployment of graduates leads to reduced productivity, as their skills should be more utilised in roles that align with their qualifications. This inefficiency hinders the economy's overall growth, preventing the optimal use of human capital. Socially, underemployed graduates often face lower wage rates, leading to dissatisfaction and regret over their investment in higher education. Such sentiments may erode confidence in pursuing higher education, resulting in lower future enrolment rates and decreased education attainment.

Given these findings, the Malaysian government must take proactive steps to address the mismatch between the supply of graduates and the demand for skilled workers. The government can better align graduate output and employment opportunities by fostering a more dynamic job market with increased opportunities in professional and skilled sectors. This would not only enhance economic productivity but also improve the long-term prospects of graduates, contributing to a more balanced and sustainable labour market. Ensuring that higher education investments lead to fulfilling, well-compensated careers will also help maintain the confidence of future generations in the value of higher education.

## **6.0 SUGGESTION FOR FUTURE RESEARCH**

This study highlights significant issues related to graduate underemployment and overeducation in Malaysia, particularly the mismatch between the growing number of graduates and the availability of skilled jobs. Several avenues for future research are recommended to address these challenges and deepen our understanding of the underlying factors.

First, future research could focus on a more in-depth analysis of the skills mismatch between graduates and the labour market. At the same time, this study has identified a general gap. A more granular examination of the skills that graduates possess versus the skills employers require is necessary. This research could explore sector-specific skills shortages, identifying fields or industries where the mismatch is most pronounced. Understanding the nature of the skills gap, whether technical expertise or soft skills like communication and problem-solving, would help inform curriculum design and training programs, ensuring they are aligned with market demands.

Another key area for future research is conducting longitudinal studies to track the career progression of graduates over time. This would provide valuable insights into the long-term effects of underemployment, helping to determine whether graduates remain stuck in lower-skilled positions or eventually transition to roles that better match their qualifications. Longitudinal data could also shed light on the economic consequences of overeducation, such as the impact on lifetime earnings, career satisfaction, and overall productivity. Understanding these long-term trends could enable policymakers to develop more effective interventions to improve graduate outcomes.

Research could also focus on sector-specific employment trends, particularly in industries most affected by graduate underemployment. For example, sectors such as technology, healthcare, or engineering may experience differing levels of overeducation, and investigating these industries could reveal whether specific fields are more likely to suffer from a mismatch between graduate qualifications and job availability. Sector-specific studies would allow for targeted solutions tailored to the needs of industries, ensuring a more responsive labour market and better job creation strategies.

Additionally, future research could examine the impact of changes within the education system on graduate employment outcomes. As higher education policies evolve—such as curriculum reforms, increased university-industry collaborations, and the expansion of vocational training programs. It is crucial to assess how these changes influence graduates' employability. This research could explore whether initiatives like internships, apprenticeships, and skills certification programs effectively equip graduates with the competencies needed to succeed in the job market, potentially reducing the incidence of overeducation.

Comparative studies across countries experiencing similar challenges with graduate underemployment would also provide valuable insights. By examining how other nations have addressed the issue of overeducation, researchers could identify best practices and strategies that could be adapted to the Malaysian context. These comparisons could include the effects of national economic policies, labour market flexibility, and job creation efforts in reducing graduate underemployment, offering lessons that could inform policy decisions in Malaysia.

Furthermore, research into graduate underemployment's social and psychological impacts would provide a more holistic understanding. Studies could explore how being underemployed affects graduates' mental health, job satisfaction, and social mobility. Understanding the broader consequences of overeducation on individual well-being, including feelings of dissatisfaction or wasted potential, could help design policies that address economic outcomes and the social costs of graduate underemployment, particularly regarding inequality and social cohesion.

Finally, an important area for future research would be the effectiveness of current and future policy interventions to reduce graduate underemployment in Malaysia. This could involve evaluating the success of government programs designed to stimulate job creation in skilled sectors and assessing the impact of public-private partnerships that promote employment in high-skill industries. Research could also investigate the role of wage subsidies, job placement services, and skills development programs in improving graduate employability and reducing the negative effects of overeducation.

## **AUTHOR CONTRIBUTION**

The author affirmed that there is no conflict of interest in this article. Choon Wei Low conducted the fieldwork, prepared the literature review, and wrote the entire article. He also developed the research methodology, entered the data, and performed the statistical analysis and interpretation of the results.

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## A STUDY OF ARABIC LANGUAGE LEARNING CHALLENGES AMONG STUDENTS IN HIGHER EDUCATION INSTITUTION

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### ABSTRACT

*This paper explores the challenges of learning Arabic as a third language for students at higher education institution. The study identified three main issues that affect learning outcomes: language challenges, motivation barriers and support level. The phonological, grammatical, and sociocultural complexity of the Arabic language poses major obstacles. This is especially true for students who have limited access to specific aspects of the language. The same is true for motivational factors. Where students' perceptions of the relevance of the Arabic language influence their participation, limited educational support also exacerbates these problems. The research used a quantitative method using surveys to measure students' perceptions and experiences with these challenges. The results suggest that although phonological and grammatical problems significantly impact performance, motivational support and tailored teaching methods can alleviate some of these barriers. The study highlights the potential of technology-based learning and interactive learning approaches, such as task-based communication methods, to improve Arabic language learning outcomes at higher education institution. The research suggests that these strategies can be integrated with Arabic language courses to increase participation and reduce barriers to language learning.*

**Keywords:** Academic Discipline, Arabic Language Learning, Grammar Proficiency, Language Motivation, Teaching Methods

### 1.0 INTRODUCTION

Within the last few years, the necessity of Arabic language courses in Malaysian universities has been defined, and some of them, have included Arabic courses in their programs. Arabic is important culturally, religiously, and professionally as it is relevant to learners' daily lives, educational institutions, and working lives in Malaysia, where the language is crucial, especially for reading and understanding Islamic texts, international business, and diplomacy with Arab countries. Despite its relevance, students at higher education institution and across many other educational institutions encounter considerable challenges when learning Arabic. Many of these hurdles arise from some peculiarities of the Arabic language and different motivation and support-related factors influencing students' academic achievement (Mohd et al., 2019).

Arabic is scientifically known as being a phonologically and scripturally opposed language to most other languages in the world, especially those of the alphabetic writing system. Arabic writing is from right to left while English is from left to right, making Arabic challenging for learners. Moreover, the phonetic structure of Arabic is nonstandard and consists of some sounds that are not recognizable by learners of Arabic as other languages do not possess these sounds. This situation requires separate approaches when it is a question of learning Arabic: different students will require different methods.

In addition to the language issues, motivational aspects are also paramount in obtaining the fluency with which students learn Arabic. The amount of motivation is a function of perceived relevance to their programs of study, career aspirations, and class instructional techniques. Arabic in particular may pose some problems for some students because they may not experience the pragmatic value of learning the language or may have little cultural connection to it at first glance (Ibrahim et al., 2018).

Lastly, motivations that they receive, or otherwise, play a role in defining what a learner will be able to do in learning Arabic. This includes not only qualified and experienced instructors but the support from the institution in the form of equipment and additional relevant material. To overcome the barriers that are hindered by the language effective teaching approaches and academic and emotional support should be provided to the student (Ritonga et al., 2021).

This study adopts Task-Based Language Teaching (TBLT) and Communicative Language Teaching (CLT) as its conceptual framework. These frameworks focus on using language in real-life tasks and communication to improve language proficiency. They are particularly relevant for Arabic, given the language's complexities and the challenges non-native speakers faced. By incorporating practical, task-based methods and communication-focused teaching, this study aims to explore how these factors—language, motivation, and support—interact to influence students' performance, engagement, and interest in learning Arabic. Through this research, we aim to shed light on these interconnected factors and provide practical recommendations for educators and administrators to enhance Arabic teaching and learning in higher education.

## **2.0 LITERATURE REVIEW**

About 400 million people use the Arabic language in 22 different countries and it takes the fifth position among the most commonly spoken language at the global level. It occupies the fourth or post-fourth position in terms of internet usage and is rather significant in international communication which might include business, diplomacy, and religious studies among others. Consequently, there has been a sharp rise in Arabic being learned as a third language not only in Western countries but also in schools all over the world. In certificate and Diploma programs which students pursue at various colleges and universities, Arabic is particularly important. According to Moghazy (2021), nonetheless, even though Arabic has become more important in the global arena, the process of learning this language has several difficulties for the students among which are discussed below: Firstly, those students who do not share a close relationship with the Arabic language faced challenges in learning the Arabic language as most of the students of the higher education institution.

Nonetheless, although the Arabic language is regarded as a useful language worldwide, it is still difficult for non-Arabic learners including those in Malaysia where the Arabic language is not commonly in practice. The three main challenges are the linguistic features of Arabic (the students at higher education institution face double the challenge because Arabic is different and has extra features that Malay does not have), motivational barriers, and level of support for learners. This section aims to review the pertinent literature relating to the

difficulties that students experience while learning Arabic and the challenges facing learners in higher education institution. This paper also outlines the pedagogy theories and approaches that have been discovered to assist in the elimination of these challenges together with the contribution of technology in the learning process stated by Ismail et al. (2021).

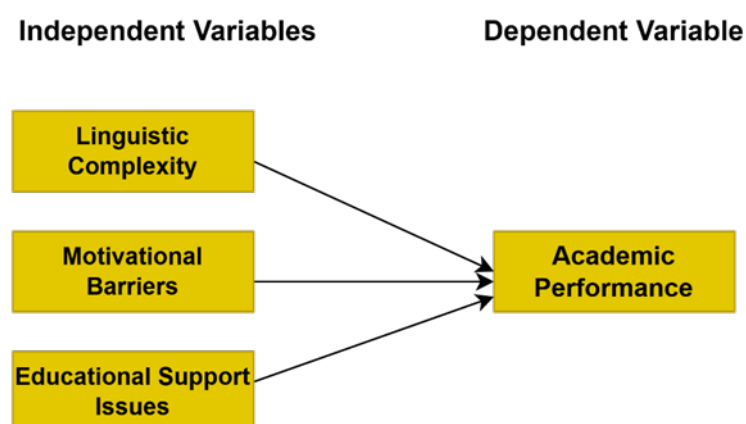
## 2.1 Relevant Theories and Models

This study employs Task-Based Language Teaching (TBLT) and Communicative Language Teaching (CLT) as the theoretical framework to solve the challenges facing the teaching and learning of the Arabic language. As both frameworks are intended to encourage the use of real-life language and contexts together with communicative acts, both are suitable for Arabic instruction.

Task-Achievement-Interaction-Option (TAIO) or Task-Based Language Teaching (TBLT) aimed at task, whereby the students shall perform tasks that require the use of the language to get the intended results. Such tasks are helpful for participation in communicative processes, for example, problem-solving or juggling roles; thus, they promote both speaking and listening comprehensible input and output. In Arabic, TBLT also assigns students with tasks that resemble ordinary communication exercises so that the student can use their language in a typical day setting.

Communicative Language Teaching (CLT) is an approach to foreign language learning and teaching that focuses on meaning in context rather than correct grammar. This makes the students to be able to argue, discuss, and sometimes even negotiate with the help of the language being used to pass a specific message. In the Arab World, CLT involves interactional patterns that concern the effective and correct use of the target language as a means of communication between the learner and the teacher and between learners, closing the gap between linguistic theory and practice.

TBLT and CLT have an underlying focus of motivation that their integration would effectively work for both contexts. These frameworks stress more the uniqueness of the learner with the increased enrolment level or participation of students ensuring their engagement with the language they meet in and out of classrooms they use daily. Motivation leads to participation which in turn increases absorption, comprehension, and retention of language and academics.



This framework is selected due to the fact that not only pragmatics will be dealt with in a general way but also because it responds to the goals of this study: to focus on Arabic as a language and contribute to the effective use of language in communication. Being based on natural communication and task accomplishment the motivation and success achieved in learning Arabic with the help of TBLT and CLT is much higher. The two models are especially



useful for Arabic, because of its language's specific features and difficulties that non-Arab learners may meet stated by Hosseini (2019).

## **2.2 Communication Challenges for Individuals with Non-Native Language Backgrounds**

The challenges observed by Almelhes (2024) in analysing Arabic include phonological, grammatical and sociolinguistic that make learning of this language tough especially for students undertaking higher education learning and or those learning the language as third language. Arabic Phonology is problematic because some of the sounds are new here like 'Ayn' (ع) and 'Qaf' (ق). These sounds are produced in precise manner and present a lot of demands on the acoustic phonetics, which makes academic reading and communication difficult for students who rarely interact with Arabic speaking individuals. Huneetya et al. (2024) have pointed out that phonological challenges lead to frustration, reduced self-esteem, which all affect motivation.

Arabic grammar is complex because the structure of the language derives its vocabulary from triliteral consonant bases. However, it has no fixed word order and a very rich verb conjugation which makes word order and verb tense and other structures becoming practically burdensome for memory as pointed out by Betti et al. (2023). Arabic is spoken in different ways, including Egyptian, Gulf, North African, and others and in terms of speech, politeness, and statues. Such sociolinguistic factor pose difficulties to students particularly those who seldom encounter the Arab cultures (Ambu Saidi, 2020).

## **2.3 Teaching Methods**

While teaching arabic the approaches that should be used include Task-Based Language Teaching (TBLT) and Communicative Language Teaching (CLT) that enhance real life communicative language. TBLT framework makes students perform tasks actively, while in CLT what is important is the language used rather than correctness. An app like Duolingo and Rosetta Stone can also help with learning as the students can practice outside the classroom. Procedures help to create an effective motivating learning environment thus enhancing the fluency and student achievements (Bayousef, 2019).

## **2.4 Technological Interventions**

Technology is very relevant in imparting Arabic language learning, especially in the learning levels of higher learning institutions. Transforming learning in classroom, Duolingo, Babbel and Rosetta Stone employs both speaking, listening and writing that students can practice with in their own time. These tools are game-based tools, which help to increase effectiveness of learning by motivation. Furthermore, students may get in touch with Arabic media to widen their understanding culturally and linguistically. Although there are difficulties with phonological, grammatical and sociocultural aspects of Arabic using engagement strategies such as Task-Based Language Teaching (TBLT) and Communicative Language Teaching (CLT), and informative technologies help address learning barriers and enhance students' learning experiences.

## **3.0 RESEARCH OBJECTIVES**

The main objectives of this research are:

1. To determine the major difficulties experienced by higher education students when acquiring the Arabic language.

2. To identify the causes of these difficulties, focusing on linguistic concerns, motivation, and educational support.
3. To examine how these challenges impact students' behaviors, including their academic performance and passion for learning Arabic.
4. To propose suggestions for overcoming the identified difficulties in connection with Arabic language learning at universities.

#### **4.0 RESEARCH QUESTIONS**

This study seeks to answer the following research questions:

1. What are the major difficulties experienced by higher education students when acquiring the Arabic language?
2. What are the causes of these difficulties, focusing on linguistic concerns, motivation, and educational support?
3. How do these challenges affect students' behaviors, including their academic performance and passion for learning Arabic?
4. What are the possible solutions to overcome the difficulties in Arabic language learning at universities?

#### **5.0 RESEARCH METHODOLOGY**

This research was designed using a quantitative exploratory research design where surveys were used to collect data from students' perceptions of Arabic language learning in UiTM Cawangan Johor. 50 students from Arabic language classes were chosen through purposive sampling, and all the participants had prior exposure to the language. The data were collected in the form of a structured questionnaire that covered four main aspects: linguistic problem, motivation, educational facilitation and academic achievement in Arabic.

The following scales were used to measure these aspects based on the five-point Likert scale, hence making the study quantitative in nature. The questionnaire was administered through Google Forms so that the participants could easily access it, and their identities remained anonymous. They completed the survey at their own time within the two weeks period. This method of data collection also made data collection simple and effective. The data collected were analyzed using SPSS software, where descriptive statistics were used to identify patterns and trends of the variables of interest, while regression analysis was conducted to establish the relationships between the variables.

The analysis helped to determine how linguistic problems, motivational problems, academic support, and self-perceived achievement affected the students' experience in learning Arabic. The outcomes of the study helped to identify the factors that influenced students' experience and achievement in Arabic language learning. Additionally, these findings provided recommendations to enhance the efficiency of teaching and learning the Arabic language in higher learning institution to improve language learning.

#### **6.0 FINDINGS AND DISCUSSIONS**

This dataset provides a comprehensive overview of the participant profiles. It includes important demographic variables such as gender, age, experience, academic discipline, etc. This information is important to know the background of the respondents. And how might it affect your effectiveness in learning Arabic? By checking these variables we can explore factors that may affect language learning. Including previous knowledge Learning preferences related to age and academic participants coming from this preliminary framework helps set the stage for further analysis and interpretation of the study results used in the study (Valverde-Berrocso et al., 2020).

A brief description of the participants' profiles is given in the dataset; the particulars include gender, age, experience, and academic discipline. Also, as for the gender criterion, the distribution of the respondents is almost equal – 50% males and 50% females – that means gender has no effect and results will not be gender predisposed. The grouping into age is relatively equal: 38% of students are in one of the groups, 32% in the second, and 30% in the third. This implies that age does not play a very strong role in learning Arabic within this sample although more research may unveil learning preferences by age.

We took the experience as a candidate generator, with nearly half of the participants having little to medium experience, at 34% and 36% respectively, while the remaining 25% had much better experience. This implies a generally poor background hence such students may find it difficult to learn Arabic more so in Desenvolvimento, grammar as well as vocabulary. Finally, the distribution of the field of study is diverse, of all the students, most students come from Field 1 and Field 2. This suggests a generally enhanced interest in learning Arabic, perhaps extending beyond simple language learning, and thus calls for teaching methodologies that accommodate the kind of diversity of background that this survey has revealed.

Table 1. Participants' Profile Overview

Statistics					
		Gender	Age	Experience	Field
N	Valid	50	50	50	50
	Missing	0	0	0	0
Mean		1.500	1.920	2.340	2.680
Median		1.500	2.000	3.000	2.000
Mode		1.0 <sup>a</sup>	1.0	3.0	2.0

a. Multiple modes exist. The smallest value is shown

The regression analysis suggests that experience as to Arabic causes an impact on grammar, which was one of the major predictors of the exam result. The paper also found that students with more experience have fewer problems in mastering Arabic grammar or, in other words, have a better academic outcome. The result of this study affirms the hypothesis that a prior learning environment in the language can assist students in expunging the barriers to foreign language comprehension. The results of the correlation analysis help to determine numerous relations in the connection between examination results, difficulties with grammar, learners' lack of motivation, and teachers' support. Significantly poor grammar brings about poor performance in the exams as there is a very high negative coefficient ( - 0.548) between the performance in exams and the level of grammar. Instead, the correlation between the scores and low motivation is meager (+0.199) pointing at a potential connection, though there are likely more significant influences at work. This study shows that student difficulties in grammar are positively related (0.357) to the type of classroom lecturer support they receive, although the impact of lecturer support on students' grammatical abilities is quite questionable. Grammar difficulty correlates weakly with motivation toward the content, meaning that motivation depends not on grammar but on something else. In this study, lecturer support is also significantly but weakly negatively related to exam performance (-0.189) suggesting that while extra support can be helpful the means to it must also have certain helpful effects on exam and assignment engagement and the kind of support that is helpful (Eltahir et al., 2021).

Table 2. Correlation Analysis of Variables

Correlations		ExamPerformance	GrammarDifficulty	LackofMotivation
ExamPerformance	Pearson Correlation	1	-.548**	.199
	Sig. (2-tailed)		.000	.165
	N	50	50	50
GrammarDifficulty	Pearson Correlation	-.548**	1	-.100
	Sig. (2-tailed)	.000		.489
	N	50	50	50
LackofMotivation	Pearson Correlation	.199	-.100	1
	Sig. (2-tailed)	.165	.489	
	N	50	50	50
TeacherSupport	Pearson Correlation	-.189	.357*	-.069
	Sig. (2-tailed)	.189	.011	.632
	N	50	50	50

The ANOVA results show that the F-statistic is 1.643, with a corresponding p-value of 0.192. This indicates that there is no statistically significant difference in exam performance between the groups based on the predictors (Lecturer support, Lack of Motivation, and Grammar Difficulty). Specifically, the p-value is greater than the common significance level of 0.05, meaning we fail to reject the null hypothesis, suggesting that the model's factors do not significantly impact exam performance. The Between Groups sum of squares (2.921) reflects the variation explained by the predictors, while the Within Groups sum of squares (27.259) represents the variation within the individual groups.

Table 3. ANOVA Results for Exam Performance

ANOVA					
ExamPerformance					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.921	3	.974	1.643	.192
Within Groups	27.259	46	.593		
Total	30.180	49			

The results of the independent sample t-test showed a relationship between the two groups and test performance. Levene's test for equality of variances indicated a significant difference in variance between groups, with an F value of 6.526 and a p-value of 0.014, indicating unequal variances when equal variances are considered. Together, the t-value was 1.269 with a p-value of 0.210, which was not statistically significant at the 0.05 level, i.e. indicating no significant difference in test performance between the two groups. When unequal variances were assumed, the t-value was still 1.269 with a p-value of 0.212, which still did not show a significant difference. The average difference was 0.2800, and the 95% confidence interval ranged from -0.1636 to 0.7236, further indicating no significant difference in test performance between the groups.

Table 4. Independent Samples t-Test for Exam Performance

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ExamPerformance	Equal variances assumed	6.526	.014	1.269	48	.210	.2800	.2206	-.1636	.7236
	Equal variances not assumed			1.269	40.182	.212	.2800	.2206	-.1658	.7258

## 7.0 CONCLUSION

This research sheds light on the key issues that students deal with when studying Arabic at tertiary level institutions in particular the detrimental effect of grammar on academic achievements particularly during exams. Secondly, the Arabic language structure is quite complicated and this greatly hampers effective learning by the students and as a result the students have low achievement levels. This study emphasizes the need for targeted measures or approaches to cope with the grammar related challenges.

While lecturer support does alleviate some of the challenges, its effect on performance in the examination in a tangible form is minimal. This indicates that other measures, such as the ones related to grammar restructuring together with the incorporation of more interactive learning, are necessary to gain the desired results. The study also shows that gender as well as the previous knowledge of Arabic are of no relevance with regard to academic achievement which indicates that the challenges are related more to the complexities of the language than demographic aspects. In addition, the weak correlation between motivation and performance serves to highlight the importance of grammar as a determining factor. These hurdles need to be resolved to enhance student performance in the study of Arabic language and literature.

## 8.0 SUGGESTIONS

It has been apparent that the evolution of Arabic language technology applications greatly simplifies the learning of Arabic grammar (Ortikov, 2024). Teaching activities should enable students to understand the essential parts by giving clarification of important rules and formulate complex ideas into simpler ones. At the same time, active exercises such as sentence making, acting out situations, and solving problems co-operatively make the subject more interesting and easy to understand (Godwin-Jones, 2019).

Personalized learning strategies help cope with particular difficulties students faced. The institutions may also consider giving grammar oriented classes and personalized tutoring sessions to students who find the language too intricate. Peer mentoring programs promote working together as well as help in the understanding of complicated issues (Hoang, 2021). Grammar pedagogy and learner engagement are enhanced through teacher training workshops and advanced tools. Moreover, online exercises and digital tools can be used in addition to the face to face methods to provide practice at the student's own pace and reinforce grammar knowledge. This curricula result to key topics including basic grammar and writing systems as well as the combination of theoretical and practical aspects meant to enhance the language abilities of the students for effective usage if real situations arise.

Future studies should examine the effectiveness of specific teaching methods and technological interventions in reducing language barriers. In addition, examining the long-term

effects on academic performance and motivation would provide valuable insights into improving your Arabic language learning. The study also found that gender and previous exposure to Arabic had no significant impact on students' academic performance. This supports the conclusion that the main challenges are rooted in the specifics of the Arabic language rather than demographic factors. Moreover, the weak relationship between motivation and academic performance suggests that language complexity especially grammar is a strong factor in determining success in learning Arabic.

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# STRATEGIC SUSTAINABILITY REPORTING PRACTICES AMONG INDUSTRIAL PRODUCTS AND SERVICES COMPANIES: A COMPARATIVE ANALYSIS BEFORE AND DURING THE PANDEMIC CRISIS IN MALAYSIA

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## ABSTRACT

*During the COVID-19 pandemic, non-essential businesses of Industrial Products and Services faced operational restrictions due to lockdowns imposed by the Malaysian Government. Economic disruptions erupted as the main effect of the lockdown, causing a reduction in their revenues. Consequently, the affected companies start to prioritise and focus on their short-term survival over sustainability activities that may be costly to them. However, they were obligated to report their sustainability initiatives and should make use of this occasion to share with stakeholders the strategy they have chosen to carry out sustainability initiatives' engagement in spite of the crisis. Thus, the purpose of this study is to examine strategic sustainability reporting practices disclosures before and during the COVID-19 pandemic crisis. This study used a modified multidimensional sustainability checklist to analyse the type of strategies, quality, and quantity of sustainability disclosures for 60 public listed Industrial Products and Services companies in Bursa Malaysia in 2018 and 2021. The disclosures of strategic sustainability reporting practices prior to and throughout the crisis were assessed using related statistical tests. The results showed that the companies' sustainability reporting disclosure changed significantly over the two studied years. Companies predominantly favoured the information strategy when performing sustainability initiatives. Notably, the quality and quantity of reporting in 2021 surpassed those in 2018. These results can be an indicator for stakeholders to ascertain whether a company's stance remains committed to sustainability initiatives for the long-term benefits or if its primary concern is ensuring its immediate business survival amidst the crisis.*

**Keywords:** COVID-19, Crisis Response, Sustainability Reporting, Strategic Sustainability Reporting, Bursa Malaysia

## 1.0 INTRODUCTION

The world was struck by the pandemic outbreak due to Coronavirus Disease (COVID-19) in December 2019. As of 30 September 2021, at least 233 million cases had been reported worldwide, with at least 4.7 million fatalities (WHO, 2021). This pandemic crisis has caused severe impacts on humanity's lives, such as health, social and ultimately resulted in the worst global economic recession (International Monetary Fund , 2020).

Malaysia was not spared from being attacked by this disease. To curb the rapid spread among the people, the government had to start enforcing the Movement Control Order (MCO) on 18 March 2020, which had been extended a few times until 12 May 2020 (Kuriakose et al., 2020). During this period, various activities were put on hold or limited movement. Only 23 essential products and services businesses sectors can continue operations with restricted rules and regulations announced by the Malaysian National Security Council (NSC) an agency in the Prime Minister's Department. Other than mentioned, the non-essential businesses have been refrained from operating as usual, but the employees were allowed to work from home if the nature of the business allowed them to do so.

According to the first-round survey on the impacts of COVID-19 on firms in Malaysia by the World Bank Group in 2020, about 84% of companies were forced to totally or partially close their businesses during the MCO. This disruption in business operations caused them to suffer a reduction in revenue (Kuriakose et al., 2020). Consequently, the crisis caused most companies to be financially affected and tend to start making adjustments to their decision-making (He & Harris, 2020) as well as shifting their concern more to earning income to satisfy the need for business survival rather than other matters, such as involved with sustainability initiatives (Pinto et al., 2014). Involvement with sustainability activities may incur additional costs (Sprinkle & Maines, 2010) and worsen the companies' financial condition. Therefore, most Malaysian public listed companies hesitate to actively participate in sustainability activities, such as charitable works that aid those in need during a crisis (AWANI, 2021). As such, they have responded to crises cautiously, defensively, and selectively, especially when deciding which sustainability areas to focus on and how to report them to stakeholders (Karaibrahimoglu, 2010; Pinto et al., 2014). However, public listed companies in Malaysia are mandatory to prepare sustainability statements annually in accordance with the Bursa Malaysia Listing Requirement. These statements are commonly disclosed in annual reports or stand-alone sustainability reports according to economic, environmental, and social (EES) areas.

Sustainability reporting is a crucial platform for companies to convey their responsible efforts concerning sustainability issues during periods of crisis (PricewaterhouseCoopers, 2020; Zharfpeykan & Ng, 2021). From the reporting, stakeholders are able to determine how well companies have responded to any alterations or challenges in managing stakeholder perceptions (Shad et al., 2018). By implementing a proactive reporting strategy, companies can show their capabilities, dedication, and decent decisions on their involvement in sustainability initiatives throughout the challenging year (Mohd Zam et al., 2023). In fact, these good conducts suggest companies' capabilities to carry out their duty as good corporate citizens concerned with sustainability matters.

Prior literature focus mostly on examining sustainability reporting throughout stable economic conditions (Ardiana, 2019; Bakar et al., 2019; de Villiers & Alexander, 2014) and previous global financial crisis (Haji, 2013). Their area of attention is on the quantity and quality disclosure of the reporting. In contrast, there is inadequate information about the extent of companies' sustainability reporting when facing the COVID-19 crisis (García-Sánchez & García-Sánchez, 2020), particularly on how companies disclose sustainability efforts as a way of strategic crisis response (Mohd Zam et al., 2023). Thus, a study on rising markets like Malaysia would be considerably interesting. Therefore, this paper aims to fill the gap by examining the strategic sustainability reporting of Industrial Products and Services companies. Most of them fell under non-essential business and had to close operations during the beginning of the MCO restrictions. Reporting comparisons before and during the crisis can exhibit the disclosure patterns and types of strategy, quality, and quantity reporting that companies choose when confronted with an unstable economy. Are companies likely to ignore or continuously take part in sustainability matters reflected through reduction or increasing disclosure in reports? The study's findings might assist managers in making decisions on the best sustainability practices that may not degrade companies' ability to survive in the event of



future crises. It may serve as a useful instrument to ensure that businesses fulfil their obligations as responsible corporate citizens in times of forthcoming crises.

This paper is organised in the following way. Section 2 consists of the literature review regarding sustainability reporting and its potential to be a strategic crisis response mechanism. Next, Section 3 describes the research methodology. Subsequently, Section 4 provides more information about the results and discussion of the strategic sustainability reporting for Industrial Products and Services companies before and during the pandemic crisis. Lastly, the study is concluded in Section 5.

## **2.0 LITERATURE REVIEW**

### **2.1 Sustainability Reporting**

As the interdependence between financial and non-financial challenges increases, sustainability reporting provides greater transparency and accountability, allowing for more accurate information and realistic decision-making. According to the Global Reporting Initiative (2006, p.4), sustainability reporting is "the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable developments." The reporting comprises disclosure of companies' activities, performance results, policies and strategies relating to sustainability matters (Amran & Ooi, 2014; Bursa Malaysia, 2018; Kamaliah, 2020). It is reported that 79% of the 5,800 global firms undertaking sustainability reporting based on a survey conducted by Klynveld Peat Marwick Goerdeler (KMPG) in 2022. Indirectly, the result indicates a high level of acceptance by companies in acknowledging the benefits of this reporting practice. It can act as a crucial mechanism for companies to communicate and disseminate information on their sustainability initiatives to a wide range of stakeholders (Benameur et al., 2024; Campra et al., 2020; Hsu et al., 2013; Monteiro et al., 2024; Stocker et al., 2020; Torelli et al., 2020).

Examining sustainability reporting may provide stakeholders with a valuable perspective on the extent of companies' efforts in achieving their corporate goals (Jamil et al., 2021) and illustrating firms' value on economic, social and environmental responsibilities concern (Al-Adeem, 2024; Monteiro et al., 2024). Prior literature has widely studied sustainability reporting in many parts of the world. For instance, Benameur et al. (2024) conducted bibliometric and content analyses examination on 1,053 Scopus articles to understand the evolution, trending concept and thematic development over the publication year 2000 to 2022. Among the themes under interest by prior literature was on the quality of reporting. Some assessed sustainability reporting by measuring the quality index and determining factors contributing to the quality disclosure.

In addition, Ali et al. (2022) investigated 71 empirical studies relating to sustainability disclosure in about 28 developing countries way back from 1983 until 2021. Their main objectives are to find out the determinants and motivations of the reporting undertaken by the authors when conducting their respective studies. Through a systematic evaluation and synthesis of relevant research, Ali et al. (2022) found evidence that the measurements used to assess the disclosure were based on examining the quantity and quality of the reports. Overall, the findings showed that 70.42% of this research under review focused on the extent of the sustainability disclosure using quantity measurement and only 29.58% measured the quality part.

A study by de Villiers and Alexander (2014) examined the sustainability reporting structure by comparing the disclosure between Australian and South African companies. The researchers count sentences to measure the quantity of the disclosure and seek for relevant information to determine the quality of the reports. The findings showed that most companies from both countries had the same disclosure patterns but differed in detailed contents. It can

be concluded that similar reporting templates are being used in both countries. However, companies remain to refer to their specific national rules and regulations that suit the surrounding communities.

Additionally, Ardiana (2019) focused on examining sustainability reporting by 219 companies listed in Fortune Global 500, which covers 34 countries from 21 business sectors. The study performed content analysis to determine the quantity and quality disclosure of the sustainability reporting. They found insufficient information reported, suggesting a low level of disclosure regarding stakeholder engagement. This finding is indicative of an inadequate understanding of transforming the sustainability practice into proper reporting. However, the researcher is only concerned with the determination of stakeholders and how companies engage them in sustainability activities.

There is an interesting study performed by García-Sánchez and García-Sánchez (2020). They aim to understand what kind of sustainability initiatives Spain companies deployed when facing the pandemic situation. From the content analysis method, they measure the reporting from quantitative and qualitative aspects. Further analysis indicates that the majority of the companies focused on economic activities, but some also tended to provide great assistance to society to ease the COVID-19 effects.

Meanwhile, Bakar et al. (2019) examined whether the issuance of the Sustainability Framework and Reporting Guide and Toolkits in 2015 affected the extent and quality of sustainability reporting of companies listed in Bursa Malaysia. Through content analysis, the findings posit that Malaysian companies' sustainability reporting disclosure is still at a low level and focus on reporting more on economic matters. The reports appear to include more qualitative information instead of quantitative evidence on the sustainable activities conducted by the companies.

A study by Haji (2013) assessed sustainability disclosures by Malaysian public listed companies over the years of financial crisis and relevant regulatory changes. The study used a self-constructed checklist to compare two selected years under investigation. The results revealed that the extent and quality of sustainability reports significantly increased. The result implies that companies respond to the crisis and changes by increasing relevant sustainability activities to avoid threats to companies' existence. Nonetheless, the study uses a self-constructed checklist for 23 items, which does not cover EES sustainability areas comprehensively.

Overall, the above prior studies have similar research contexts. All of them emphasise both quantity and quality aspects of sustainability reporting in which the majority of research was conducted in the stable and non-crisis moments. Conversely, Haji (2013) and García-Sánchez and García-Sánchez (2020) were taking into consideration previous economic recessions and pandemic crisis times. These indicate the usage of standard sustainability reporting measurement by prior literature and less study conducted during a crisis, especially in unstable economic conditions such as the COVID-19 outbreak.

## **2.2 Strategic Sustainability Reporting: A Mechanism for Crisis Response**

Several crises have shaken the world. Among the incidents are the Asian recession of 1997 to 1999, the global financial crisis of 2006 to 2012, and the latest COVID-19 pandemic occurrence. These adverse events severely impact various aspects of life, especially causing unstable economic conditions (Dias et al., 2016; Flammer & Ioannou, 2020). Due to this, companies suffer from fewer financial resources (He & Harris, 2020; Pinto et al., 2014) and began to cost-cutting business expenses to survive (Yelkikalan & Kose, 2012). In response, companies involved with less sustainability matters led to a reduction in transparency,

quantity, and quality of companies' sustainability reporting disclosure (Karaibrahimoglu, 2010; Rodolfo, 2012; Pinto et al., 2014). Nevertheless, Bell (2020) suggests that times of crisis are the ideal opportunity to express companies' concerns about stakeholders' preferences.

The COVID-19 pandemic crisis may prompt a shift in how businesses pursue their sustainability goals (García-Sánchez & García-Sánchez, 2020) as companies with limited financial resources find it challenging to decide which EES areas they should engage with (United Nations, 2020; Pinner, 2020; He & Harris, 2020; Burke, 2020; D'Auria & De Smet, 2020; Fishman et al., 2020). It is crucial to perform this priority action and select the proper strategy for conveying companies' preferred sustainable activities to the stakeholders through sustainability reporting. Deriving from sustainability reporting disclosure, stakeholders can evaluate whether the companies' efforts in responding to the crisis match up to their expectations, or fail to the point of threatening the companies' reputations (Coombs, 2007; Zharfpeykan & Ng, 2021).

A study by Herzig et al. (2012) examined sustainability reporting for the ten largest banks in Germany from 2008 to 2009. The findings indicate that the banks were more concerned with their business affairs during the crisis time compared to incorporating a sustainability agenda into their business operations. The results showed banks' prioritisation of their commitment, suggesting their incapacities in taking advantage of sustainability reporting as an effective tool to showcase responsible sustainability practices to stakeholders despite the crisis.

Another study elaborates on the adjustment of companies' participation in sustainability activities among the US companies during the previous economic crisis of 2008 to 2009. Bansal et al. (2015) found that companies were less involved with social activities, which required minimum time spent and less effort. This kind of activity falls under tactical sustainability initiatives. In contrast, the companies seem to shift their attention to strategic initiatives that consume more time and energy pertaining to employee matters, environment, and product quality issues. The results propose companies' preference towards sustainability areas during the uncertain economic condition.

Meanwhile, it is interesting to know how companies typically react during unstable economic conditions in crises. Wenzel et al. (2020) synthesised 13 research papers that offer strong empirical proof to understand companies' strategic responses to previous crises. From their study, they identified four types of strategies, namely *retrenchment action*, which is about companies' strategy to cut costs or cease part of their business operation during the crisis, *persevering action*, which is about companies continuing business activities through additional financing from companies' slack or borrowing, *innovating action* as an alternative approach in response to the crisis, and *exit action*, which is used to shut down all business operations. This study is able to provide guidance on available options for companies seeking potential responses to future crises.

In addition, Stocker et al. (2020) observed strategies concerning companies' engagement with stakeholders. The study proposes three types of quality engagement levels, i.e. 1) Level 1- stakeholder information strategy (to recognise and inform stakeholders), 2) Level 2 - stakeholder response strategy (to match with stakeholders' interests and demands), and 3) Level 3 - stakeholder involvement strategy (to establish good rapport and execute projects collaboration with stakeholders). The results show less companies concentrate on the highest quality level, which is the stakeholder involvement strategy. They rather adopted an information and response strategy in engaging with stakeholders in sustainability initiatives. Perhaps companies prefer to make less bonding with the stakeholders.

In devastating conditions, companies can adopt innovative action using their crisis experience to proactively upgrade the regular sustainability reporting into a further compatible

version (KMPG, 2020). This innovative action is a way of companies' strategic response to a crisis (Wenzel et al., 2020). A study by Mohd Zam et al. (2023) identified this transformed compatible reporting as strategic sustainability reporting practices. It acts as a communication platform for expressing what kind of sustainability strategy and initiatives companies engage with amid crisis time.

Previous studies give attention to examining the quantity and quality of companies' sustainability reporting in stable economic and prior crises (Ahmed Haji, 2013; Ardiana, 2019; Bakar et al., 2019; de Villiers & Alexander, 2014). Conversely, fewer studies highlighted sustainability reporting matters during the fragile moment in time of the COVID-19 crisis (García-Sánchez & García-Sánchez, 2020), especially concerning what kind of sustainability initiatives that companies conducted as the strategic response towards the crisis with restrained financial ability. The disclosure in sustainability reporting may resemble companies' stance on management approach regarding sustainable activities execution and stakeholders' concerns during the crisis (Mohd Zam et al., 2023). Pinto et al. (2014) mentioned that during financial distress, companies may reveal a reduction in sustainability reporting disclosure as they prefer to satisfy their interest in business survival, opposing stakeholders' expectations. However, some companies may choose to increase their disclosure. The intention is to become more visible to the public to gain continuous support and confidence to conserve their business image. Therefore, the following hypothesis is formulated:

H1: There is a significant change in the strategic sustainability reporting practices before and during the crisis period.

### 3.0 METHODOLOGY

#### 3.1 Sample Selection and Data Sources

This study examined the 2018 and 2021 annual reports or stand-alone sustainability reports of companies listed under Industrial Products and Services in Bursa Malaysia. The years 2018 and 2021 under study represent the period before and during the pandemic crisis. This study used a purposive sampling technique to select 60 samples (see Appendix 1) of public listed companies from the Industrial Products and Services industry that were considered non-essential businesses and might suffer financial distress due to the business operation restriction enforced by the government. Table 1 shows the number of samples according to the relevant sectors.

Table 1. Sample distribution by sector of Industrial Products and Services industry

Sector	No. of sample
Auto Parts	5
Building Materials	9
Industrial Engineering	6
Industrial Materials, Components & Equipment	13
Metals	15
Wood and Wood Products	12
<b>TOTAL</b>	<b>60</b>

The relevant data were collected from the companies' annual reports or stand-alone sustainability reports for the years 2018 and 2021. Both years represent the period before and during the pandemic crisis. About 120 annual reports or stand-alone sustainability reports were obtained from Bursa Malaysia's website. This study used content analysis to acquire related information and understand the companies' strategic sustainability reporting practices.

### **3.2 The Strategic Sustainability Reporting Practices Instrument**

Prior literature examined the quantity and quality of sustainability reporting (Ahmed Haji, 2013; Ali et al., 2022; Ardiana, 2019; Bakar et al., 2019; de Villiers & Alexander, 2014; García-Sánchez & García-Sánchez, 2020). However, this study assessed the type of strategy, quality, and quantity of strategic sustainability reporting practices disclosure by adopting a multidimensional checklist developed by Mohd Zam et al. (2023). This checklist consists of 49 items to measure the EES areas, which enable this study to discern what kind of disclosure strategy companies employ when conducting sustainable activities and preparing reports. Mohd Zam et al. (2023) developed the instrument from modification of the checklist and its quality and quantity measurements proposed by Jamil et al. (2021) and integrated it with the stakeholder engagement strategy (Stocker et al., 2020).

This first dimension of the instrument enables the study to understand companies' engagement with stakeholders when performing sustainability initiatives during the reporting period. Each item under the checklist was initially examined to check whether the relevant sustainability initiatives were being disclosed. Next, the disclosure was observed to determine what kind of stakeholder engagement disclosure strategy was being applied, either information strategy, response strategy, or involvement strategy.

The information strategy (IFS) is about companies' disclosure to inform any sustainability initiatives they performed during the crisis period. Secondly, a response strategy (RES) indicates the disclosure of sustainability initiatives that specifically meet and support stakeholders' demands. Thirdly, involvement strategy (IVS) is the disclosure of companies' engagement in sustainable activities involving collaboration and partnership initiatives with relevant stakeholders (Mohd Zam et al., 2023, p. 266).

After identifying the strategy, the disclosure of each sustainability initiative was further evaluated to consider the quality and quantity of the explanation. This second dimension was assessed according to four types of disclosure classification.

The disclosure of the initiatives usually has been explained either in general and brief qualitatively (GB); in detailed qualitative explanation (QL); briefly explained with quantitative or monetary evidence (QU); or in a detailed explanation of the sustainability initiatives engaged with further quantitative or monetary disclosure (QQ) (Mohd Zam et al., 2023, p. 266).

The detailed scoring for the combination measurement of both dimensions is mapped in the matrix developed by Mohd Zam et al. (2023), as in Fig. 1 This study fully adopted the matrix in measuring the strategic sustainability reporting practises by the sample companies. The matrix illustrates all potential pairing of stakeholder engagement disclosure strategy (IFS, RES, and IVS) in the Y-axis, and the quality and quantity disclosure (GB, QL, QU, and QQ) in the X-axis. Each pair yield a score ranging from 1 to 12 based on the corresponding 12 quadrants. The score for every sustainability initiative reflected the mapping results in low (scores 1 to 4), moderate (scores 5 to 8), or high (scores 9 to 12) levels of strategic sustainability reporting practices. Finally, the overall index reporting is computed for each company using total weightage calculation.

According to Mohd Zam et al. (2023), a score of 1 indicates that the company disclosed sustainability initiatives that did not specifically fulfil the stakeholders' demands, and the reporting was brief, with not more than five sentences. On the other hand, the highest score of 12 suggests that the firm reported sustainable activities in which they directly collaborate or partner with stakeholders according to their needs. The firm also provided comprehensive disclosure exceeding five sentences, which was supported by quantitative figures such as the total cost incurred and the number of stakeholders who benefited from the execution of the project.

		Quality and Quantity Disclosure					
		GB	QL	QU	QQ		
Stakeholder Engagement Disclosure Strategy	Involvement Strategy (IVS)	9	10	11	12	HIGH	Strategic Sustainability Reporting Level
	Response Strategy (RES)	5	6	7	8	MODERATE	
	Information Strategy (IFS)	1	2	3	4	LOW	
Scoring							

Note: GB is disclosure in general and brief explanation of up to five sentences; QL is disclosure in more detailed narrative description of more than five sentences; QU is disclosure in brief reporting but supported with quantitative or monetary data between one to five sentences; QQ is more comprehensive qualitative reporting supported with quantitative or monetary data which exceeded five sentences.

**Fig. 1** Strategic Sustainability Reporting Practices Matrix (Mohd Zam, 2023)

### 3.3 Data Analysis

Descriptive statistics were first used to highlight the numerical differences between strategic sustainability reporting before and during the pandemic crisis. In addition, the Shapiro-Wilk test was applied to check the data distribution of the study and the p-value was found less than a 1% significance level. The result provides sufficient evidence to prove that the data is not normally distributed. Hence, the study performed a non-parametric Wilcoxon Signed Rank test supported by a Paired t-test to answer hypothesis 1.

## 4.0 RESULTS AND DISCUSSION

This study conducted the Wilcoxon Signed-Rank Test and paired t-test to determine whether there are significant changes in strategic sustainability reporting practices disclosures. Referring to Table 2, the Wilcoxon Signed-Rank Test results showed statistically significant changes in strategic sustainability reporting practices at a 1% level ( $z = 5.573$ ,  $p = 0.000$ ). Table 3 consists of results for Paired t-test that also reveals similar results of significant reporting changes for 2018 and 2021 with a significant level 1% ( $t = -6.2141$ ,  $p = 0.000$ ). These results indicate that companies' disclosure during the crisis increased compared to reporting before the pandemic crisis and supported H1. This result is consistent with the findings by Haji (2013).

Table 2. Wilcoxon Signed Rank test result

SSRP disclosure		N	Sum of ranks	z	Prob >  z
Disclosure 2021 – 2018	Positive	47	1653	5.573	0.0000
	Negative	5	141		
	Zero	8	36		
	Total	60	1830		

Table 3 also contains the descriptive statistics of the overall index sustainability reporting for 60 Industrial Products and Services companies. The lowest reporting index is 0.5357 for

both years. However, the highest overall index is 4.2143 for the year 2018 and 5.6071 for the year 2021. These results denote that the reporting level among the companies is between low (index 0.01-4.99) and moderate (index 5.00-8.99) levels for both years. The average index in 2021 is higher (2.3935) compared to the index for the year 2018 (1.8464). This result suggests that, on average, companies' overall reporting in 2021 during the crisis was much better than in 2018. Even though the average index for both years presents a low level indicating companies using information strategy, reporting in 2021 was a further detailed explanation with more than five sentences (refer to Fig. 1). These findings matched the study conducted by Bakar et al. (2019).

Table 3. Descriptive analysis for overall index and paired t-test for strategic sustainability reporting practices

Year	2018	2021
Minimum	0.5357	0.5357
Maximum	4.2143	5.6071
Mean	1.8464	2.3935
Standard deviation	0.9172	1.1504
Mean differences		0.5470
t-statistic		-6.2141***

Notes: N = 60

Significant at 1% level\*\*\*

As for Table 4, it indicates the summary disclosure level for companies before and during the crisis. The findings state that all 60 sample companies (100%) fell under low level disclosure in 2018. However, a slight improvement happened in 2021 when two companies (3.3%) were found to increase their overall reporting to a moderate level. Moreover, Table 3 shows that even though 58 companies (96.7%) maintained adopting the information strategy in 2021, the overall quality and quantity of the reporting improved as the mean reporting index was 2.3935, which is higher than 1.8464 in 2018. The finding suggests that, on average, companies disclosed information on sustainable activities more elaborately, exceeding five sentences in their sustainability reports. Nevertheless, none of the companies achieved a high level of disclosure.

Table 4. Overall strategic sustainability reporting practices level

Overall disclosure level	2018 (before crisis)		2021 (during crisis)	
	Frequency	%	Frequency	%
Low	60	100	58	96.7
Moderate	0	0	2	3.3
High	0	0	0	0

Table 5 reveals the distribution of strategic sustainability reporting overall index according to the sectors of the Industrial Products and Services industry, which are directly affected due to business operations restrictions during MCO. There were 35 companies that briefly explained their sustainability reporting within five sentences (index 0.01-1.99) in 2018, and it was reduced to 23 companies only in 2021. Meanwhile, there is also an increment in the number of companies that obtain the index 4.00-4.99. In 2018, only two companies disclosed better quality and quantity reports, which increased to four companies during the crisis year 2021. Ultimately, two companies have shifted to the response strategy in 2021. These results suggest that both companies had shown their stance to be more focused on meeting stakeholders' demands during the difficult time. However, the quality and quantity disclosure are still at the minimum stage. These companies are each from the Metals and Industrial

Materials, Components, and Equipment sectors. Both companies had chosen response strategy to disclose sustainability initiatives that specifically met the stakeholders' demands (refer to Fig. 1) when facing the pandemic crisis moment. The overall results validate the low reporting level among public listed companies in Malaysia, particularly those from this industry. This finding is consistent with the study by Haji (2013) and Bakar et al. (2019).

Table 5. Distribution of overall index of strategic sustainability reporting according to sectors

Reporting Level	Low (Information Strategy)				Moderate (Response Strategy)				High (Involvement Strategy)				Total
Overall index	0.01	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	
	-	-	-	-	-	-	-	-	-	-	-	-	
	1.99	2.99	3.99	4.99	5.99	6.99	7.99	8.99	9.99	10.99	11.99		
<b>Sectors</b>													
<b>Year 2018 (before)</b>													
Auto Parts	5	-	-	-	-	-	-	-	-	-	-	-	5
Building Materials	7	2	-	-	-	-	-	-	-	-	-	-	9
Industrial Engineering	2	4	-	-	-	-	-	-	-	-	-	-	6
Industrial Materials, Components & Equipment	5	4	4	-	-	-	-	-	-	-	-	-	13
Metals	9	4	1	1	-	-	-	-	-	-	-	-	15
Wood & Wood Products	7	3	1	1	-	-	-	-	-	-	-	-	12
TOTAL	35	17	6	2	-	-	-	-	-	-	-	-	60
<b>Year 2021 (during)</b>													
Auto Parts	3	2	-	-	-	-	-	-	-	-	-	-	5
Building Materials	5	3	1	-	-	-	-	-	-	-	-	-	9
Industrial Engineering	1	2	1	2	-	-	-	-	-	-	-	-	6
Industrial Materials, Components & Equipment	2	5	5	-	1	-	-	-	-	-	-	-	13
Metals	7	5	1	1	1	-	-	-	-	-	-	-	15
Wood & Wood Products	5	5	1	1	-	-	-	-	-	-	-	-	12
TOTAL	23	22	9	4	2	-	-	-	-	-	-	-	60

The increase in disclosure in the period of the pandemic crisis in 2021 can be further explored by examining the index results according to EES areas. In Table 6, the overall index of strategic sustainability reporting is encouraging. The maximum and mean companies' reporting index for all EES areas rose in 2021 compared to 2018. The highest index of reporting was recorded in the economic area, which was 8.00 and 8.67 for the year 2018 and 2021, respectively. The related companies' reporting was considered at a moderate level.



They adopted a response strategy and provided detailed disclosures, enclosed with quantitative evidence in more than five sentences, explaining their sustainability initiatives relating to economic matters performed during the reporting years. This is similar to findings by Bakar et al. (2019) and García-Sánchez and García-Sánchez (2020) that found companies focus more on economic activities. As for the environmental and social area, there are also increases in the maximum index score from low to moderate level (4.86 to 6.57 index and 3.89 to 5.00) in 2018 and 2021, respectively. However, the disclosure of environmental initiatives' quality and quantity was more detailed than that of social initiatives.

Table 6. Scoring strategic sustainability reporting practices according to EES areas

EES area	N	Economic		Environmental		Social	
		2018	2021	2018	2021	2018	2021
Maximum	60	8.00	8.67	4.86	6.57	3.89	5.00
Minimum	60	0.00	0.00	0.14	0.14	0.44	0.5
Mean	60	2.43	3.18	1.93	2.74	1.72	2.13

## 5.0 CONCLUSION

This study examines the strategic sustainability reporting for Industrial Products and Services companies before and during the pandemic crisis. The focus is to understand the reporting level, which considers the type of companies' strategy and the quality and quantity of the disclosure. Overall, the study found that the reporting disclosure has changed over the years under investigation. On average, strategic sustainability reporting remains low, but the reporting quality and quantity disclosure are much better in the crisis year. Companies are mostly adopting an information strategy as a way to inform their ordinary sustainability initiatives with more explanation, which may not incur additional costs to them. This strategy is considered a company's strategy in expressing their response when facing financial difficulties due to MCO during the COVID-19 outbreak period. In addition, some companies managed to upgrade their reporting from low to moderate. They have begun to be more responsive to specific stakeholders' needs (responsive strategy) during the pandemic compared to before, especially in environmental and social areas. However, the disclosure's quality and quantity aspects were brief and general narrative. These actions demonstrate that companies have played a valuable role in being more empathetic towards the particular stakeholders' needs in facing challenges posed by the COVID-19 pandemic. Meanwhile, some companies were keen to remain at a moderate level by directly engaging in sustainable activities that satisfy stakeholders' demands in the economic aspect with more comprehensive information in both years' reports.

The whole results above imply the enhancement of companies' efforts to portray their concern to stakeholders by continuously engaging with sustainable initiatives that offer indicators of being good corporate citizens amid pressure events. However, on average, Industrial Products and Services companies were not ready to get closer to stakeholders in collaborating and partnering on sustainability projects with stakeholders during the crisis. Cost matters may become a barrier to companies struggling to survive, mainly in conditions of financial distress such as during the pandemic. Limited financial resources may limit the companies' ability to obtain high-level strategic sustainability reporting, restraining them from getting stakeholders' positive impressions and preferences.

The finding can assist stakeholders to determine a company's stance on whether it is willing to continue to engage in sustainability initiatives for long-term advantages or is more concerned with its immediate business survival during the crisis. Moreover, the results can provide self-checking to management in assessing which sustainability strategy and disclosure they may adopt, which might not jeopardise their ability to survive when facing

future crises. Furthermore, it provides insight for regulators to identify firms' proactive efforts reflected through strategies executed by companies in reporting their sustainability initiatives. Besides that, policymakers may consider the strategic disclosure elements in their enhanced future framework that can improve the functionality of sustainability reporting practices in any economic condition, even during crises.

This study limits the focus on strategic sustainability reporting for companies in the Industrial Products and Services industry, one of the various industries listed in Bursa Malaysia. Future studies should expand the scope of the population to consider other industries to provide a more appropriate understanding of strategy implementation and disclosure details in response to the crisis by public listed companies in Malaysia. Besides, future research should extend the study by examining factors that can influence strategic sustainability reporting practices, which would be useful for companies in managing future crises.

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## APPENDIX

### Appendix 1. List of 60 public listed companies from the Industrial Products and Services industry

1. A-RANK BERHAD
2. AJIYA BERHAD
3. ALCOM GROUP BERHAD
4. ANN JOO RESOURCES BERHAD
5. ANNUM BERHAD
6. ANZO HOLDINGS BERHAD
7. APM AUTOMOTIVE HOLDINGS BERHAD
8. ATTA GLOBAL GROUP BERHAD
9. AYS VENTURES BERHAD
10. BTM RESOURCES BERHAD
11. CB INDUSTRIAL PRODUCT HOLDING BERHAD
12. CHIN HIN GROUP BERHAD
13. CHIN WELL HOLDINGS BERHAD
14. CN ASIA CORPORATION BHD
15. DESTINI BERHAD
16. DOLOMITE CORPORATION BERHAD
17. DOMINANT ENTERPRISE BERHAD
18. EKSONS CORPORATION BERHAD
19. ENGTEX GROUP BERHAD
20. EVERGREEN FIBREBOARD BERHAD
21. FACB INDUSTRIES INCORPORATED BERHAD
22. FAVELLE FAVCO BERHAD
23. FOCUS LUMBER BERHAD
24. GLOBALTEC FORMATION BERHAD
25. HEVEABOARD BERHAD
26. HIAP TECK VENTURE BERHAD
27. HSS ENGINEERS BERHAD
28. JOE HOLDING BERHAD
29. KIA LIM BERHAD
30. KOBAY TECHNOLOGY BERHAD
31. KPS CONSORTIUM BERHAD
32. KUMPULAN H & L HIGH-TECH BERHAD
33. LEADER STEEL HOLDINGS BERHAD
34. LUSTER INDUSTRIES BHD.
35. LYSAGHT GALVANIZED STEEL BERHAD
36. MCE HOLDINGS BERHAD
37. MINETECH RESOURCES BERHAD
38. MINHO (M) BERHAD

39. MYCRON STEEL BERHAD
40. MYTECH GROUP BERHAD
41. OKA CORPORATION BHD
42. P.I.E. INDUSTRIAL BERHAD
43. PERUSAHAAN SADUR TIMAH MALAYSIA (PERSTIMA) BHD
44. PESTECH INTERNATIONAL BERHAD
45. ROHAS TECNIC BERHAD
46. RUBBEREX CORPORATION (M) BERHAD
47. SAPURA INDUSTRIAL BERHAD
48. SKB SHUTTERS CORPORATION BERHAD
49. SKP RESOURCES BHD
50. SOUTHERN STEEL BERHAD
51. TIMBERWELL BERHAD
52. TONG HERR RESOURCES BERHAD
53. TURBO-MECH BERHAD
54. UMS HOLDINGS BERHAD
55. UNIMECH GROUP BERHAD
56. V.S. INDUSTRY BERHAD
57. WATTA HOLDING BERHAD
58. WHITE HORSE BERHAD
59. WTK HOLDINGS BERHAD
60. WZ SATU BERHAD

## UNDERSTANDING AND AWARENESS OF TAKING TAKAFUL AT A YOUNG AGE: A STUDY AMONG FORMER SIXTH FORM STUDENTS OF SMKA NAIM LILBANAT

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### ABSTRACT

*Takaful protection plans have expanded fast and are more popular than conventional insurance plans due to the community's demand and awareness. The reason is that the operations in Takaful are fully Shariah compliant. However, there are still groups, especially young people, who think the Takaful protection plan is unimportant in their lives because they lack an in-depth understanding and awareness of Takaful and knowledge regarding the advantages of Takaful compared to insurance. The objectives of this research are: First, to identify the level of understanding; Second, to identify the level of awareness; Third, to identify the level of knowledge of former sixth-form students of SMKA Naim Lilbanat regarding the advantages of Takaful compared to conventional insurance. This quantitative research methodology uses an online survey through a questionnaire to eighty respondents. The data that has been obtained will be analysed using SPSS Version 27. In this research, descriptive analysis and reliability analysis were performed. Findings from this research showed that the level of understanding and awareness of taking Takaful at a young age among respondents is high. The level of knowledge regarding the advantages of Takaful compared to insurance is also high and good. Finally, it is hoped that this finding can contribute to the parties involved, i.e. industry players, society, and future research. Therefore, it is suggested that future researchers do research related to awareness and understanding of Takaful among non-Muslims.*

**Keywords:** Takaful, Understanding, Awareness, Knowledge, Young age

### 1.0 INTRODUCTION

Nowadays, the Takaful industry has grown, and many people prefer to take Takaful over conventional insurance. Not only Muslim communities can take Takaful, but non-Muslim communities can also use Takaful (Azmi, et al., 2019). However, many people still think the protection plan is a trivial and unimportant matter. Young people are especially less concerned about Takaful protection plans. This is because they think that a protection plan is only necessary if they have a family or are old, and the main reason they do not take Takaful at a young age is that they do not know the advantages and benefits of taking Takaful.

According to Jusoh (2023), young people are a group that is often associated with extreme spending habits that cause waste. Due to this habit, they do not have much savings, or some young people do not have savings at all. Musa and Zaida (2020) explain the concept of Islamic tourism in the context of *maqasid syariah* in terms of protection of religion, protection of intellect, protection of life, protection of wealth and protection of offspring. Furthermore, as stated by Sang et al. (2020), young people are among the groups identified as having a gap in financial inclusion and being in an unfavourable situation. So clearly, they lack awareness and understanding regarding the Takaful protection plan because they are not competent and are not skilled in financial planning for their lives.

In addition, many protection products have been prepared and offered by Takaful companies. The product will provide many benefits to the policy owner. The implementation of Takaful is also not solely to gain profit but focuses more on the nature of helping each other, cooperation, and others (Mohamad and Zakaria, 2021). In a nutshell, the Takaful protection plan will provide many benefits and has its advantages. Finally, public understanding and awareness of Takaful, especially among young people, need to be encouraged to provide information and increase awareness about their future protection from any unexpected risks.

### 1.1 Problem Statement

According to a study by Taman et al. (2023), young people prefer saving money instead of subscribing to a Takaful protection plan. Thus, many steps need to be taken to remind the awareness of young people to take Takaful. Among the steps is to create a short tutorial video related to the Takaful protection plan and upload it on social media. This is because young people are more drawn to engaging content on social media (Mukshar, et al., 2023).

As has been stated, there are some groups, especially the Muslim community, who still use conventional insurance as a protection plan. Scholars believe that the prohibition of taking insurance contains an element of uncertainty, better known as an element of *gharar* and an element of *riba*.<sup>1</sup> In addition, insurance is prohibited because human life and death are used as mere business objects, which means to precede the destiny of the Almighty God (Nurmala et al., 2023). Although Muslims cannot use insurance services, they can use Takaful instead. There are many advantages to Takaful over conventional insurance.

### 1.2 Research Question

In this study, there are several research questions. Among them are:

- i) What is the understanding of former sixth-form students of SMKA Naim Lilbanat regarding Takaful and its protection plan?
- ii) What is the awareness level of former sixth-form students of SMKA Naim Lilbanat to take Takaful at a young age?
- iii) What is the level of understanding of former sixth-form students of SMKA Naim Lilbanat regarding the advantages of Takaful compared to conventional insurance?

### 1.3 Research Objective

As is known, every study must have an objective. The objective of this study must be completed in each study. So, among the objectives of this study are:

- i) To identify the level of understanding of former sixth-form students of SMKA Naim Lilbanat regarding Takaful.
- ii) To identify the level of awareness of former sixth-form students of SMKA Naim Lilbanat about taking Takaful at a young age.
- iii) To identify the level of understanding of former sixth-form students of SMKA Naim Lilbanat regarding the advantages of Takaful compared with conventional insurance.



## 2.0 LITERATUR REVIEW

### 2.1 The Concept of Takaful

Takaful in Malaysia was established in November 1984, and its name is Syarikat Takaful Malaysia Berhad (Che Mohd Salleh et al., 2020). The principle of Takaful is based on monotheism, cooperation, trust, helping each other, prohibition of *riba*, 'gambling, and *gharar*. In Takaful, the contract agreement between the Takaful company and the participant has clear goals, such as the principle of helping each other. The participants must give part of their Takaful contribution as *Tabarru'* (Muhammad & Zakaria, 2021).

According to Husin et al. (2019), the Takaful concept differs from conventional insurance. The difference is that Takaful participants and operators have a unique relationship. This is to fulfil the basic concept of cooperation and investment. As already stated, the Takaful contract is formed based on Islamic principles. However, each contract differs according to the Takaful operator's business model.

Also, from the view of Zain et al. (2022), the concept of Takaful has already developed into a tradable protection scheme. Various plans and packages have been traded to meet the needs of human protection today. So, it is clear here that Takaful is a risk protection instrument based on the Shariah principles that Islam has established. Therefore, this Takaful protection plan can substitute for the Muslim community's conventional insurance protection plan. In addition, as stated in this article, one of the factors for the existence of the Takaful industry is the influence of the decision made by the National Fatwa Commission of Malaysia, which has decided that conventional insurance is an invalid contract. Unlike conventional insurance, Takaful has no prohibited elements such as *riba*, 'gharar, and *maisir* in its protection plan.

Thus, Takaful is one of the best alternatives to replace insurance contracts nowadays which is that Takaful is based on the principle of mutual assistance where the policyholder is the owner of the Takaful fund that will be managed by the Takaful operator (The Malaysian Insurance Institute, 2023). So, with that, Muslims no longer feel worried about getting a protection plan that does not comply with Shariah when they prefer to take Takaful. In addition, the concept of Takaful is based on the encouragement and command of religion that has ordered people always to help and protect each other (Mohamad & Zakaria, 2021).

### 2.2 Takaful Institution in Malaysia

As already known, Malaysia is one of the countries with the best Islamic financial system and institutions in the world. Malaysia has ranked first and managed to maintain its first-place position in the overall Islamic Financial Development Indicator (IFDI) at the global level. In addition, Malaysia has managed to maintain that position for ten years in a row. So, it is clear here that there is no denying the ability of the Islamic financial system and institutions in Malaysia to be the best in the world. Among the Islamic financial institutions in Malaysia that are growing rapidly now is Takaful.

As stated, Takaful is a straightforward money protection service guided by Islamic Shariah. Puad et al. (2019) state that the number of Takaful operators or institutions has increased. This is due to several factors. Among the factors is due to demand and competition. In addition to that, the world's Muslim and non-Muslim communities began to accept and prefer to use the concept of *Tabarru'* in Takaful protection plans. This article shows that more than 80 Takaful institutions exist and operate worldwide. This institution not only operates in countries where the dominant population is Muslim, but non-Muslim countries such as Australia, Luxembourg, and Switzerland also have Takaful institutions. It is known that the institution of Takaful was established in Malaysia in 1984. Thus, Malaysia is one of the countries with the largest Takaful market globally. This is proven by the percentage of Takaful

in Malaysia at the global level which is 33% of the market share. The following is Table 1, which shows the list of Takaful operators, better known as Takaful institutions in Malaysia, along with the year of establishment:

Table 1: List of Takaful Operators in Malaysia

No	Name of Takaful Operator	Year of Establishment
1	AIA PUBLIC Takaful Bhd	11th March 2011
2	AmMetLife Takaful Berhad	30th April 2014
3	Etika Family Takaful Berhad	2007
4	Etika General Takaful Berhad	2007
5	FWD Takaful Berhad	2019
6	Great Eastern Takaful Berhad	10th December 2010
7	Hong Leong MSIG Takaful Berhad	2006
8	Prudential BSN Takaful Berhad	2006
9	Sun Life Malaysia Takaful Berhad	January 2013
10	Syarikat Takaful Malaysia Am Berhad	29th November 1984
11	Syarikat Takaful Malaysia Keluarga Berhad	29th November 1984
12	Takaful Ikhlas Family Berhad	18th September 2002
13	Takaful Ikhlas General Berhad	18th September 2002
14	Zurich General Takaful Malaysia Berhad	2nd August 2016
15	Zurich Takaful Malaysia Berhad	2nd August 2016

Source: PIDM (2024)

### 2.3 Understanding of Takaful

According to Abdullah et al., (2023), understanding and knowledge related to Takaful is closely related to the ins and outs of Takaful, operational mechanisms, and the concepts and principles of Shariah that have been used in Takaful. If there is such knowledge, then it will contribute to a deep understanding related to Takaful. Some studies have explained that when an individual has comprehensive knowledge related to Takaful, there is a greater possibility of that person using and adopting Takaful. In addition, the author also stated that there are studies that have revealed the level of knowledge related to Takaful in Bahrain. This study has proven that individuals who have and achieve a high level of education will show higher awareness than those with a lower education level. Therefore, the author has explained that knowledge is closely related to understanding and awareness of something.

Besides that, according to Shahar and Azhari (2019) study, knowledge and understanding related to products and services will influence the customer's decision to buy or not the products and services. So, it has a significant positive relationship related to product knowledge. A relationship exists between knowledge and understanding when buying a Takaful protection plan. In addition, the study results have shown that some participants or Takaful policyholders do not have the knowledge and have a low level of understanding despite having joined the Takaful protection plan.

Other than that, a previous study related to the Family Takaful Scheme stated that the level of understanding and knowledge related to the operations and concepts in the Takaful protection plan is one of the main factors influencing respondents' awareness. The influence will affect the respondent's decision to subscribe to a Takaful protection plan. In addition, a study in Saudi Arabia showed that 420 respondents from Takaful companies have poor knowledge related to information from Takaful operators (Shahar & Azhari, 2019). Thus, it is clear here that knowledge and the level of understanding will influence the decisions and actions of the community towards the Takaful protection plan.

## **2.4 Awareness of Takaful**

A study conducted by Ismail (2018) related to the awareness of ownership of medical Takaful among the youth in Malaysia. The sample size in the study is 384. So, 384 youth in Kedah have been respondents in this study. This study found that the awareness and ownership of medical Takaful is as much as 62%, showing that 201 respondents still do not subscribe to the medical Takaful policy. The results also show that only 38%, or 123, have subscribed to medical Takaful for their lives. So, it is clear here that awareness of the Takaful protection plan among the youth is still deficient. In addition, community awareness can be seen in the research done by Shahar and Azhari (2019). This study was carried out to measure the awareness of medical Takaful among youth working in Kedah. A total of 180 respondents. This research found that 53% or 95 respondents do not subscribe to medical Takaful. At the same time, only 47.2% or 85 people have had or have participated in a medical Takaful protection plan. In conclusion, the survey results have shown that many people still do not take Takaful due to various factors. One of the factors is the lack of awareness in themselves related to Takaful.

According to Jusoh and Noreffendi (2022), they conducted a study on Takaful awareness among consumers in Kuching, Sarawak. The study found that the level of awareness related to education Takaful in Kuching, Sarawak, is low. This point is based on the views of Takaful agents interviewed. In addition, the community in Kuching Sarawak is aware of the educational Takaful plans offered by Takaful companies. However, a few cannot afford to participate in this education Takaful protection plan. Among his suggestions is that Takaful agencies should give earlier exposure to parents with primary and preschool children. So, with earlier exposure, parents can participate in a Takaful plan at a lower price than when their children are adults. Juhari et al. (2022) examined the role of awareness and knowledge in motor Takaful purchase intentions among the young generation. The research indicated that limited awareness and understanding of Takaful concepts contributed to lower market penetration than conventional insurance. The authors suggested that Takaful operators should enhance their marketing strategies to improve awareness among young consumers.

Muhammad Nasir et al. (2023) introduced a spectrum of consumer awareness in the Takaful industry, categorising it into four areas: (1) the importance of Takaful coverage, (2) product features, (3) Takaful as a Shariah-compliant alternative to conventional insurance, and (4) consumers' rights and responsibilities. The study emphasised the need for comprehensive awareness campaigns targeting these areas to enhance understanding among young adults.

Another study by Rahman et al. (2024) assessed Takaful awareness among Malaysian polytechnic students. The findings revealed moderate to high awareness levels, particularly among students aged 20-21. However, gaps persisted in understanding Takaful products' specific benefits and complexities, especially among younger students aged 18-19. The study recommended targeted educational interventions to bridge these gaps. Arifin et.al, (2024) highlight the need for educational approaches to improve Takaful knowledge among citizens. These studies suggest that structured educational interventions could significantly enhance understanding and adoption of Takaful products. According to Wijaya et.al, (2023) community service activities focusing on financial literacy have been shown to increase awareness of financial planning and management among young people, indicating that similar approaches could be effective for Takaful education.

The Malaysian Takaful Association (MTA) has acknowledged the need to address financial protection for uninsured and underinsured groups. In 2024, MTA expressed its

commitment to expanding the Takaful industry's penetration rate to 40% by 2028, focusing on increasing awareness and accessibility among young adults (The Edge Malaysia, 2024). Despite these efforts, Malaysia's family Takaful penetration rate saw a marginal decline from 20.06% in 2022 to 19.58% in 2023. This decrease occurred even as the population grew, suggesting that increased numbers alone do not translate to higher awareness or adoption of Takaful products among young adults (The Star, 2024). Furthermore, a 2023 report by Fitch Ratings indicated that while there is heightened awareness of medical and weather-related coverage, challenges such as inflation, market volatility, and the end of certain tax exemptions may impede the growth of Takaful. These factors could disproportionately affect young adults, potentially limiting their engagement with Takaful products (Fitch Ratings, 2024).

## 2.5 Advantages of Takaful

As it is known, the Takaful protection plan has several advantages. One of the most important advantages that causes the Muslim community to prefer Takaful over conventional insurance is that Shariah principles guide the operations found in Takaful. According to Cheha (2021), Takaful is a protected plan free from prohibited elements. Among the prohibited elements that do not exist in Takaful are *riba*, *'gharar*, and *maisir*, and the operations that have been carried out are halal. Among the arguments related to one of the prohibited elements is the prohibition of *riba* in Surah Al-Imran verse 130:

*Meaning: O people who believe! Do not eat or take usury multiple times, and you should fear Allah so that you will succeed.*

(al-Imran:130)

So, it is clear here that usury is an element that has been prohibited in all aspects, for example, buying and selling, debt, and financial contracts. Intense matches and Shariah compliance are some advantages found in Takaful because the operational concept used differs from insurance. This is because, in conventional insurance operations, there are elements of *riba*, *'gharar*, and *maisir*. An element of *riba* will exist in insurance when any policyholder is late in paying the premium according to the time that has been set. Then, they will be charged interest according to a specific rate that is more stated. In addition, *'gharar* in insurance will occur when the contributor does not know clearly whether he will receive the promised payment. Finally, when participants pay a small premium but expect a more significant amount of money, it is one reason for the existence of the *maisir* element in insurance (Muhammed Sa'ad, 2023). As a result, Takaful participants can use the Takaful protection plan with a calm heart and mind because they are not involved in activities that do not comply with the Shariah set by Islam.

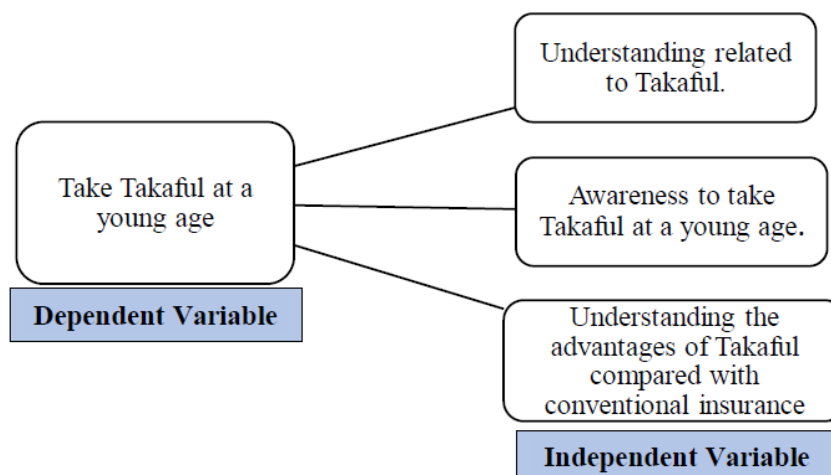
In addition, one of the advantages of Takaful is that it can foster a helping attitude among the participants (Muhammad Haris, et.al, 2024). It has been stated that the Takaful scheme is based on brotherhood, unity, and the attitude of helping among the participants who have agreed to donate their funds in that direction. As Tahir and Rashid (2021) explained, Pakistan's Securities and Exchange Commission has agreed with this statement. This is because Takaful is a system that will protect participants from the risks expressed through cooperation and shared responsibility. This matter coincides with the order stated in the Al-Quran, which is the order to help each other to help fellow Muslims. Therefore, any Islamic financial institution, including Takaful, must have a responsibility to help those in distress regardless of profit or reward. There is a verse in the Qur'an related to the wealthy must help the less fortunate, which is surah Adh-Dhariyat verse 19:

*Meaning: And in their property, (there is also a portion they determine) becomes the right of the poor who ask and the poor who hold back (from asking).*

(Adh-Dhariyat:19)

So, it is clear, based on this verse, that the Takaful protection plan is a risk reduction system based on Islamic Shariah, which is shared responsibility, shared guarantee, and unity among participants. Compared to conventional insurance, their primary goal is sheer profit. Therefore, they do not prioritise the interests of their customers. As a result, one benefit of participating in the Takaful protection plan is the ability to develop a sense of unity and support fellow Muslims. Also, one of the advantages of Takaful for participants is that profit sharing will be shared between participants and the Takaful operator. As mentioned in the Takaful protection plan, the Takaful system uses *Mudharabah* contracts. Al-Takaful is a mutual guarantee, while *Mudharabah* is an agreement to share business profits. This partnership will be divided between financiers and fund providers, Takaful participants, and the authorities, known as Takaful operators who manage participants' funds. According to the research conducted by Mohamed Sa'ad (2023), the Takaful business in Malaysia can be used as an example of a transaction that uses the concept of profit sharing with participants who mutually guarantee each other. Participants will provide guarantees against losses or misfortunes that have befallen any participant, such as death or natural disasters.

### Conceptual Framework



## 3.0 METHODOLOGY

### Data Collection

This research uses a quantitative method. To collect primary data, the questionnaire will be conducted through an online survey available on the Google Form platform. This online survey was conducted to identify the level of understanding and awareness of former sixth-form students of SMKA Naim Lilbanat who want to take Takaful at a young age. Therefore, questionnaires were created and distributed to the eighty respondents to achieve this research objective. The study focuses on the former sixth students as their age is suitable as young people, and we selected the SMKA Naim Lilbanat as our focus area because there are many students with different backgrounds in this school. So that their understanding of takaful will be different.

In this questionnaire, there are four sections, namely:

Sections	Explanation
A	Demographic Profile
B	Level of Understanding Related to Takaful
C	Level of awareness to take Takaful at a young age

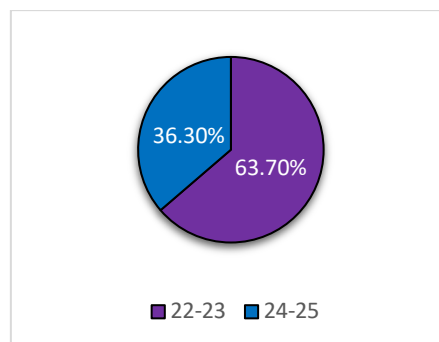
D	Level of understanding related to the advantages of Takaful compared with conventional insurance
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The data obtained will be analysed using a computer system that is the Statistical Package for Social Science, otherwise known as (SPSS). Data analysis using SPSS Version 27 can determine the level of understanding and awareness of former sixth-form students of SMKA Naim Lilbanat, Kota Bharu, Kelantan to take Takaful at a young age.

## 4.0 FINDINGS AND DISCUSSIONS

### 4.2.1 Demographic Profile

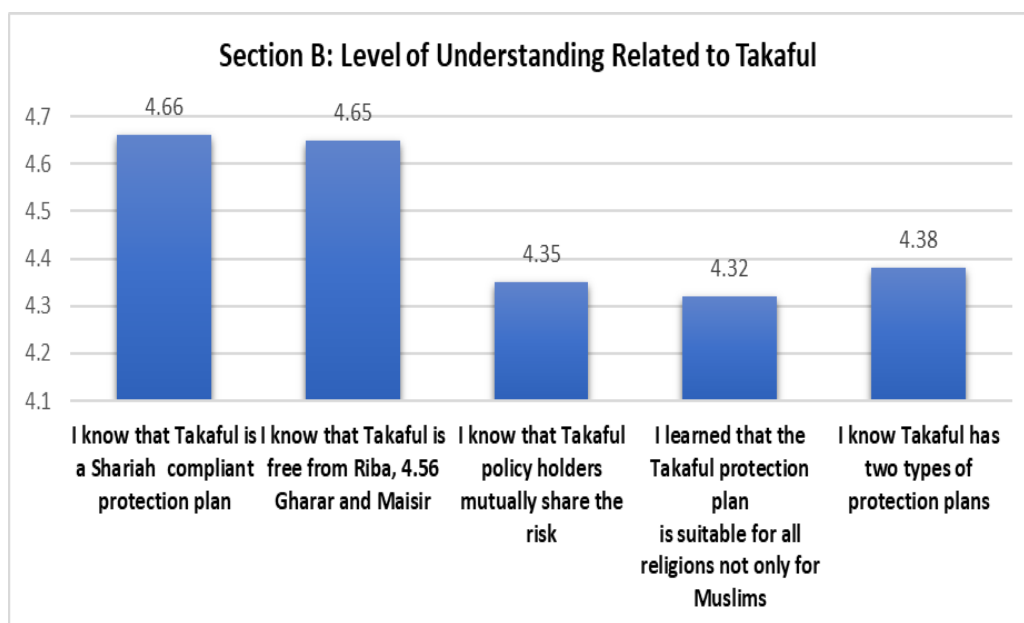
#### 1. Age



*Fig. 1 Age of respondents*

Figure 1 shows the frequency and age percentage of the selected respondents. A total of fifty-one respondents, or 63.7%, were between 22 and 23 years old. The last is twenty-nine people, or 36.3%, between 24 and 25 years old. It is clear here that most of the respondents are young people. Thus, Gen Z is a title for the young generation. This group is the group born after 1996 (Milotay, 2020). Therefore, it is clear that the average respondent was born in 1996 or above.

#### 4.2.2 Section B: Level of Understanding Related to Takaful



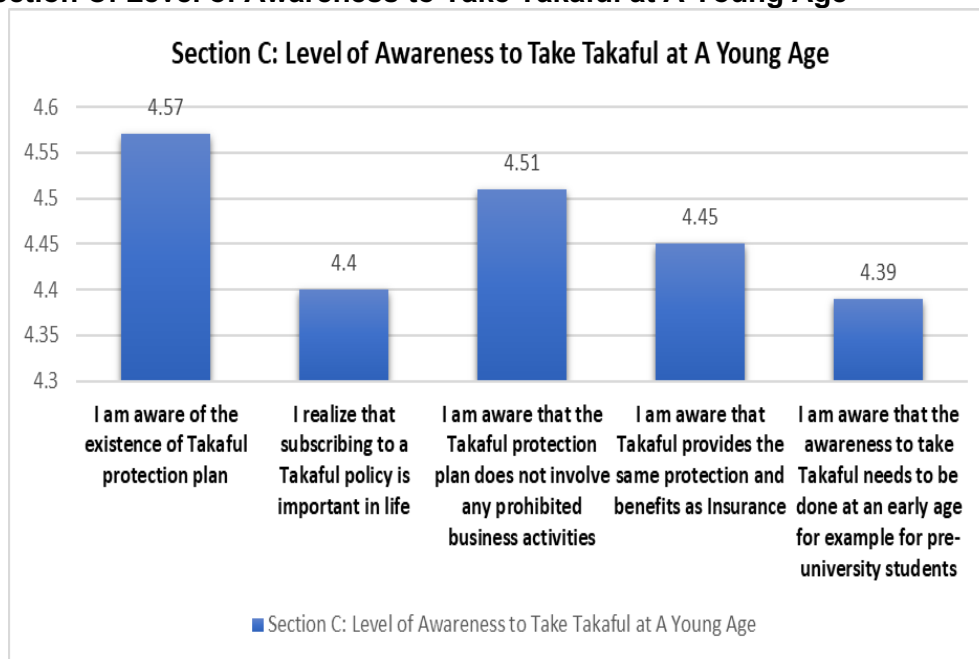
*Fig. 2 Level of Understanding Related to Takaful*

Figure 2 shows the mean score results for Section B, which is 4.47. According to the mean score table, this score was interpreted as very high. Each question in this section also received a very high mean score. This explains that most respondents understand the protection plan found in Takaful and that Takaful is free from the elements of *riba*, *'gharar* and *maisir*.

In addition, the first question, Takaful, is a Shariah-compliant protection plan, and it obtained the highest mean score of 4.66. So, it is clear that they know Takaful is an alternative to insurance where the Takaful protection plan is fully Shariah-compliant (Albalawi, 2019). This shows that most respondents understand and know that Takaful is a Shariah-compliant protection plan. In addition, the understanding related to this statement is general knowledge that the community needs to know. Next, whether Takaful is suitable for all groups regardless of race and religion received the lowest mean score of 4.32. Most respondents understood the Takaful; they knew about the takaful free from *riba*, *'gharar* and *maisir*, and they understood that Takaful is suitable to both Muslims and non-Muslims. This shows they still do not know that the Takaful protection plan suits everyone to subscribe to.

Based on the official Great Easter Takaful (2024), many people still think that the Takaful protection plan is only for Muslims. However, that impression is a false fact because non-Muslims can also enjoy the benefits and protection offered by Takaful companies. In addition, many non-Muslims worldwide have accepted and recognised the benefits Takaful has provided. Finally, based on the results of the mean score for section B, the null hypothesis has been rejected. This is because the level of understanding of former sixth-form students of SMKA Naim Lilbanat related to Takaful is very high.

#### 4.2.3 Section C: Level of Awareness to Take Takaful at A Young Age



**Fig. 3** Level of Awareness to Take Takaful at A Young Age

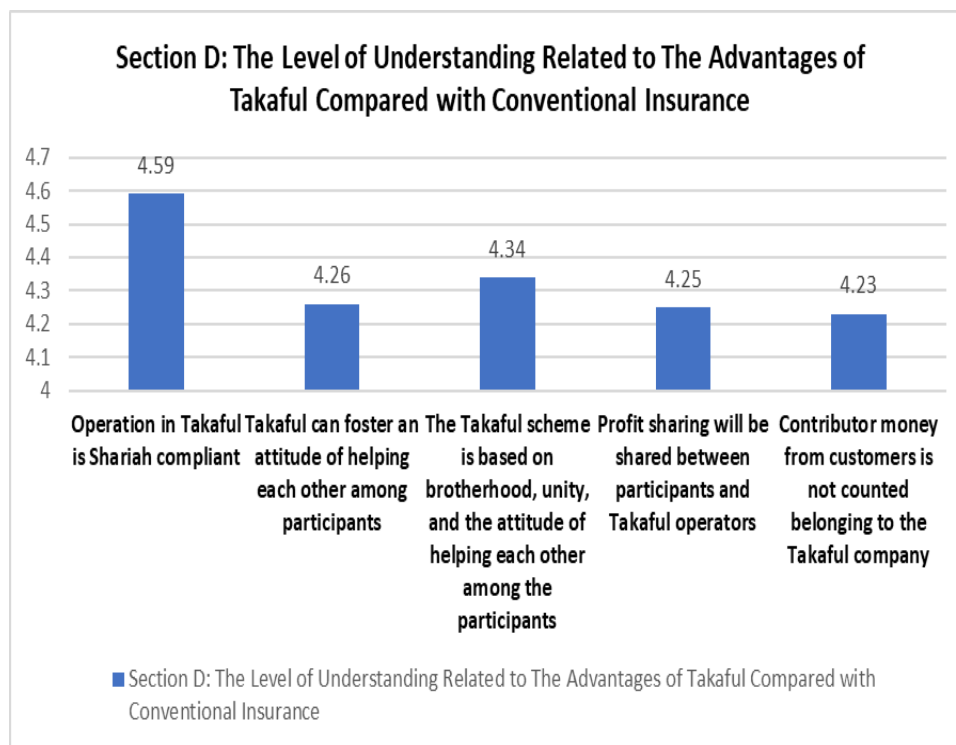
Figure 3 shows the results of the mean score of 4.46, which is interpreted as a very high score. Each question received a very high mean score, which showed that their awareness of taking Takaful at a young age was high. Most of them have realised that Takaful protection plans need to be subscribed to when they are young to ensure that they have security in the event of any unwanted events in the future. This is clear when the analysis has shown that the statement, I am aware of the existence of a Takaful protection plan has received the highest mean score of 4.57. In detail, the second question, "I realize that subscribing to a

Takaful policy is important in life", which has received a mean score of 4.40. This shows that most respondents know Takaful's importance in their lives.

According to Astro Awani (2024), there is an increase in demand for Takaful products from the Malaysian community due to increased awareness of the importance of Takaful protection plans for themselves and their families from unexpected financial risks. So, it is clear here that people's awareness of Takaful protection plans is increasing daily. Next, the respondents' awareness of takaful can be seen in the next question related to 'I am aware that Takaful provides the same protection and benefits as Insurance'. This question has a mean score of 4.45, interpreted as a high mean score. Thus, it is clear here that they know that the general purpose of establishing Takaful and conventional insurance is to offer the same financial protection from any unforeseen risks that may occur in the future.

This statement has been supported by a study by Salman et al. (2019), who stated that the financial protection provided by Takaful is the same as conventional insurance and, most importantly, it is free from business practices that are not allowed in Islam. However, it still needs to be noted that there are differences between these two protection plans, even though the primary purpose is the same. Finally, the null hypothesis was rejected based on the overall mean score obtained from the analysis for Section C. This is because the awareness level of former sixth-form students of SMKA Naim Lilbanat to take Takaful at a young age is at a very high level.

#### 4.2.4 Section D: The Level of Understanding Related to The Advantages of Takaful Compared with Conventional Insurance



**Fig. 4** The Level of Understanding Related to The Advantages of Takaful Compared with Conventional Insurance

Figure 4 shows that the overall mean score for Section D is 4.33. According to the mean score table, the mean score has been interpreted as very high. This has proven that respondents have a higher level of understanding of the advantages of Takaful than conventional insurance. When the respondents know the advantages of Takaful, it will increase the possibility of them being able to subscribe to the Takaful protection plan. In detail, the analysis has shown that the statement Operation in Takaful is Shariah compliant and has received the



highest mean score compared to other questions, which is 4.59. This clearly shows that they know the advantage that conventional insurance does not have is that the operations that exist in Takaful are Sharia-compliant. As stated in this research, all elements that have been prohibited, including *riba*, *gharar*, and *maisir*, have been eliminated. For example, the way to eliminate the element of *riba* is to assume that the contribution from the participants is a gift, known as *Tabarruq*. This differs from conventional insurance, which considers the participant's contribution the insurance premium. In addition, the way to eliminate the element of *gharar* is to disclose all information to the policyholder clearly and transparently (Yuldashev & Mambetkulova, 2023).

Further, the level of understanding of the respondents can be seen based on the following question: "Contributor money from customers is not counted as money belonging to the Takaful company", which has the lowest mean value in Section D, which is 4.23. Although most respondents agree with this statement, almost fifteen people have voted neutral, disagree, and strongly disagree. This clearly shows that they still lack exposure related to the matter. As stated in Chapter 2, Takaful contributor money will not be counted as company money in the *Mudharabah* contract. Hence, the takaful operator will be the manager of the takaful scheme and will provide benefits from Takaful to the participants.

Finally, the mean score analysis of Section D has stated that the null hypothesis has been rejected. This follows the results that show the level of understanding of former sixth-form students of SMKA Naim Lilbanat regarding the advantages of Takaful compared with conventional insurance is not low, but very high.

## 5.0 CONCLUSION

Therefore, the findings from the first objective, which is to identify the level of understanding related to Takaful among former sixth-form students of SMKA Naim Lilbanat, is high. This is proven by the fact that the total mean of Section B is very high. Next, the findings from the second objective, which is to identify the level of awareness of taking Takaful at a young age, are also high. The high overall mean also evidences this. The last objective, which is related to the level of understanding of respondents regarding the advantages of Takaful compared with conventional insurance, is also at a reasonable level even though the mean score of Section D has the lowest value compared to Sections B and C.

## 6.0 SUGGESTION FOR FUTURE RESEARCH

Future research is encouraged to investigate the level of understanding related to Takaful for non-Muslims. When the community or non-Muslim students are taken as a study sample, the researcher can discover their perspectives on the Takaful protection plan. In addition, research will contribute by disseminating the advantages of Takaful over conventional insurance. When Takaful's advantages are spread, they will better understand its advantages and the concepts used in Takaful operations. Also, if there is such research, then it will contribute to Takaful operators. This is because they can know the perspective of those groups towards Takaful and, at the same time, can further increase marketing and improve Takaful products to attract the interest of all communities and, at the same time, can attract the interest of non-Muslim society.

## CO-AUTHOR CONTRIBUTION

The authors affirmed that there is no conflict of interest in this article. Each author contributed by dividing it into sections using colour coding. The contributions of each author were as follows: Author 1 conceived and designed the study and conducted an extensive literature review and data collection. Author 2 conducted the literature review of the manuscript and played a significant role in drafting it. Author 3 interprets the study's findings and participates in manuscript revisions. Author 4 reviewed the manuscript and updated the literature review.

Author 5 actively participated in manuscript revisions and checked the English language of the article.

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## DIGITAL MARKETING IN MSMEs: A FOCUS ON CHALLENGES AND OPPORTUNITIES IN JOHOR

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### ABSTRACT

*This study offers an in-depth analysis of the digital marketing environment faced by micro, small, and medium-sized enterprises (MSMEs) in Johor, Malaysia. As pivotal contributors to the Malaysian economy, MSMEs account for a substantial share of GDP and employment, however, they are increasingly compelled to integrate digital marketing strategies to remain competitive in a digitally evolving global market. This study identifies the primary obstacles hindering digital marketing adoption among these enterprises, including limited digital literacy, infrastructural deficiencies, financial limitations, and cultural hesitancy. Additionally, it explores the importance of digital marketing for Johor's MSMEs. The study provides actionable recommendations to address these barriers by evaluating empirical data and existing policy measures. This study aims to equip policymakers, scholars, and industry professionals with valuable insights to drive effective and sustainable digital advancements in the region's MSME sector by situating these challenges within Johor's specific socio-economic framework.*

**Keywords:** Digital Marketing, MSMEs, Johor Entrepreneur, Government Support

### 1.0 INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) are globally recognized as the powerhouses of the economy. Small businesses account for 90% of global businesses, providing more than half of the worldwide employment and playing a critical role in poverty alleviation, innovation, and economic diversification (Alalwan et al., 2018). In Malaysia, MSMEs are also important, accounting for 38.4% of the nation's GDP and providing jobs for 48.2% of all employees. Johor is Malaysia's second-largest economic contributor, and these MSMEs are essential for economic growth across the agriculture, manufacturing, services, and construction sub-sectors.

Although Johor's MSMEs are vital to the economy, their digital marketing development is unbalanced, as they still experience challenges with low literacy levels, infrastructural facilities, and limited funding. Digital marketing offers Johor's MSMEs the opportunity to enhance competitiveness by expanding their audience's reach, ensuring quality engagement, and

optimizing costs. Of course, these advantages are provided so businesses can overcome structural and cultural barriers.

This study aims to (1) examine the importance and barriers of digital marketing adoption in Johor's MSMEs, and (2) identify the significance of digital transformation research towards Johor's MSMEs. For this purpose, this study adopts a conceptual paper approach, producing scholarly articles, research reports, and industry insights to understand the dynamics of digital marketing adoption in SMEs. The keywords used for the search included variations of terms such as "SMEs" and "Digital Marketing." Additionally, specific terms related to the research objectives, such as "competitive advantage" or "strategic management," were included to ensure a comprehensive search.

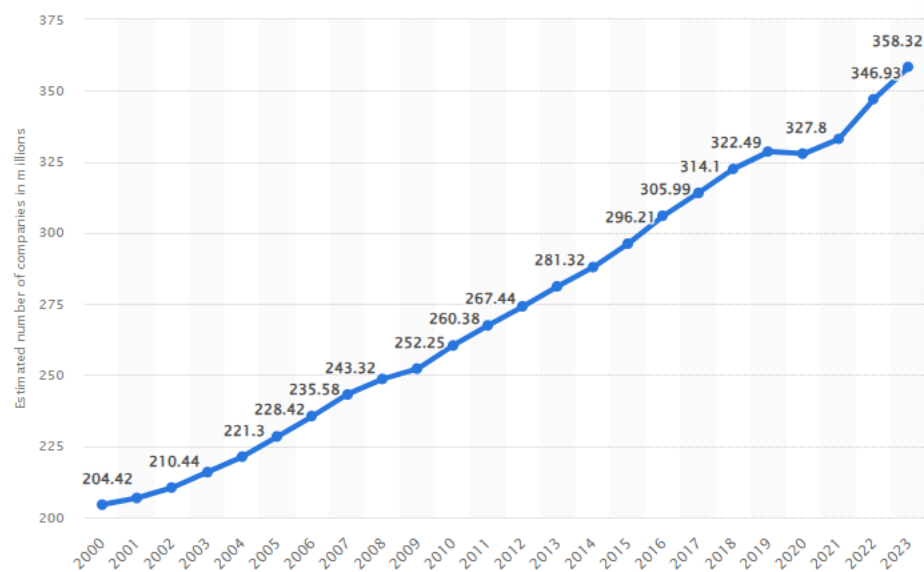
## **2.0 LITERATURE REVIEW**

### **2.1 Importance of MSMEs importance and Barriers to Digital Marketing Adoption in Johor's MSMEs**

#### **2.1.1 Importance of MSMEs Worldwide**

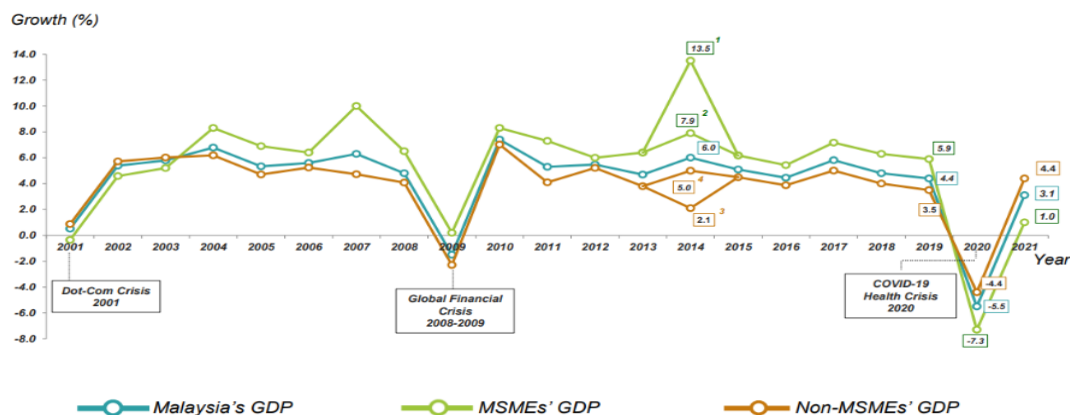
The role of MSMEs cannot be overemphasized within the SE socio-economic infrastructure, especially in Malaysia. They are essential for posting economic growth, social order, and sustainable development, as stated by Bargoni et al. (2024). This study identified MSMEs as significant contributors to job creation, making them key employment providers within the economy and offering opportunities to a broad population segment. Their ability to enhance the general conditions of the economy is relatively high, which in turn leads to a reduction in unemployment indicators. However, the subsequent arguments elucidate the vital importance of MSMEs in sustainable economic development: The Bali Agenda highlights that small businesses are more effective than large firms and flexible in adapting to change because they possess innovative working models that allow them to effectively and sustainably compete in volatile markets (Camilleri, 2019). These changes increase market flexibility and promote entrepreneurial activities, allowing individuals to engage in innovative activities to improve the general economy (Figure 1).

In the ASEAN context, the significance of MSMEs is particularly evident due to their unparalleled contributions to promoting economic integration and fostering inclusive economic growth. MSMEs constitute around 99% of businesses within the ASEAN region, provide around 85 % of the workforce employment, and contribute between 30 and 53 % to the GDP of the ASEAN countries. ASEAN has recognized MSMEs as engines of the area's growth, as illustrated by the ASEAN Strategic Action Plan for enhancing the competitiveness of MSMEs during 2016-2025. Diversification in MSMEs, especially in the digital economy transition after the pandemic, has allowed the region to improve participation in global value chains, become more reliable against external disturbances, and set up sustainable growth trajectories (Bargoni et al., 2024). Due to the digitization of markets everywhere and changes in customer needs, MSMEs in Malaysia are urged to employ digital promotional tools to increase competitiveness. Consequently, digital marketing has evolved as a competitive approach for increasing market coverage, developing customer relations, and optimizing organizational expenses.



**Fig. 1.** Projected quantity of MSMEs globally from 2000 to 2023 (in millions) (source: statista.com)

Malaysian MSMEs play an essential role in contributing to the GDP, as they are a large contributor to the economic production of many industries (B.N.M., 2023). The DOSM revealed that Malaysian MSMEs grew 11.6% in 2022, much higher than the country's GDP of 8.7% for the same year. The share of MSMEs within the GDP increased to 38.4% from 37.4%, reflecting a value-added of RM580.4 billion from RM520 billion in 2021, as depicted in Figure 2.



**Fig. 2.** The GDP growth of Malaysian MSMEs

MSMEs are also significant employers in the country and significantly contribute to employment. In 2022, employment grew for MSMEs to 3.8% (7.6 million), the highest employment rate after the reclassification of MSMEs in 2014. This was counterbalanced by approximately 280,000 employed individuals, indicating ongoing economic developments as the countries worldwide lifted COVID-19 restrictions, engaged in economic normalization, and reopened borders for international tourism. Conversely, non-MSMEs raised employment marginally by 2.4%, approximately 193000. The total employment sector in MSMEs is more than half, with 48.2% in 2022 compared with 47.8% in the previous year.

Being resilient, adaptable, and flexible instruments that can address the challenges of the existing market environment needed for economic stability, MSMEs incorporate poverty

reduction and social inclusion by creating employment services for the most vulnerable population groups, thus ensuring equitable economic growth among them (Saura et al., 2023). MSMEs are also part of the supply chain and significantly contribute to developing the local economy through demand-side activities across industries.

MSMEs are flexible and able to respond to market needs quickly; therefore, they are better aligned with the existing opportunities, translating to GDP growth and enhanced economic recovery. Thus, the role of MSMEs is not limited to numbers. However, they provide change and become a guide to orient society toward its overall development and a more inclusive and empowered future.

### **2.1.2 The Socio-Economic Role of MSMEs in Johor**

MSMEs are critical to Malaysia's social and economic development, particularly in Johor. The results revealed that, as of 2020, Malaysia had 119,920 MSMEs, representing 70.8% of the total registered businesses, of which 85.4% were in the services sector. In addition to MSME's contribution to Malaysia's GDP and employment rates, the government also recognizes their role as catalysts of growth for community development, innovation, and socio-economic sustainability in Johor's diverse and competitive economic structure.

MSMEs are significant in tackling the unequal distribution of productive assets, wealth, and resources in Johor and other rural areas with little economic activity. The above enterprise employment fosters local enterprises and contributes to rural areas' economic development. For example, agricultural-based MSMEs implement supply chain arrangements, develop new markets, and add value to their goods and services, all positively influencing rural populations (Alalwan et al., 2018). As witnessed during the coronavirus outbreak, these types of businesses performed admirably by expanding the use of technology. On the same note, food producers, like the firms in the agriculture value chain, employed the e-commerce markets to access the consumer markets when physical markets were out of access.

This innovation also holds avenues within Johor's MSMEs, and this link and element of innovation have impacted Johor's MSMEs. Due to their size and decentralized management, smaller organizations frequently demonstrate more efficiency in acquiring and implementing new technologies than larger corporations. For instance, to improve productivity and remain competitive, many manufacturing MSMEs in Johor have implemented key Industry 4.0 enablers, such as automation, big data, and intelligent manufacturing. This technological change enhanced performance and helped place Johor's MSMEs as strategic suppliers for the growth of industrial Malaysia. The dual objectives of MSMEs in Johor, which are to achieve financial viability while fostering societal progress, are increasingly recognized by regional development bodies such as the Bahagian Perancang Ekonomi Johor. By maintaining symbiotic relationships within the local economy, these businesses ensure a steady supply of raw materials, strengthen local value chains and create significant employment opportunities. The resulting reduction in unemployment and poverty directly improves Johor's residents' quality of life, fostering a more inclusive socio-economic environment.

Furthermore, most of Johor's MSMEs possess a clear understanding of local markets and the corresponding client demands, enabling the customization of goods and service delivery systems to meet the needs of the Johor populace. This responsiveness also increases customer satisfaction, fosters economic relationships, and makes the community more productive. Thus, several recommendations can be employed to further enhance Johor's economic competitiveness, including promoting MSMEs, introducing support to societies and communities, and delivering sustainable development. Regulating this, governments and organizations today pay more attention to and value building with MSMEs as these promise long-term economic development.



Nevertheless, structural hurdles remain as issues that negatively affect the development of MSMEs in Johor. Lack of capital, insufficient technological enablers, and multiple bureaucratic regulations are crucial for rural players. Insights gathered from Vietnam support the effectiveness of government initiatives concentrated on certain sectors to address similar issues. Some measures include credible incentives, such as cheap technology support, vocational training for rural-based start-up entrepreneurs, and well-coordinated bureaucratic clearance procedures in India (Kapoor & Kapoor, 2021). If implemented in Johor, similar measures could boost MSMEs' economic and social performance capabilities to contribute optimally to the area's development.

### 2.1.3 Digital Marketing Strategies and Their Importance

Digital marketing provides scalable and cost-effective solutions that enable MSMEs to compete in dynamic markets (Harrigan et al., 2021). Key strategies include social media marketing (SMM), search engine optimization (SEO), email marketing, and content marketing. Platforms such as Facebook, Instagram, and TikTok have proven effective in engaging customers and building brand visibility (Kannan & Li, 2017).

Table 1: Digital marketing strategies and their importance

No	Digital Marketing Strategies	Their Importance
1	<b>Social Media Marketing (SMM)</b>	Social media platforms allow MSMEs to connect directly with their target audiences. For instance, a Johor-based café increased its foot traffic by 30% by using Instagram to post visually appealing content and promotions. SMM fosters real-time interactions, enabling businesses to build customer loyalty.
2	<b>Search Engine Optimization (SEO)</b>	SEO ensures that MSMEs' online content ranks higher in search results, increasing visibility and organic traffic. For example, a furniture retailer in Johor improved its sales by creating SEO-optimized blogs on sustainable furniture care, attracting eco-conscious customers.
3	<b>Content Marketing and Email Marketing</b>	Content marketing enhances brand authority, while email campaigns strengthen customer relationships through personalized updates. Together, these strategies help MSMEs retain customers and encourage repeat purchases.

As global and local economies depend significantly on MSMEs, organizations must promote good marketing communication strategies to sustain them (Deb et al., 2024). Van Veldhoven and Vanthienen (2023) asserted that the business activities of MSMEs are always sensitive to market fluctuations that force deep concern on the firm to develop a good business model to fit in the competitive market environments. MSMEs require marketing skills to build a linkage between entrepreneurship orientation (E.O.) and performance (Lányi et al., 2021)

MSMEs are essential for the growth of the local and international economy, and their sustainability has been found to depend on marketing communication strategies to boost their marketing success. Deb et al. (2024) noted that MSMEs must pay adequate attention to communication to relate well in competitive markets. According to Van Veldhoven and Vanthienen (2023), competition pressure coupled with volatile markets affects firms' ability to develop sustainable development and existence strategies. Nevertheless, the scarcity of marketing competencies has become a limiting factor for MSMEs in achieving E.O. for success, as Lányi et al. (2021) observed. As highlighted earlier, this is an area where MSMEs need to build their capability to link their business strategy to market requirements effectively.

New digital marketing technologies have become critical success factors in the strategic management of MSMEs for their continuity and flexibility. Lányi et al. (2021) also noted that many digital marketing instruments are better equipped for recognizing and satisfying customer needs than conventional marketing approaches. It is flexibility that guides organizations to meet customers' needs and offers a responsive model in responding to changes in the market. Duffett and Maraule (2024) supported all the statements made by Lee (2017) in proving that digital competencies in marketing are practical tools for reaching profitability and gaining a competitive advantage in the digitalized world economy.

However, despite the myriad technological tools currently available for digital marketing, sales promotions, advertising personality selling, and public relationship statcaremonly cost. For MSMEs, there is usually only one method of communicating with potential customers: personal selling at the presale, sale, and post-sale realization stages (Dabas et al., 2021). However, the efficiency of these strategies depends on the focus area of the extent to which different parts of digital marketing are understood and can be applied by MSMEs (Sharma & Sharma, 2024). Lack of compliance with these changing needs poses a significant hazard. According to Taiminen and Karjaluo (2015), digital marketing communication is not an addition but a necessity to realize MSME's marketing objectives. According to Ritz et al. (2019), one of the reasons for the high number of MSME failures is the low level of marketing communication and the few attempts made by owners and managers to market their businesses well.

Therefore, marketing plays a dual role as an essential tool for achieving organizational objectives and is a significant problem for MSMEs. According to Rehman et al. (2024), the lack of proper marketing strategies can be the primary reason for the failure. Simultaneously, there is a need to have a deeper understanding of what digital marketing entails to help MSMEs grow and become more resilient in the current highly competitive environment (Hafezieh et al., 2023). This understanding is especially crucial to Johor's MSMEs since implementing digitalization has significant potential for boosting their firms' performance in terms of productivity, market presence, and efficient customer outreach.

However, the digital transformation of MSMEs in Johor is challenging, as described below: Lack of funds and inadequate education are still significant barriers to utilizing progressive technologies in business. Furthermore, the weakness in awareness and knowledge of their utilization expands the gap between performance capabilities and the actual results. Therefore, efforts must be made to overcome these challenges through collaboration. The government, market stakeholders, and emerging technology solutions must collaborate to develop equal access to digital resources and design adequate training solutions for the MSME sector. Hence, based on the learning from the efficient models of the digital subsidy and localization of training programs, Johor may use such aid to raise its MSMEs for digital readiness and competitiveness in the global market.

#### **2.1.4 Barriers to Digital Transformation in Johor's MSMEs**

One prominent issue is low digital awareness and expertise, particularly acute in rural or agriculturally focused MSMEs. These enterprises often understand essential digital marketing concepts, such as SEO or social media advertising, yet lack the technical skills to implement these strategies effectively. This gap is evidenced by a global study by Hafezieh et al. (2023), who found that over half of rural MSMEs cite digital literacy as a significant obstacle, underscoring the need for targeted educational programs.

Financial constraints also play a critical role in limiting the adoption of digital technology. Although digital marketing is typically more cost-effective than traditional methods, the initial outlay for necessary technologies, website development, and ongoing promotional activities remains prohibitive for many MSMEs (Chaffey et al., 2019) and further explored by Petrova

and Babin (2022). Recurrent expenses, such as subscriptions for digital tools, consultancy fees, and content creation, compounded these financial burdens, particularly affecting low-margin sectors, such as agriculture.

Moreover, poor Internet connectivity further intensifies these challenges, particularly in the rural regions of Johor. Despite national efforts, such as the Jendela initiative aimed at enhancing broadband penetration, many areas still experience significant deficits in connectivity. This lack impedes MSMEs from fully utilizing cloud-based solutions, participating in online training, or engaging in e-commerce with outdated hardware and software, restricting their digital engagement capabilities.

Cultural resistance within these organizations also poses a significant barrier. Many of Johor's MSMEs are family-owned, with a deep-rooted reliance on traditional marketing methods and a general mistrust of digital innovation (Camilleri, 2019). Such scepticism is often shared by employees who fear job displacement or feel overwhelmed by the technological demand for digital tools. Without strong leadership and a clear vision of digital integration, these enterprises face significant challenges in adopting fundamental digital strategies.

Lastly, the effectiveness of government digitalization initiatives is often undermined by policy gaps that fail to recognize the diverse needs of Johor's MSME sectors. While urban retailers might benefit from subsidies for social media marketing, rural agricultural enterprises require support to digitalize their supply chains. This one-size-fits-all approach in policymaking fails to accommodate the specific needs of different sectors, leaving significant segments of the business community underserved, as highlighted by Wang et al. (2018). These factors illustrate the complex, interconnected barriers that must be addressed to facilitate a successful digital transition for Johor's MSMEs.

### **2.1.5 Government Initiatives and Their Effectiveness**

Since 2020, the Johor government has actively pursued socio-economic advancement through its transformative "Makmur Johor" vision, a strategic framework encompassing twelve critical focus areas: agriculture, information technology, and e-business, enterprising, physical, human capital, management, tourism, local development, youth, religious belief, and sustainable and social development. This massive plan kickstarts development while fixing the social problems outlined by Johor's inhabitants.

Thus, Makmur Johor's vision is to offer Johor the prospect of a harmonious development of both the economic and social planes. When announcing the 2021 budget, former Johor Menteri Besar Datuk Hasni Mohammad stressed this vision, claiming that its essence would help revive trade, boost commercial activity, and spur domestic economic activities. The initiative also strengthens the enforcement of rights for vulnerable groups and promotes sustainable and equitable growth (Wang et al., 2018). Through these critical focus areas, Johor hopes to deal with significant issues affecting its development, including unemployment, poor development in rural areas, and inadequate modern development facilities, to establish the foundation for sustainable economic growth.

Johor Niaga is the most notable component of Makmur Johor due to its efforts in economic entrepreneurship. Understanding that MSMEs are fundamental to the growth of the local economy in Johor, Niaga provided RM 3.5 million for grants for nearly 560 MSMEs in the state. This is important since it enables small businesses to secure financial capital and appropriate tools to improve their operations and competitiveness in evolving market structures (Camilleri, 2019). In addition to fostering entrepreneurship, the Masyarakat Desa Johor program under Makmur Johor emphasizes local development, particularly in rural and traditional village settings. With a dedicated RM 2 million allocation under the Local Rejuvenation Plan, this

initiative aims to strengthen and empower local communities and preserve Johor's traditional villages' cultural and social fabrics. This program is especially significant in regions within the Iskandar Malaysia Development Corridor, where rural areas can benefit from targeted interventions that promote sustainable livelihood and socio-economic integration.

State initiatives are further supported by federal programs, government financial initiatives, and other financial institutions, thus forming a well-aged environment for MSMEs. The Johor Makmur MSME Grant is a Local People's Grant or G.O.L funded by Bank Kerjasama Rakyat Malaysia under the Kementerian Koperasi dan Kepenggunaan Malaysia. In 2022, this program provided interest-free loans with a fund of RM 100 million to Johor-based MSMEs. This grant offered working capital to at least 560 MSMEs, helped them expand their operations, funded equipment purchases, and met other needs with less pressure associated with conventional loans. This program reflects a supportive framework that positions SMBs as economic recovery and growth drivers.

At the national level, the MSME Digitalization Grant or MADANI continues to develop small companies' digital infrastructure. The government of Malaysia pays RM 5,000 to MSME enterprises, assisting them with half of the funding that matches the cost of adopting digital technologies for business improvement. Managed along with registered digitalization partners, the grant addresses a broad range of digitalization activities, such as social media advertisements, the establishment of e-shops, and e-payment services. Through this program, the Ministry empowers MSMEs to adopt digital solutions for operations and assures that the escalating global digital system does not leave small enterprises captured.

## **2.2 Significance of Digital Transformation Research Towards Johor MSMEs**

The digitalization of industries has driven significant changes, presenting both opportunities for growth and challenges for companies across various countries. The approach employed also has theoretical consequences for the investigation. With the growing competition in the digital economy environments, MSMEs in Johor need to embrace digital marketing tools that make their operations efficient and effective within the market area (Wang et al., 2018).

From a functional point of view, digital transformation seeks to assist MSMEs in Johor by defining digital marketing tools and the resources required to realize them. Factors that hinder the use of digital solutions by MSMEs include low Internet literacy, high adoption costs, and a lack of access to proper infrastructure (Chaffey et al., 2019). Therefore, it is imperative to tackle these challenges if companies are to maximize ICT instruments.

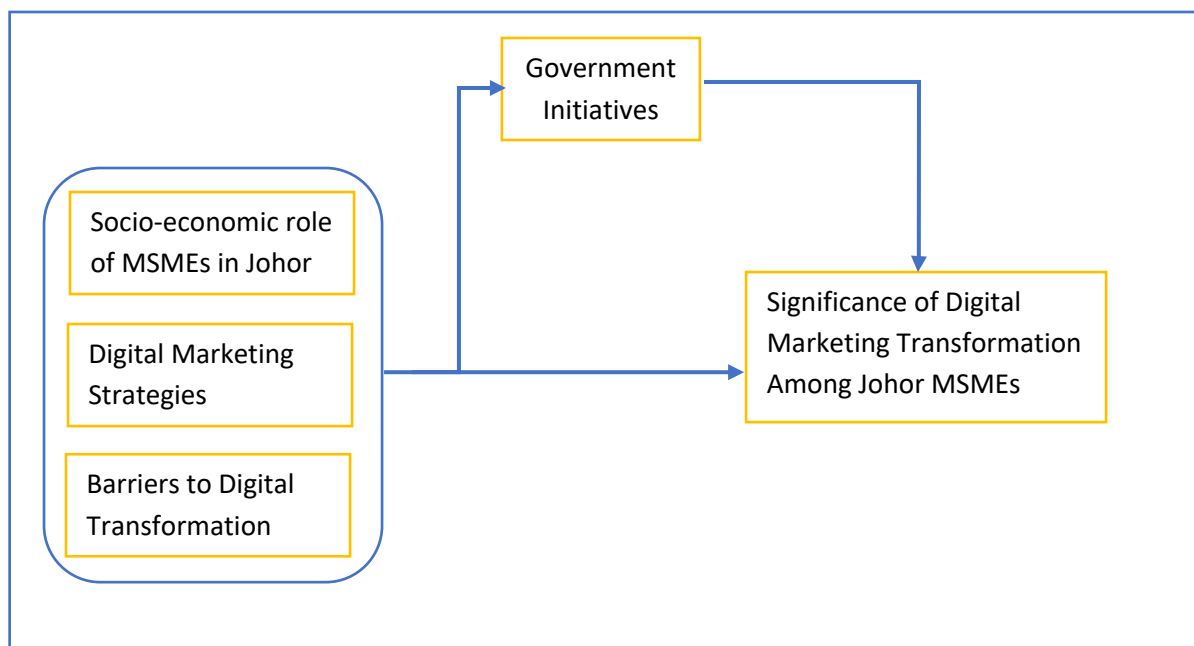
Leveraging technology enables MSME owners to understand and address these challenges effectively. For instance, this study reveals ways to enhance the digital skills of businesspeople, shows ways of utilizing low-cost tools and platforms to market businesses, and presents the best ways in which infrastructural investments can be crucial to businesses. Additionally, in this area of research, the exact effect of digital marketing on performance is determined, thus providing a research-based conclusion to MSMEs. If implemented, these strategies can significantly enhance revenue generation, operational efficiency, and customer satisfaction, positioning MSMEs as the key players in the digital economy.

Therefore, for policymakers, the findings of any research on digital transformation are as important as others. Any study generates data by identifying general challenges detrimental to MSMEs, especially in developing digital skills and accessing relevant infrastructure (Camilleri, 2019).

### 2.3 Conceptual Framework

The proposed conceptual framework integrates input variables such as financial resources, training programs, and government initiatives with mediating factors like digital marketing strategies, E.O., and technological infrastructure. The output variables focus on key performance indicators, including productivity, market presence, customer satisfaction, and long-term sustainability.

This detailed framework emphasizes the interconnected roles of digital marketing, capacity building, and supportive policies in driving MSME growth. Addressing barriers such as financial constraints and knowledge gaps, coupled with leveraging strategic government interventions, positions MSMEs in regions like Johor to capitalize on digital transformation. By fostering innovation, enhancing market adaptability, and building resilience, this framework provides a pathway for MSMEs to achieve sustained success and contribute significantly to local and global economic development.



**Fig. 3.** Conceptual framework

The conceptual framework illustrates the interconnected dimensions shaping the significance of digital marketing transformation among micro, small, and medium enterprises (MSMEs) in Johor. At its core, the framework highlights three primary aspects: (1) the socio-economic role of MSMEs in Johor, (2) digital marketing strategies, and (3) barriers to digital transformation. These elements collectively influence the ability of MSMEs to adopt and benefit from digital marketing technologies.

The socio-economic role of MSMEs is foundational, recognizing their contributions to local employment, income generation, and economic growth in Johor. This understanding underscores the necessity of supporting MSMEs in their digital evolution to sustain their socio-economic impact. Digital marketing strategies represent the tools and approaches MSMEs leverage to enhance their online presence, engage with customers, and drive sales. These strategies are integral to competing effectively in an increasingly digitalized market landscape. However, their successful implementation is often hindered by the barriers to digital transformation, which may include limited financial resources, lack of technical expertise, resistance to change, and inadequate infrastructure.

Government initiatives act as an overarching moderator in this framework. Policies and programs aimed at fostering digital literacy, providing financial incentives, and supporting technology adoption play a pivotal role in addressing the barriers MSMEs face. By doing so, these initiatives facilitate the digital marketing transformation process and amplify its significance for MSMEs in Johor.

This framework underscores the interplay between the socio-economic contributions of MSMEs, the enablers and constraints of digital transformation, and the critical role of governmental support. A comprehensive approach integrating these elements is essential to ensure the successful digital marketing transformation of MSMEs, thereby enhancing their competitiveness and contribution to Johor's economic development.

### **3.0 CONCLUSION**

The digital marketing concept provides a great opportunity for MSMEs in Johor to improve competitiveness, expand the overall market, and contribute to sustainable growth. These enterprises are core to the region's socio-economic development and play a vital role in terms of adding value to GDP and contributing towards the employment index as well as uplifting the sense of togetherness that defines communities Wang et al. (2018). However, while digital marketing strategies can enhance the performance of MSMEs, their adoption among Johor's MSMEs is still incomplete because of digital literacy, financial resources, infrastructure, and culture (Camilleri, 2019).

There is a level of willingness for the government to implement digital transformation, with some programs being put forward for implementation, including the MSME Digitalization Grant and the Johor Makmur MSME Grant. However, they are limited by poor rural penetration, low knowledge, and a lack of sectorial and solution-oriented approaches. Policymakers must consider diversity, ensuring that programs address both urban and rural MSMEs as well as specific subsectors.

Concerning these challenges, Johor's MSMEs can fully realize the potential of digital marketing through policy cohesiveness between the policymakers, industry, and technology providers. This change may improve their market competitiveness and affirm their leadership positions regarding knowledge, sustainability, and socio-economic growth in this region. This indicates that the future development of these MSMEs needs investment, integration, and collaboration between different players to make the MSMEs future-proof by supporting all sizes and regions involved.

### **4.0 SUGGESTION FOR FUTURE RESEARCH**

The potential of emerging technologies to enhance digital marketing for MSMEs warrants further exploration. Artificial Intelligence (AI) and Machine Learning (ML) tools offer personalized marketing solutions that can optimize costs and efficiency. For instance, AI-driven analytics can help MSMEs target specific customer segments, predict market trends, and automate repetitive tasks, significantly reducing operational burdens. Future research should explore the accessibility of emerging technologies to small enterprises and develop comprehensive models for their integration.

Moreover, policy evaluation studies are crucial to understanding the effectiveness of existing government programs. Although initiatives such as the Johor Makmur MSME Grant aim to alleviate financial barriers, their actual reach and impact remain unclear. Research

should focus on identifying bottlenecks in implementation, such as low awareness or administrative complexities, and recommend adjustments to improve inclusivity and scalability.

By addressing these gaps, future research can provide a more nuanced understanding of the barriers and opportunities in MSME digital transformation, ensuring that strategies are inclusive and effective in promoting sustainable economic growth on the most crucial factors that have been identified in this study.

## CO-AUTHOR CONTRIBUTION

The authors affirmed that there is no conflict of interest in this article. Author1 carried out the fieldwork, prepared the literature review and overlooked the writeup of the whole article. Author 2 wrote the research methodology and did the data entry. Author3 carried out the interpretation of the results.

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## DECLARATION TO THE PUBLISHER REGARDING THE APPLICATION OF GENERATIVE AI TOOLS AND AI-ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

While preparing this writing, the author utilized ChatGPT4.0, Quillbot Premium, and Grammarly to refine and complete the use of these applications/tools; the author conducted a review, refinement, and editing process to ensure full responsibility for the content of the writing and publication.

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## EXPLORING THE PERCEPTIONS AND PRACTICES OF FARAIID (ISLAMIC INHERITANCE): INSIGHTS AMONG MUSLIM FAMILIES IN PADANG TERAP

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### ABSTRACT

*Faraid, commonly known as the Islamic inheritance system, is a legal framework based on Islamic laws. Its primary goal is to protect family members' rights in matters involving the assets of deceased individuals. This study rigorously examined the intricate subject of Faraid, known as Islamic inheritance, by analysing the beliefs and behaviors of Muslim people in Padang Terap. This research investigation is based on three primary objectives. First, it examined the current perceptions and practices of the targeted community regarding Faraid. Second, it identified and explored the factors contributing to the lack of knowledge about Faraid among Muslim communities in the Padang Terap. Lastly, it investigated the frequency of family disputes related to Faraid within the study population and the underlying causes of these disputes. This research project employed a quantitative methodology that sent an online questionnaire through a simple and random sampling approach. The data collected was evaluated using SPSS version 29, providing researchers with a comprehensive understanding of the dynamics surrounding Faraid in the selected community. By addressing these specific goals, this research seeks to enhance the understanding of Islamic inheritance and increase awareness of the difficulties faced by Muslim households in the Padang Terap.*

**Keywords:** Faraid Practices, Perceptions, Muslim Families, Islamic Inheritance, Islamic Legal Practices in Padang Terap.

### 1.0 INTRODUCTION

The Islamic inheritance law, known as Faraid, is founded on Islamic jurisprudence and primarily aims to safeguard the entitlements of family members to the deceased's assets. According to Saujan et al. (2022), inheritance is the transfer of ownership of an estate or property item to a living descendant of the deceased. Despite the Holy Quran's omission, Muslim jurists like Abdur Rahim have defined inheritance differently. Inheritance refers to

legally transferring a deceased person's rights and liabilities to their beneficiaries (Saujan et al., 2022). The Faraid system, which allocates wealth equitably among heirs, is esteemed by Muslims under Islamic ideology. Technological advancements enhance human understanding and elevate economic and social welfare. Hussaini et al. (2022) state that Islam prioritises protecting the rights and wealth of the poor. Owing to cognitive limitations, most citizens cannot manage their assets. Faraid is overseen by a designated administrator, executor, or guardian. The recipients are often unaware of comprehensive wealth planning, particularly Faraid management, resulting in delays in distributing the deceased's assets (Bahar et al., 2019). Samat, an Estate Planning Consultant, states that over one million land grants in Malaysia remain unsettled following the demise of their owners, with assets over RM70 billion remaining outstanding due to insufficient understanding among heirs or estate administrators (Fazlul Haque, 2020). A similar issue may exist in Padang Terap, where limited access to formal Islamic education and religious literacy programs focusing on inheritance laws likely contributes to low awareness and improper inheritance management (Azuan & Jalil, 2024). Therefore, this study investigated public perceptions of Faraid and whether they understood it. It also sought to assess local awareness and understanding of Faraid and its significance.

## **2.0 LITERATURE REVIEW**

Faraid, which comes from the Arabic root "farada," refers to actions mandated by the Supreme Being and refers explicitly to Faraid's laws. It goes beyond the distribution of funds and emphasises the concepts of fairness, impartiality, and protecting beneficiaries' rights. Faraid is an example of the divine guidance in the Quran for distributing wealth left behind by a deceased individual. This framework's key principles are preventing conflicts, promoting family well-being, and upholding social justice (Sulong & Musa, 2019).

### **2.1 HISTORICAL AND RELIGIOUS CONTEXT**

Faraid, also known as Islamic inheritance and wealth distribution, is a fundamental principle in Islamic law that ensures fair distribution of inheritance among descendants. It is based on the Quran and Hadith and originates in ancient religious traditions. The Quran provides detailed guidelines on inheritance, with Surah An-Nisa being a significant chapter that contains specific regulations for different groups of heirs. The Hadith expands on the principles outlined in Faraid, which dictates that males should inherit double share than females, according to the Quranic verse 4:11. This ensures gender equality and fairness in inheritance distribution, with sons receiving twice as much money as daughters to fulfill their respective roles.

According to Faraid rules, assets declared inherited and distributed to descendants must meet various standards and conditions. The prerequisites and requirements include the following: The initial and pivotal step is ascertaining the halal status of the commodities in question. Under Sharia law, an individual's rights cannot include assets obtained unlawfully. According to Islamic law, Haram refers to any property acquired through explicitly forbidden or illegal means. Furthermore, it is unlawful to inherit any property that contravenes Islamic laws. Uyuni and Adnan (2021) asserted that any property acquired through illegal means is subject to an inheritance ban. Under Sharia, the possessions of a deceased individual that persist after death are deemed the property of the heirs, who acquire unequivocal and perpetual rights to them, indicating that heirs will receive all assets (Uyuni & Adnan, 2021).

After a person passes away, their belongings may still have the right to belong to others. The deceased likely did not accept these rights without permission and may have shared ownership with another individual. It is important to handle and clear the property of any rights owned by others regardless of their presence. Thus, it is reasonable to prevent heirs from claiming these rights. Nevertheless, Baitul Mal will receive an inheritance if (Uyuni & Adnan,

2021) determine that the deceased individual does not leave behind any offspring (the rightful heirs of Dzawil Furudh, Asabah, Dzawil Arham, or Maula).

## **2.2 COMMUNITY THOUGHTS AND INACCURACIES ABOUT FARAIID**

Muslim communities worldwide value Faraid, or Islamic inheritance laws, due to their religious and social roots. However, they find it difficult to understand and apply because of many opinions and misunderstandings. This section examines common misconceptions and their effects on the local understanding of Faraid laws. Culture shapes Faraid, especially in East Java, where local customs may trump Faraid laws. In this region, inheritance is often equally divided between male and female descendants, leading to the belief that certain family members, especially men from different cultures, have greater inheritance rights. Therefore, the perception and reality of Faraid entitlements may diverge (Khosyi'ah & Rusyana, 2022). The Minangkabau tribe in Negeri Sembilan follows the 'adat perpatih' inheritance custom, which sometimes supersedes Malaysian Faraid customs. Wardi et al. (2018) said "adat perpatih" allows female lineage inheritance in Islam. In contrast, Faraid's laws favour men. Traditional Minangkabau customs give girls and their descendants ancestral property, not boys. Islamic law grants daughters the right to inherit, but 'adat perpatih' often gives them a larger share. Despite Malaysia's Islamic legal system, Minangkabau women inherit and register their land under their names. Although 'adat perpatih' has changed, many important aspects of the tradition remain (Wan Rushdan et al., 2023). Some Muslim groups, especially those in Bangladesh, misunderstood Faraid gender equality. While Islamic law requires equal treatment of men and women, some may still prioritise women. Patriarchal structures in some countries may worsen this misunderstanding and create inequality.

## **2.3 LIMITED KNOWLEDGE OF FARAIID**

Misconceptions regarding Faraid are rooted in cultural, gender, and economic factors. Myths hinder residents from acquiring knowledge and engaging in Faraid, and we must dispel these myths to ensure equitable Faraid. The causes must be examined before fixing these concerns, as misperceptions arise from popular ignorance. The mentors and scholars influence Faraid, and their interpretation and direction may influence Faraid's community perception. Uneducated and uninformed religious leaders may propagate this misunderstanding. Faraid laws perplex Muslims irrespective of their heritage. The allocation of Islamic wealth directs Muslims' financial management (Rahman & Hassan, 2019). The religious leaders' Faraid myth-busting must be examined. Moreover, linguistic barriers can make religious texts and Faraid teachings challenging to understand in multilingual societies. Cultural factors can also affect perceptions of the succession law. Nevertheless, numerous stakeholders and intricate protocols impede this process (Bakar et al., 2020). Additionally, legal experience is needed sometimes to understand Faraid's legal implications. Legal novices struggle with inheritance laws, and incorrect legal interpretation can occur. Faraid assesses beneficiaries' entitlements and distributions. Islamic law permits beneficiaries to disregard Al-Takharuj by removing themselves from the Faraid list. Al-Takharuj has diminished in Malaysia due to its limited definition of dispersal (Hamidon et al., 2022). This indicates that most people do not understand or use the law.

## **2.4 CHALLENGES AND CONTROVERSIES IMPLEMENTATION OF FARAIID**

Many issues have arisen in Faraid's research, and inheritance disputes have often been discussed. Everyone can experience relationship, legal, and emotional issues due to these differences, and many believe that Faraid's family conflicts stem from unfair inheritance distribution. According to Islamic law, shares are provided to the suitable heirs. Any deviation from the al-Quran has the potential to provoke conflicts. There is inequity due to the incorrect application of the Faraid legislation. Heirs or estate administrators may underestimate Faraid's complexity, resulting in unequal distribution. Many people are perplexed by the division of

Islamic property. Abu Bakar et al. (2020) argue that strict interpretation of the law has led to difficulties, which has resulted in a small group obtaining inheritance, which has reduced the value and growth of the inheritance. The descendants' allocation rights were disputed. Faraid may be challenging to implement because cultural and traditional practices trump Islam. Family conflicts can complicate various matters, and cultural differences and Faraid laws can cause family strife. Customary practices can lead to disputes. The inheritance of the Minangkabau is both higher and lower. These classifications can be partitioned. Husband and wife incomes determine Faraid (Tono et al., 2019). Those who are members of the tribes inherit more. Some families are divided unfairly since the laws of Faraid conflict with ancient norms. Disagreements inside the family that are based on gender bias can also be problematic. There is a possibility that disparity in inheritance is caused by cultural biases against beneficiaries, particularly women. An unequal inheritance may be given to daughters due to cultural conventions. Before the arrival of Islam, the Arabian pagan society subjugated women and denied them their rights. According to Patoari (2019), biological parents and spouses do not leave for women.

### **3.0 RESEARCH METHODOLOGY**

The organised approach, tools, and methods researchers use to collect, analyse, and assess data in research are called "research methodology." It also provides a framework for organising and implementing a study and a research procedure handbook. The characteristics of the research subject, data needed, and study goals affect the research methodology. This study examined the beliefs and actions of Padang Terap Muslim families. This chapter presents the research design, sample, data collection, and analysis. This study explores the factors that limit Muslim families' understanding and awareness of Faraid in Padang Terap. It also examines the factors that affect their perceptions and practices of Faraid and the frequency of family conflicts related to Faraid in the study population.

Research designs are tools used to design research projects. This decision dictates the methodology for collecting investigation-related information. Participants were randomly assigned to the research study questionnaires. Our study employed a quantitative methodology, and the questionnaires were selected according to their user-friendliness and efficiency in data collecting. The research findings are readily evaluable.

We conducted a research experiment in the Padang Terap District of Kedah. We randomly selected residents from Padang Terap to engage in this research endeavour. The term "population," as defined by the Oxford Learner's Dictionary, encompasses all residents. The overall population of the region is complete. A "sample" is a subset of a population. This assists scientists in gathering demographic data. Comprehensive data collection across the community may be infeasible in research pertaining to natural disaster aid. This may occur if the population is too large for a census-based study or if identifying and contacting everyone is impractical. Sampling was used to collect fair data for research studies in which the target population was inaccessible or unidentifiable.

We categorized the sampling methods into probability and non-probability techniques. The probability sampling guaranteed that the study findings aligned with the intended demographic and were dependable. All individuals of the population have equal opportunity for research through probability sampling. Simple, systematic, stratified, cluster, multiphase, and multistage sampling methods. A supplementary technique employed was cluster sampling. All prior methods employed random sampling (Bhardwaj, 2019). Thereafter, the non-probability sampling method was employed. Non-probability samples exhibit bias due to uncertainty in subject selection. Purposive, quota, snowball, and convenience sampling are enumerated by Berndt (2020). All residents of Padang Terap had an equal opportunity to be selected for this study by probability sampling. This research investigated the Muslims in Padang Terap. The 2023 Kedah Census reports a population of 67,000 inhabitants in Padang

Terap. The calculating table indicates 381 survey participants. This study was constrained to 120 participants, rendering time crucial. Krejcie and Morgan (1970) conducted this study during industrial training. Industry training takes time, which makes the study project long. Uncooperative respondents can delay data collection; therefore, time is a crucial factor. Only 120 samples were collected in this study.

Table 1. Sample size determination

Table 3.1  
Table for Determining Sample Size of a Known Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	283	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: N is Population Size; S is Sample Size  
Source: Krejcie & Morgan, 1970

Source: Krejcie & Morgan, 1970

This study examined the perspectives of Padang Terap locals regarding Faraid and ignorance. Furthermore, it analyzed the familial disputes of the Faraid succession and investigated Islamic religious perspectives. This quantitative research employed a closed-ended survey, which expedites the discovery and resolution of issues. This study analyzed the varied perspectives of Muslims toward Faraid, focusing primarily on the Muslims of Padang Terap and Kedah. Quantitative research utilized both primary and secondary data. Residents of Padang Terap who were identified as Muslim were polled to collect primary data. Their responses were employed as primary data and were disseminated through Google Forms. Google Forms enabled respondents to complete the survey online from any location. Residents of Padang Terap who were Muslims and aged 18 and above were surveyed.

We randomly sampled 120 individuals and administered a survey concerning their study objectives. Books, journal articles, surveys, previous Faraid studies, and other pertinent material were utilised to gather the secondary data. A descriptive analysis of the data was also conducted. These methods enabled researchers to quantify and characterise data frequency through the mean, median, and mode. A pilot study was performed to ascertain the clarity of the questionnaire items. The data from the pilot study were analysed using Cronbach's alpha reliability test to confirm the reliability and validity of the instruments employed for subsequent analysis (Rahim et al., 2023). To find the average scores, we closely examined the answers from the survey. Subsequently, we employed the SPSS software to analyze the outcomes, examine the interrelations among various survey components, and address our research inquiries (Ammar et al., 2024).

## 4.0 RESULTS

Cronbach's alpha was employed to assess the reliability of Sections B, C, and D. The reliability analysis was conducted using SPSS 29. Sections B, C, and D comprised 15 questions. A reliable evaluation necessitates values exceeding 0.741. We deem the findings below this threshold insufficient. The reliability score for all six questions of Part C is 0.632, suggesting doubt. Part C was reduced to two questions to enhance test reliability. The

reliability test exhibited a validity and quality score of 0.862. The respondents' views, insights, and experiences influenced the outcomes according to their preferences for the two inquiries. All 13 questions achieved a dependability score of 0.857 in Section D. Table 2 presents the comprehensive results.

Table 2. Reliability analysis results

Variable		
Part B	Cronbach's Alpha	0.741
	No of item	4
	No of cases	120
Part C	Cronbach's Alpha	0.862
	No of item	4
	No of cases	120
Part D	Cronbach's Alpha	0.857
	No of item	5
	No of cases	120

Table 3. Cronbach's Alpha Coefficient and Interpretation

Cronbach's Alpha Coefficient	Interpretation of Cronbach's Alpha Coefficient
> 0.9	The internal consistency of the scale is high
$0.7 < a < 0.9$	The scale has internal consistency
$0.6 < a < 0.7$	The internal consistency of the scale is acceptable
$0.5 < a < 0.6$	The internal consistency of the scale is weak
$a < 0.5$	The scale has no internal consistency

Part A, presents the results of general information analysis that concentrates on the data provided by respondents. The data included the duration of residency in the Padang Terap area, age, gender, marital status, and current educational status.

Table 4. Age Distribution of Respondent

Age (Years)	Frequency	Percentage (%)
18-20	2	1.7
21-30	46	38.3
31-45	35	29.2
46 and above	37	30.8
Total	120	100

Table 4 clearly shows the age distribution of the study participants. The four age groups comprised 18–20, 21–30, 31–45, and 46+. Only two participants were aged 18–20, representing 1% of the respondents. 46 individuals (38.3%) were aged between 21 and 30. The proportions for individuals aged 31 to 45 and those aged 46 and above were 29.2% and 30.8%, respectively, with 35 and 37 respondents. The table and pie chart indicate that individuals aged 21-30 are the highest percentage, whereas those aged 18-20 are the lowest.

Table 5. Gender Distribution of Respondent

Gender	Frequency	Percentage (%)
Male	55	45.8
Female	65	54.2
Total	120	100

Table 5 shows this study's male and female gender distribution. Of the 120 survey participants, 45.8% were male (n = 55). The total number of female respondents was 65 (54.2%). The

percentage of females was slightly higher than that of males. In contrast, male and female respondents had equal aggregate percentages.

Table 6. Marital Status of Respondent

Marital Status	Frequency	Percentage (%)
Single	49	40.8
Married	71	59.2
Total	120	100

Table 6 displays the percentage of married respondents. Of the 120, 49 were single respondents, equivalent to 40.8%. However, married people recorded a higher percentage than single people, accounting for 71 (59.2%).

Table 7. Current Educational Status of Respondent

Current Educational Status	Frequency	Percentage (%)
SPM	9	7.5
DIPLOMA	16	13.3
DEGREE	87	72.5
MASTER	8	6.7
Total	120	100

The current educational status of the participants is presented in Table 7. We categorized the SPM, diploma, degree, and master's levels into four distinct classifications. Table 7 indicates that merely nine respondents constituted the 7.5% SPM level. The diploma accounted for 13.3% of the total percentage value, corresponding to 16 individuals, making it the second highest. The degree level, comprising 87 responses, represents 72 percent of the total. The Master's degree exhibited the lowest number at 6.7%, represented by eight respondents.

Table 8. How long the respondents have been living in Padang Terap

Years	Frequency	Percentage (%)
1-5	7	5.8
6-10	6	5.0
11-20	78	65.0
21 years above	29	24.2
Total	120	100

Table 8 illustrates the percentage of respondents who had resided in Padang Terap for an extended duration. The age group of 11 to 20 years exhibited the highest prevalence at 65%. The second category comprises the most extended duration, with 24.2% of the total representing individuals aged 21 years or older. The percentage values for 1 to 5 years and 6 to 10 years were 5.8 and 5.0%, respectively, reflecting a marginal disparity.

#### 4.1 STRUCTURAL ANALYSIS

This is to examine the relationship between perceptions and practices of Faraid among Muslim families in Padang Terap.

Table 9. Mean Score Interpretation

Mean Score	Interpretation
1.00-2.00	Low
2.01-3.00	Medium-low
3.01-4.00	Medium-high



4.01-5.00	High
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As mentioned, Table 9 interprets the mean score. It comprised four categories of mean values. The mean score between 1.00 and 2.00 is low, while 2.01 to 3.00 is moderately low. The medium-high category mean score range is 3.01 to 4.00, while the high category is 4.01 to 5.00.

Table 10. Frequency of Question B1

<b>B1: Understanding the Level of Faraid</b>			
<b>Understanding Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Limited understanding	9	7.5	<b>Mean:</b> 2.44 <b>Median:</b> 2.00 <b>Mode:</b> 2 <b>Standard Deviation:</b> 0.696 <b>Range:</b> 1 (Min) – 4 (Max)
Moderate understanding	54	45.0	
Advance understanding	52	43.3	
Expert understanding	5	4.2	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 10 illustrates the frequency of responses to the first question in Section B. The question assesses respondents' Faraid's knowledge. The table shows 54 (45.0%) respondents rated Faraid's comprehension as moderate. 52 respondents (43.3%) constituted the second-highest percentage at the advanced knowledge level. Muslims perpetrated numerous injustices stemming from the misconception and improper application of the Faraid (Azuan & Jalil, 2023). Therefore, understanding Faraid is crucial. Nine respondents (7.5%) indicated a weak comprehension of Faraid, lacking understanding or possessing only a moderate knowledge of the subject. At the highest level, expert comprehension exhibited the lowest proportion (4.2%). Merely five respondents indicated the lowest level of comprehension. Table 10 presents a mean question score of 2.44. The respondents possess a moderate to low comprehension of Faraid. The median score for Question B1 is 2.00. Nonetheless, Mode 2 (moderate understanding) was the most frequently observed in the dataset. The standard deviation for this inquiry is 6.96. Subsequently, we ascertain that the minimum value of the dataset is 1 (limited comprehension), and the maximum is 4 (professional understanding).

Table 11. The significance of Question B2

<b>B2 Faraid's significance is in preserving the family's wealth and ensuring fairness in distribution.</b>			
<b>Agree Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Agree	37	30.8	<b>Mean:</b> 1.83 <b>Median:</b> 2.00 <b>Mode:</b> 2 <b>Standard Deviation:</b> 0.653 <b>Range:</b> 1 (Min) – 3 (Max)
Moderate agree	66	55.0	
Disagree	17	14.2	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 11 shows question B2 frequency. 66 respondents moderately agreed with question B2's statement. The table shows the highest percentage at 55.0%. With thirty-seven respondents, the overall agreement rate is 38%. Nurfaizah et al. (2023) stated that Allah has established rules and conventions to ensure every family member receives equal inheritance. Next, 14.2% (17) of the respondents disagreed with question B2. Respondents may choose different responses depending on their beliefs, experiences, and understanding of Faraid. This question has a low mean of 1.83, as presented in Table 11. B2's statements had a low average agreement. The median was 2.00, and the mode was 2 (moderately agree), the dataset's most frequent value. The standard deviation is 0.653. One is the lowest possible score for question B2, indicating agreement, and three is the highest, indicating disagreement.

Table 12. Frequency of Question B3

<b>B3: Personally encountered any Faraid procedures within your neighbourhood or family.</b>			
<b>Frequently Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Yes, frequently	30	25.0	<b>Mean:</b> 1.87 <b>Median:</b> 2.00 <b>Mode:</b> 2 <b>Standard Deviation:</b> 0.593 <b>Range:</b> 1 (Min) – 3 (Max)
Yes, occasionally	76	63.3	
No, not at all	14	11.7	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 12 shows that 76 (63.3%) respondents answered "yes, occasionally." This suggests they only occasionally see Faraid activities. The next highest percentage, 25.0%, represents 30 respondents who regularly answered "yes." The 14 remaining participants answered question B3 negatively (11.7% of the total). Table 12 shows the average response to this question is 1.87, indicating limited Faraid experience. While the median is 2.00, the mode, representing the most frequently occurring value, is also 2, suggesting that "yes" appears occasionally. Standard deviation: 0.593. The minimal value in this question is 1, signifying frequency. The highest value of 3 indicates no presence. In some cases, the property may be regulated by a distinct management and allocation system instead of conventional inheritance laws. An instance of such a property is group settlement land, such as FELDA land. The slow progress in estate management can be partially ascribed to settlers' lack of familiarity with FELDA property regulations. According to Section 7 of the Land (Group Settlement Area) Act 1960, different regulations apply to FELDA land upon the death of the first settlor, as opposed to the typical land governed by the National Land Code 1965. This lack of knowledge is further complicated by a mechanism that diverges from the conventional land inheritance administration and conflicts with Fara'id laws (Drs Nasrul et al., 2021).

Table 13. Frequency of Question B4

<b>B4: Level of Faraid challenges faced after the departure of a family member.</b>			
<b>Challenge Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
High challenges	13	10.8	<b>Mean:</b> 2.31 <b>Median:</b> 2.00 <b>Mode:</b> 2 <b>Standard Deviation:</b> 0.658 <b>Range:</b> 1 (Min) – 3 (Max)
Moderate challenges	57	47.5	
No challenge faced	50	41.7	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 13 shows that 57 respondents (47.5%) reported moderate Faraid difficulty, indicating moderate problems. 13 respondents (10.8%) chose high challenges. Noordin et al. (2012) found that claim procedures are expensive and take longer. The lack of guidelines causes people to be unaware of the claim submission process, which complicates Faraid. Subsequently, 50 participants (41.7%) reported no issues. Responses depend on the respondents' experiences. The mean score for question B4 was 2.31, as presented in Table 13. Moderately low. The median score was also 2.00. This question's mode was 2, and the data set's most frequent value was 57. The question standard deviation was 0.658. From 1 to 3, the variable indicates significant challenges or no challenges. Past studies by Drs Nasrul et al. (2021) stated beneficiaries often exhibit a negative mindset that hinders the efficient administration of estates. An example is their tendency to take matters for granted, leading to delays and complications. This issue is particularly evident in cases with late estate administration applications. Two prevalent attitudes contributing to these delays include the traditional belief that hastily processing a deceased person's assets is disrespectful and indicative of greed and a laid-back attitude among beneficiaries regarding the administration process.

Next, is to investigate the factors contributing to the lack of knowledge and awareness regarding Faraid among Muslim families in Padang Terap.

Table 14. Frequency of Question C1

<b>C1: Padang Terap's general population knows Faraid laws and principles.</b>			
<b>Awareness and Knowledge Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Very aware	9	7.5	<b>Mean:</b> 2.49 <b>Median:</b> 2.00 <b>Mode:</b> 2 <b>Standard Deviation:</b> 0.745 <b>Range:</b> 1 (Min) – 4 (Max)
Moderately aware	52	43.3	
Slightly	50	41.7	
Not aware at all	9	7.5	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 14 shows question C1's percentage and frequency. Most respondents answered question C1 as moderately aware, with 52 (43.3%) respondents indicating that awareness is neither high nor low. 50 (41.7%) respondents chose slightly aware, indicating that the general population is only slightly aware. However, for the options aware and not aware, both recorded 9 (7.5%). Question C1 showed mean and median values of 2.49 and 2.00, respectively, indicating medium-low population awareness in Padang Terap. The most common data value is 2, which represents moderately aware. The standard deviation for this question is 745. The minimum and maximum values are 1 (very aware) and 4 (not aware). Drs Nasrul et al. (2021) stated that many beneficiaries lack an understanding of the roles and jurisdictions of administrative bodies, leading them to approach the wrong authority. In addition to insufficient knowledge, a significant issue is people's attitudes, particularly their failure to create a wealth distribution plan after their death, even among the affluent. Despite better access to education and practical information, many in this group lack a proper understanding of how to distribute their estate and to adhere to the relevant laws, such as civil, Islamic, or customary laws.

Table 15. Frequency of Question C2

<b>C2: The lack of knowledge and awareness of Faraid in your family: Lack of educational resources.</b>			
<b>Awareness and Knowledge Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	9	7.5	<b>Mean:</b> 2.96 <b>Median:</b> 3.00 <b>Mode:</b> 3 <b>Standard Deviation:</b> 1.048 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	32	26.7	
Moderately	43	35.8	
Very	27	22.5	
Extremely	9	7.5	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 15 indicates that 43 respondents (35.8%) moderately identified a lack of educational resources contributing to Faraid's lack of knowledge and awareness. 32 respondents (26.7%) answered slightly contributing, and 27 respondents (22.5%) chose very contributing. For the remaining options, not contributing and extremely contributing, with both registering 9 (7.5%) respondents. The results for Question C2 are presented in Table 15. The mean value for this question is 2.96, which represents medium-low. The median and mode are 3.00, representing moderate with 43 frequencies. The standard deviation of this question is 1.048. Recent studies by Hamidon et al. (2022) showed a notable deficiency in legal education concerning Faraid, which requires a certain level of legal understanding to navigate the complexities of inheritance law. Many individuals lack the necessary expertise, leading to misconceptions and misunderstandings. For instance, Faraid determines the entitlements and shares of beneficiaries. According to Islamic law, beneficiaries can opt out of Faraid by rejecting all or part of their share, known as Al-Takharuj. However, the practice of Al-Takharuj has diminished in Malaysia due to its continued limitation by a narrow understanding of distribution. This issue

underscores the deficiency in legal education since several individuals remain oblivious to and fail to comprehend this notion, resulting in its sporadic use.

Table 16. Frequency of Question C3

<b>C3: The lack of knowledge and awareness of Faraid in your family: Insufficient religious guidance.</b>			
<b>Awareness and Knowledge Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	12	10.0	<b>Mean:</b> 2.92 <b>Median:</b> 3.00 <b>Mode:</b> 3 <b>Standard Deviation:</b> 1.089 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	30	25.0	
Moderately	44	36.7	
Very	24	20.0	
Extremely	10	8.3	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 16 indicates that question C3 recorded the greatest proportion at 36.7%, with 44 respondents indicating a moderate belief that inadequate religious direction contributes moderately to Faraid's lack of knowledge and awareness. The subsequent 25.0%, or 30 respondents, selected slightly. Subsequently, 24 respondents selected "very," representing 20.0%. The subsequent 10.0%, comprising 12 respondents, chose not to be a contributing factor. The minimum proportion is 8.3%, corresponding to 10 respondents who selected 'very.' The mean score is 2.92, which is medium-low, suggesting that respondents believe inadequate religious direction is not the primary source of Faraid ignorance. The median for this question is 3.00. The predominant mode is 3 (moderately), with 44 occurrences. The standard deviation is 1.089. A recent study by Abdul Rahman and Hassan (2019) stated that religious leaders and scholars play a crucial role in shaping public understanding of Faraid. Their interpretations and guidance can significantly influence how the community views these inheritance laws. However, a lack of adequate education and knowledge among some religious authorities can spread misunderstandings and misinformation. Additionally, many Muslims, regardless of their background or profession, have a limited understanding of Islamic inheritance rules and may use financial management strategies that do not align with Islamic principles of wealth distribution. Therefore, examining how religious leaders can address and clarify misconceptions surrounding Faraid is essential.

Table 17. Frequency of Question C4

<b>C4: The lack of knowledge and awareness of Faraid in your family: Cultural barriers.</b>			
<b>Awareness and Knowledge Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	23	19.2	<b>Mean:</b> 2.92 <b>Median:</b> 3.00 <b>Mode:</b> 3 <b>Standard Deviation:</b> 1.089 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	31	25.8	
Moderately	38	31.7	
Very	18	15.0	
Extremely	10	8.3	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 17 shows the frequency of question C4. The highest percentage value is 31.7%, which means 38 respondents chose moderately to answer the cultural barrier explaining Faraid's lack of knowledge and awareness. Subsequently, 31 (25.8%) respondents chose slightly. 23 (19.2%) respondents chose no contributing factor. 18 respondents chose "very," indicating that 15.0% agree that cultural barriers contribute to Faraid's lack of knowledge and awareness. The lowest percentage is 8.3%, representing 10 respondents chosen extremely. The mean answer for this question is 2.92, which is medium-low. On average, respondents believe cultural barriers moderately contribute to Faraid's lack of knowledge and awareness. The median for this question is 3.00. The most common is 3 (moderately) with 38 frequencies.

The standard deviation of this question is 1.089. In some situations, cultural and traditional practices may take precedence over Islamic teachings, leading to family disputes that complicate the implementation of the Faraid (Islamic inheritance laws). Conflicts often arise when cultural customs conflict with Islamic inheritance regulations. For example, in the Minangkabau inheritance system, there are two categories: higher inheritance, which is allocated to tribal members or groups, and lower inheritance, which pertains to the earnings of both spouses (husband and wife) and can be distributed according to Islamic law (Tono et al., 2019).

Next is to analyse the prevalence and underlying causes of family disputes related to Faraid within the study population.

Table 18. Frequency of Question D1

<b>D1: Family members are generally less satisfied with Faraid outcomes.</b>			
<b>Agree Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Strongly agree	12	10	<b>Mean:</b> 3.29 <b>Median:</b> 3.00 <b>Mode:</b> 4 <b>Standard Deviation:</b> 1.198 <b>Range:</b> 1 (Min) – 5 (Max)
Agree	17	14.2	
Neutral	35	29.2	
Disagree	36	30.0	
Strongly disagree	20	16.7	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 18 shows that 36 of 120 respondents disagree with question D1's statement, representing the highest percentage value of 30.0%. Neutral represents the second largest number at 29.2%, signifying a position of neither agree nor disagree. Next, 20 (16.7%) respondents strongly disagreed with the statement, however, 17 (14.2%) respondents selected agreed. The lowest percentage is 10.0%, with 12 respondents strongly agreeing with question D1. The mean value for question D1 is 3.29, which can be interpreted as a medium-high category. The median for this question is 3.00. The mode, the most frequent value, is 4 (disagree), with 36 frequencies. The standard deviation is 1.198. Some cases in past studies (Patoari, 2019) stated cultural biases against certain heirs, particularly female heirs, can result in unfair distribution of inheritance. Traditional customs may dictate that daughters receive less than their rightful portion. In pre-Islamic Arabian pagan culture, women were perceived as property, devoid of rights and respect, and frequently got nothing from their biological parents or spouses.

Table 19. Frequency of Question D2

<b>D2: Disagreements about Faraid have caused strained family ties.</b>			
<b>Agree Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Strongly agree	13	10.8	<b>Mean:</b> 3.22 <b>Median:</b> 3.00 <b>Mode:</b> 4 <b>Standard Deviation:</b> 1.189 <b>Range:</b> 1 (Min) – 5 (Max)
Agree	20	16.7	
Neutral	30	25.0	
Disagree	42	35.0	
Strongly disagree	15	12.5	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 19 shows the frequency of question D2, with 42 (35.0%) respondents disagreeing. The second highest percentage is 25.0%, representing 30 respondents being neutral with the question statement. Twenty respondents chose agreed, accounting for 16.7%. 15 (12.5%) respondents strongly disagreed, while thirteen (10.8%) strongly agreed. Table 19 shows that the mean value is 3.22, which can be interpreted as medium-high. The median for this question is 3.00. Mode, the most frequent value in the data set, is 4 (disagree) with 42

frequencies. The standard deviation for this question is 1.189. Meanwhile, the minimum value of this variable is 1 (strongly agree), and the maximum is 5 (strongly disagree). When family conflicts cannot be resolved amicably, they may escalate into legal proceedings, leading to increased estrangement among family members and substantial costs (Muhamad et al., 2023).

Table 20. Frequency of Question D3

<b>D3: Factors contributing to family disputes related to Faraid, according to your observations and experiences, include a lack of understanding of Faraid principles.</b>			
<b>Contributing Factor Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	5	4.2	<b>Mean:</b> 3.48 <b>Median:</b> 4.00 <b>Mode:</b> 4 <b>Standard Deviation:</b> 1.100 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	19	15.8	
Moderately	33	27.5	
Very	40	33.3	
Extremely	23	19.2	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 20 shows that 4.2%, the lowest percentage, represents 5 respondents who chose not to be a contributing factor. Next, 19 (15.8%) respondents chose slightly, however, 33 chose moderate, representing the second-highest percentage of 27.5%. The largest percentage, 33.3%, accounted for 40 respondents who supported the lack of understanding of Faraid principles contributing to family disputes. The last one, "extremely," was chosen by 23 respondents, representing a 19.2% percentage value and indicating extreme agreement with the question statement. The mean value for question D3 is 3.48, which can be interpreted as medium-high. The median presented in the table is 4.00. Mode, the most frequent value in the data set, is 4 (very), representing 40 respondents out of 120. The standard deviation for this question is 1.100. Nasrul et al. (2021) stated beneficiaries cannot directly manage the deceased's estate due to a lack of authority. Still, their involvement and cooperation are crucial in the estate administration process. They share a connection with the deceased and their legacy. Beneficiaries need a basic understanding of estate administration laws to prevent complications in a complex process. For example, many Muslim beneficiaries mistakenly believe that all funds in the deceased's Employees' Provident Fund (EPF) account automatically belong to the nominee. However, this is a misconception, as the law clearly states that the nominee acts in a capacity similar to that of an administrator.

Table 21. Frequency of Question D4

<b>D4: Factors contributing to family disputes related to Faraid according to your observations and experiences: Unequal distribution of inheritance.</b>			
<b>Contributing Factor Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	17	14.2	<b>Mean:</b> 3.14 <b>Median:</b> 3.00 <b>Mode:</b> 3 <b>Standard Deviation:</b> 1.259 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	17	14.2	
Moderately	37	30.8	
Very	30	25.0	
Extremely	19	15.8	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 21 shows that most respondents, 37 (30.8%) agreed moderately. 30 (25.0%) respondents agreed that unequal inheritance distribution causes family disputes. 19 (15.8%) respondents strongly agreed with the question statement. The non-contributing and slightly contributing factors accounted for 14.2%, representing 17 respondents. The mean value for this question is 3.14, which is in the medium-high range. The median presented in the table is 3.00. Mode, the most frequent value in the data set, is 3 (moderately) with 37 frequencies out of 120. The standard deviation for this question is 1.259. Meanwhile, the minimum value of

this variable is 1 (not a contributing factor), and the maximum value of this variable is 5 (extremely). Abu Bakar et al.(2020) stated conflicts within families often arise from unequal distribution of inheritance, according to Faraid, which is dictated by Islamic law. These disputes may stem from misunderstandings of inheritance rules or a lack of knowledge among heirs or estate administrators, leading to errors in calculating shares. Many individuals struggle to grasp the principles of property division in Islam. The strict interpretation of the law regarding the inheritance allocation can result in small, less valuable shares for some heirs, limiting their ability to benefit from the estate.

Table 22. Frequency of Question D5

<b>D5: Factors contributing to family disputes related to Faraid according to your observations and experiences: Communication issues within the family.</b>			
<b>Contributing Factor Level</b>	<b>Freq</b>	<b>(100%)</b>	<b>Summary Statistics</b>
Not a contributing factor	5	4.2	<b>Mean:</b> 3.38 <b>Median:</b> 3.00 <b>Mode:</b> 3 <b>Standard Deviation:</b> 1.123 <b>Range:</b> 1 (Min) – 5 (Max)
Slightly	23	19.2	
Moderately	37	30.8	
Very	32	26.7	
Extremely	23	19.2	
<b>Total</b>	<b>120</b>	<b>100.0</b>	

Table 22 shows that 37 (30.8%) of 120 respondents think family communication issues moderately cause family disputes. 32 respondents chose Very, representing 26.7%, who think family miscommunications significantly lead to disputes. Next, slightly and extremely had 23 (19.2%) respondents each. 5 (4.2%) respondents believe communication issues do not cause family disputes. The mean value for this question is 3.38, which is medium-high, and the median score is 3.00. Moreover, mode, the most frequent value in the data set, is 3 with 37 frequencies. The standard deviation for this question is 1.123. The minimum value for this question is 1 (not a contributing factor), and the maximum is 5 (extremely). In Faraid studies, conflicts within families often arise from inheritance-related challenges. Such disputes can lead to significant consequences, including strained familial relationships, legal battles, and emotional distress. Unequal distribution of inherited assets may foster jealousy and sibling rivalry, resulting in prolonged family conflicts (Mokhsin et al., 2023).

## 5.0 CONCLUSION

This study examined the Faraid of Muslim families in Padang Terap. We found that familial conflicts around inheritance can be problematic. Nonetheless, addressing these matters can assist families in reconciling and maintaining closeness. This study indicates that comprehending these disputes can facilitate fairness and familial contentment. Despite its limitations, this study facilitated the attainment of our objectives. The majority expressed partial agreement because they hold Faraid in high regard. Faraid is believed to ensure equitable preservation and distribution of resources. Their partial agreement implies potential dissent from others. The questionnaire used in this study revealed public perceptions of Faraid. It demonstrated that individuals appreciate Faraid and can influence its execution. A significant segment of their community engages in Faraid. Although they may not perceive it, they recognize the appropriate timing for action. Although they do not consistently observe Faraid in operation, they comprehend its protocols and significance. The majority of respondents indicated that the division of inheritance is moderately challenging. This suggests that most community members perceive the division of inheritance as challenging. Some reported encountering significant obstacles, suggesting that numerous individuals in the community grapple with this issue. The responses also illustrated the practical perspectives individuals hold toward inheritance. These questions elucidated the perspectives and practices of community members around inheritance. We successfully examined perceptions and management of inheritance, however, further details cannot be disclosed. Many believe they

possess only a limited comprehension of these elements. While not the primary cause, these things contribute to the ignorance surrounding Faraid. Certain individuals asserted that these elements significantly impact Faraid knowledge. We uncovered the reasons behind the limited knowledge of Faraid among Muslim families in Padang Terap. The outcomes aligned with the objectives and study questions, while data analysis elucidated the perceptions and practices of Padang Terap Faraid. This study identified knowledge hurdles to prepare Faraid members for educational activities to enhance their understanding of Faraid. The findings of this study merely suggest potentialities and do not comprehensively analyze respondents' perspectives and experiences. This study examines views and circumstances such as ignorance and familial discord that may hinder these aspects. More extensive and larger studies are advocated to enhance the availability of learning reference materials.

## 6.0 SUGGESTION FOR FUTURE RESEARCH

Legislation can raise community awareness, understanding, and adherence to the Faraid system. For consistent early exposure to Faraid's laws, Faraid education must be required in pre-marriage courses and integrated into the national school curriculum. State Islamic councils and local governments should also be required to hold workshops, seminars, and media outreach to educate the community. Syariah courts should partner with local mosques and community centres to expand their outreach, and Faraid-focused community legal aid clinics would offer affordable legal consultations. Financial incentives for Faraid-compliant families and standardised inheritance documentation would simplify legal procedures and encourage compliance. Implementing stricter enforcement mechanisms, penalties for noncompliance, and specialised certification for Faraid lawyers, would ensure proper understanding and application of Faraid's laws. These efforts could be strengthened by allocating government funds for research and education, promoting digital platforms for public engagement, and encouraging Syariah-civil court collaboration. These laws aim to educate the community and ensure Faraid practices. Therefore, Muslims must thoroughly understand Faraid to effectively educate others on the correct methods for fulfilling their obligations appropriately and efficiently.

## CO-AUTHOR CONTRIBUTION

The authors affirm that there are no conflicts of interest pertaining to this article and take full responsibility for the manuscript's drafting and revision. Each author has contributed significantly to the data interpretation, offered essential intellectual insights, and meticulously reviewed the final draft to ensure its accuracy and clarity.

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