

THE PERCEPTIONS OF ISLAMIC BANKERS ON QARDHUL HASAN IN MALAYSIAN ISLAMIC BANKS

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Abstract

This research study deals with the perceptions of Islamic bankers on the issue of Qardhul Hasan in Islamic banks in Malaysia. The study adopted the methodology of questionnaire survey. 13 full-fledged Islamic banks in Malaysia are used in the study. The response rate is 46.9%. The findings are divided into three sections: Knowledge and awareness about Qardhul Hasan, General Information on Qardhul Hasan, Problems of Qardhul Hasan and Differences in Perceptions among the Islamic bankers. In general, the Islamic bankers are familiar with Qardhul Hasan and they agreed that Islamic banks should offer Qardhul Hasan in order to enhance corporate social responsibility and to help needy people. Therefore, the findings could provide insights to Islamic banks in diversifying their products by offering Qardhul Hasan to the customers but with proper guidelines and policies.

Keywords: Islamic banks, Qardhul Hasan, perceptions, Malaysia, problems

Introduction

Qardhul Hasan refers to an interest-free loan in the Islamic religion, which forbids loaning or borrowing money to earn interestⁱ. The borrower is only required to repay the principal amount borrowed, but he / she may pay an additional amount at his / her absolute discretion, as a token of appreciation. This is to promote social welfare in the society. Based on that definition, it is important for Islamic banks to also provide this product in order to enhance the social welfare of the society and as part of their corporate social responsibility.

Corporate Social Responsibility (CSR) is an issue currently actively pursued by governments, corporations, civil society and international organizations in developed countries and emerging markets. The objective of the organization is not only responsible to the owners but to be also socially responsible to various stakeholders. This concern over CSR is also applicable to Islamic banks. As a business entity established within the ambit of Islamic Law (Shariah), Islamic banks are expected to be guided by an Islamic economic worldview, which based on the principle of social justice and wellbeing. Among products in Islamic banks that relate to CSR are Qardhul Hasan and Zakat. The former are zero-return loans that the *Qur'an* encourages Muslims to make to the needy, and where the financier is allowed to charge the borrower a service fee to cover the administrative expenses of handling the loan provided that the fee is unrelated to the loan maturity or amount. The latter is a type of religious tax that is deducted from wealth to be paid to the specified recipients (8 asnaf) as stated in Qur'an, surah At-Taubah verse 60.

It is interesting to observe that the Qardhul Hasan has been so far seriously neglected by many Islamic banks. Although it is always discussed [theoretically] to be one of product or services the Islamic Banks can offer, but few – as later confirmed by this studyⁱⁱ – have implemented this

particular product. This is among the important reasons why this study was conducted. We [the researchers] were eager to know from the Islamic bank operators about how their view about this product.

This study is expected to contribute at least first, general information about the Islamic banks in Malaysia which have applied the Qardhul Hasan product. Secondly, the information on how the perception of Islamic banks operators on Qardhul Hasan. Thirdly, the reasons and problems perceived by the bankers in implementing the Qardhul Hasan product.

This study aims to look into the application of Qardhul Hasan in Malaysian Islamic Banks, using the questionnaire method of data collection. In addition, the annual reports of several Islamic banks are analysed with regard to Qardhul Hasan. It is expected that due to its unique objectives, Islamic banks should provide Qardhul Hasan to customers or related stakeholders in order to enhance CSR.

The final report is organised as follows. After this introduction, the research questions and objectives are discussed. Then it follows by literature review, where Qardhul Hasan is discussed from its basic understanding, viewed from the Holy Qur'an, the hadith of Rasulullah (pbuh) and some related books and or articles; some previous research, (although limited) are also discussed. The next section is the research method, where the research instrument, sample and tools of analysis are offered. It is then followed by the data analysis and findings. The report is finally concluded with conclusions, implication, research limitations and further study directions.

Research Questions and Objectives

This study aims to acquire information for the following research questions:

1. What are the perceptions among bankers in Islamic banks in Malaysia on Qardhul Hasan?

Objective: To elicit the perceptions on Qardhul Hasan among bankers in Islamic banks in Malaysia

2. What are the problems as perceived by Islamic bankers with regard to Qardhul Hasan?

Objective: To identify the problems faced by Islamic banks with regard to Qardhul Hasan.

3. How difference is the perceptions on Qardhul Hasan in Malaysian Islamic banks?

Objective: To determine any differences in perceptions on Qardhul Hasan in Malaysian Islamic Banks.

Literature Review

This section seeks to elaborate the Qardhul Hasan from various literature in order to provide the general picture related to the Qardhul Hasan. The chapter is basically divided into two general sections. First is the discussion of Qardhul Hasan with reference to some related text books, magazines or newspaper. This include the ‘what – why – where – when – who and how’ questions. The second section is the discussion about more elaborated issues with reference to scientific journal publications. Some issues related the Qardhul Hasan which has been published will be reviewed to find any possible association with the current topic we are trying to study.

General Understanding of Qardhul Hasan

The Qardhul Hasan, at best should be investigated first from the main reference in Islamic literature, which is the Holy Qur'an, which was revealed initially on 17 Ramadhan, about fourteen centuries ago. There is at least six times the term Qardhul Hasan mentioned in the Qur'an. They are as follows:

1. He who will give Allah Qardhul Hasan, which Allah will double into his credit and multiply many times. [Al-Baqarah (2): 245].

Who is he that will lend to Allah a goodly loan so that He may multiply it to him many times? And it is Allah that decreases or increases (your provisions), and unto Him you shall return
(2:245).

2. If you give Allah Qardhul Hasan. He will double it to your credit and he will grant you forgiveness. [Al-Taghabun (64):17]

If you Allah a goodly loan (i.e. spend in Allah's cause), He will double it for you and will forgive you. And Allah is Most Ready to appreciate and to reward, Most Forbearing. (64:17).

3. And give Allah Qardhul Hasan. [Al-Maidah (5): 12]

Indeed, Allah took the covenant from the Children of Israel (Jews), and we appointed twelve leaders among them. And Allah said: "I am with you if you perform as-Salat, and give Zakat and believe in My Messengers; honour and assist them, and lend a good loan to Allah, verily, I will

expiate your sins and admit you to Gardens under which rivers flow (in Paradise). But if any of you after this, disbelieved, he has indeed gone astray from the Straight Path”. (5:12).

4. And give Allah Qardhul Hasan, it will be increased manifold to their credit. [Al-Hadid (57): 18]

Verily, those who gave sadaqat (i.e. Zakat and alms), men and women, and lend Allah a goodly loan, it shall be increase manifold (to their credit), and theirs shall be an honourable good reward (i.e. Paradise). (57:18).

5. Who is he that will give Allah Qardhul Hasan? For Allah will increase it manifold to his credit. [Al-Hadid (57):11]

Who is he that will lend to Allah a goodly loan, then (Allah)increase it manifold to his credit (in repaying), and he will have (besides) a good reward (i.e. Paradise) (57:11).

6. Establish regular prayer and give regular charity and give Allah Qardhul Hasan. [Al-Muzzammil (73): 20].

..and perform as-Salat and give Zakat and lend Allah a goodly loan. And whatever good you send before for yourself, you will certainly find it with Allah, better and greater in reward. And seek Forgiveness of Allah. Verily, Allah is Oft-Forgiving, Most Merciful (73:20).

All Qardhul Hasan terms stated above refer basically to the loan which is ‘trusted’ to Allah, where Allah had promised to return the loan with manifold rewards. It should be noted here that, one should not understand these verses literally and narrowly, as Allah is the Greatest and the Real Owner of everything in this world. Obviously He absolutely does not need any help or loan

from His creature. It is – therefore – imperative to understand that the Qardhul Hasan is – among others – the loan in His teachings which also include helping other Muslim brothers and sisters.

The investigation on the ahadith has also resulted at least two hadiths which deal with the Qardhul Hasan. One of them was narrated by Ibnu Majah, Ibnu Hibban and Baihaqi, and the other was narrated by Ibnu Majah and Baihaqi (Antonio, 2000, 186-87). The two hadiths strongly advise Muslims to lend something he or she has to other Muslim brothers or sisters. The value of lending something has been said to be equivalent to sadaqat practices. Interestingly, in the second hadith which refers to the mi'raj trip conducted by Rasulullah, he saw the statement in the paradise, where the value of lending is eighteen rewards which is much higher than the rewards of giving which only ten rewards.

Based on above verses and hadiths, the ijma' of ulama has confirmed the allowance and permission to Qardhul Hasan practice, as a part of social activities among the Muslims. That is why, in many textbooks related to muamalat activities such finance and banking the concept of Qardhul Hasan are repeatedly discussed and widely understood.

Literal meaning

The Qardhul Hasan consists of two words: (1) al-Qardh, and (2) al-Hasan. Al-Qardh is associated with the word 'qirad' means to cut. It is said so, because by applying the Qardh it means that there will be a cut some of the lender's property by providing the loan to the borrower. While 'Hasan' means a kindness. In other words, the practice of 'Hasan' is understood as an act that benefits other persons.

Officially, from the theory of banking operation it is understood as “a benevolent loan that obliges a borrower to repay the lender the principles sum borrowed on maturity of the loan” (Haron & Shanmugam, 1997, 80). It is added that “the borrower has the discretion to reward the lender for his loan by paying any sum over and above the amount of the capital”.

Definition of Qardhul Hasan can be easily found in many text books. For example Ayub (2007, 492): says: “Qardh literally “to cut”. It is so called because the property is cut off – transferred to the borrower.”

He then added:

“Legally, Qardh means to give anything having in the ownership of the other by the way of virtue so that the latter may avail himself of the same for his benefit with condition that the same similar amount of that thing will be paid back on demand or at the settled time. The repayment of loan is obligatory. Loans under Islamic law can be classified into Salaf and Qardh. The former being for a fixed time and the latter payable on demand. Qardh is, in fact, a particular kind of Salaf.” (2007, 492)

Ayub further explains that “Qardhul Hasan [is] a virtuous loan. A loan with the stipulation to return the principal sum in the future without any increase; in Islamic law, all loans have to be virtuous, as seeking any benefit from loaning amounts to Riba”

Abdul Rahman (2006) defines ‘Qardh’ as the transfer of ownership of an asset or money from the original owner to others on condition that the asset or money will be returned to the owner in the same condition/form/ value as when it first received by the other party from the owner.

He furthermore added as saying that “Borrowing or ‘Qardh’ in Islam is a contract, which is based on the concept of mutual help (tabarru’) and contemplation for others’ well being especially the people in need (Al-Mughni, Ibn Qudamah, 4/353). Thus, Islam highly encourage the practise of ‘Qardhul Hasan’ as stated in the Hadith of the prophet Muhammad S.A.W (pbuh) : "One who releases his brother from difficulties, Allah will release him from the hardships in the hereafter...." (Hadith narrated by Muslim).

Other technical understanding of Qardh is offered by Bank Negara Malaysia as cited as follows: “A bank will grant a benevolent loan to the applicant who wishes to pawn his valuable item. The loan will be issued under the concept of Qardhul Hasan, whereby the customer is only required to pay the amount borrowed”

According to Karim (2005, 106), the Qardh is usually applied for any of the four purposes below:

- 1. As a bridging loan for pilgrimage, whereby a would-be pilgrim is given a loan to meet the requirement of prepayment of the travel expenses for pilgrimage. The client will have to pay in full prior to pilgrimage.*
- 2. As cash advance from the sharia credit card, whereby a client is given the flexibility to withdraw cash from the bank via ATM. The client has to repay within a given period.*
- 3. As a small business loan, in the case that under the bank’s calculation, any other financing scheme such as sale and purchase ijarah or profit sharing would overburden the client.*

4. *As a credit loan to the bank's staff whereby the bank facilitates it to ensure that the staff can fulfill his or her needs. The employee repays the loan through installment or cutback in salary.*

The above purposes are also supported by Antonio (2008, 187) as how the Qardhul Hasan might be applied in particularly, the banking industry.

Qardhul Hasan Fund Resources

Since the Qardhul Hasan is not a profit oriented product, the fund for this product might be obtained from one of more of following resources: (a) bank capital, and (b) doubtful funds which are received and controlled by [Islamic] bank. These include, for example, the [unavoidable] interest earned from some correspondent conventional banks and funds resulted from the penalty imposed to the customers.

The pool of money from above various sources is then used by the bank in a special and perhaps the only provided by Islamic bank. It is because Islamic bank can only finance their customer commercially on the basis of partnership contract (such as mudarabah or musharakah), or trading contracts like murabahah, bai' as-salam, bai' al-istitina, and so forth.

Since the Qardhul Hasan is operated not on the basis of profit-oriented purposes, no margin will be expected from it. It is purely a non-profit loan which is aimed at helping those are in need. It is also understood if this loan used to be made only for short term, hoping that it can be circled among those in need.

The lending mechanism for Qardhul Hasan, as surveyed by Adnan and Furywardana (2006) in BNI Syariah Yogyakarta were simpler than any other financing program. However, some basic lending principles, such as character, capacity, collateral, purpose or payment were also leniently considered.

Previous research

Unlike many other products and services the Islamic Banks used to offer (e.g. Murabaha, Mudaraba, Musharaka, Bai' as-salam, Bai' al-istisna and so forth) there are so limited resources related to Qardhul Hasan. Many discussions in regard to Qardhul Hasan are generally found in the textbooks (Harun & Shanmugam, 1997; Karim, 2008; Antonio , 2000, etc), instead of published scientific journals. The searching has been tried, among others is by using the Google facility. It is surprising that we found there is only study was published by Adnan and Furywardana (2006). This research was about the evaluation of non-performing-loan (NPL), the case study in Bank Negara Indonesia (BNI) Syariah, Yogyakarta branch.

Among the findings of this study is that, the BNI Syariah in general, and the Yogyakarta branch in particular has applied the Qardhul Hasan or benevolent loan. It is reported that the bank has allocated IDR 175,077,500, IDR247,317,000 and IDR249,817,000ⁱⁱⁱ from 2003 to 2005 respectively. Unfortunately, the yearly increase of the fund loaned on the basis of Qardhul Hasan was also followed by the increase of its non-performing-loan (NPL). The research has reported that the NPL was also increasing from 21% in 2003, to 25% in 2004 and 26% in 2005.

Among the important findings of that research is that the bank has not managed the product well, as no specific person or group of employees are assigned to plan and control the operation of the

product. It is also worthy to note that the main factor related to the high rate of NPL is the character of the borrowers or customers. It is proven statistically that two variables (character of borrower and NPL) were significantly associated.

Another reference about Qardhul Hasan was found from the IBR Review (2008, pp. 10-13). However, this is only a forum which discusses the Islamic Bank deposits and Qardhul Hasan. Many (among others are Tahir, Shah, Sultan, Othman, Fadel) express their view in the forum, but they talk more about the theoretical aspects and general observations rather than empirical research.

Research Method

Research Instruments

In order to study this issue, secondary data was first analysed to get the information on the Islamic banks that offer Qardhul Hasan and then only primary data were collected in this study, which were obtained through a questionnaire survey that aimed at getting the respondents perceptions towards Qardhul Hasan. The survey approach using the questionnaire is believed to be the most appropriate technique in collecting the primary data. It also allows quantitative analysis to be conducted in testing the deductions and it is also potential to generalize the findings (Neuman, 2003). The questionnaire (as per Appendix 1) consists of four sections. The first section was designed to gather information about knowledge and awareness about Qardhul Hasan. The second section was designed to gather information about the bankers' perception towards Qardhul Hasan in general. The third section outlines the problems of Qardhul Hasan and the perceived seriousness among respondents. The last section was designed to gather information about the respondent's personal and demographic characteristics.

Sample

According to Sekaran (2000), the most appropriate sample size for research should be larger than 30 and less than 500. Thus, in this study 130 questionnaires were distributed by post were considered as appropriate to get the response rate between the sample sizes as proposed by Sekaran (2000). This study focused only on the bankers in full-fledged Islamic banks in Malaysia. The sample consists of 13 full-fledged Islamic banks in Malaysia (see Appendix 2 for the list of the banks).

Tools of Analysis

The data of this study was analysed using the SPSS software, version 12.0 to tabulate the results. This study used the frequency test to present the information on the profiles of the respondents and the bank facilities they used. The frequency of the respondents was based on their demographic details such as gender, age, religion, educational level, occupation and experience. In addition, descriptive test was used to present the perceptions of the respondents towards Qardhul Hasan.

Data Analysis and Findings

This section presents the analysis and findings of the study. The study used various statistical tests utilizing the SPSS version 12.0. Firstly, the section presents results from the secondary data and then presents the response rate of the questionnaire survey. It later describes the profiles of the respondents and the test of normality. Finally, the results on the perceptions towards Qardhul Hasan and the problems were discussed.

Review of the Banks' Annual Report

This section provides evidence on the Islamic banks that offer Qardhul Hasan. The study reviews 13 full-fledged Islamic banks' annual report for the years 2006 and 2007. It emerges clearly from this brief review that only three Islamic banks have Qardhul Hasan mentioned in the financial statements. They are Bank Muamalat Malaysia Berhad, Al Rajhi Banking and Investment Corporation (Malaysia) Berhad and Kuwait Finance House (Malaysia) Berhad. The details are as in Table 1.

From Table 1, it can be seen only very small amount of financing reported for Qardhul Hasan for the three banks; Bank Muamalat Malaysia Berhad: 0.1%, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad: 0.15% and Kuwait Finance House (Malaysia) Berhad: 0.001%. Therefore, it is worth to analyse in detail the perceptions of the Islamic bankers in Malaysia towards Qardhul Hasan and the problems of Qardhul Hasan.

Table 1: Review of annual report

Full-fledged Islamic Banks	Qardhul Hasan (Y/N)	Amounts reported	
		2007 RM'000 Qardhul Hasan amount	2007 RM'000 Total net financing
1) Bank Muamalat Malaysia Berhad	Y	5,652	5,585,247
2) BIMB Holdings Berhad	N		
3) RHB Islamic Bank Berhad	N		
4) AmIslamic Bank Berhad	N		
5) EONCAP Islamic Bank Berhad	N		
6) Affin Islamic Bank Berhad	N		
7) Hong Leong Islamic Bank Berhad	N		
8) Al Rajhi Banking & Investment	Y	2,841	1,866,779

Corporation (Malaysia) Berhad			
9) Kuwait Finance House (Malaysia) Berhad	Y	33	3,162,310
10) Maybank Islamic Berhad	N		
11) CIMB Islamic Bank Berhad	N		
12) Asian Finance Bank	N		
13) Bank Rakyat Malaysia	N		

Response rate

130 questionnaires were distributed to 13 full-fledged Islamic banks in Malaysia, in which 10 questionnaires for each bank. Out of 130 distributed questionnaires, 61 were collected; these resulted in a response rate of 46.9 per cent.

Table 2 summarises the demographic information about the respondents. As showed in table 2, 59.3% of the respondents are male and 40.7% are female. Most of the respondents are between the ages groups of 31-41 years old (51.7%). In addition, 95% of the respondents are Muslim and only 5% are non-Muslim and they are well educated, holding at least a bachelor degree or above (76.6% in total). Moreover, majority of them have more than 5 years working experience and in either middle or top management level (83.4% in total).

Table 2: Profile of Respondent

	Percent
Gender	
- Male	59.3
- Female	40.7
Age	
- Below 20 years	-
- 20-30 years	23.3
- 31-40 years	51.7
- 41-50 years	15
- Above 50 years	10
Religion	
- Muslim	95
- Non Muslim	5

Education Level	- Secondary school	11.7
	- College/diploma/matriculation	11.7
	- Bachelor (First Degree)	48.3
	- Professional Qualification	10
	- Postgraduate (Master or PhD)	18.3
Occupation	- Top management	13.3
	- Middle management	41.7
	- Lower management	41.7
	- Others	3.3
Working Experience	- Less than 1 year	19
	- 1-3 years	29.3
	- 3-5 years	12
	- More than 5 years	39.7

Test of Normality

Before conducting parametric test, it is important to test for normality of each variable. The normality of variables was measured using skewness, kurtosis and Kolmogorov-Smirnov. The results of normality test are presented in Table 3 and Table 4.

The analysis of normality indicates that most of the variables are negatively skewed with tendency to the right side of a graph (scores clustered to the high end). On the other hand, the kurtosis value shows a slightly positive value indicating the distribution that is clustered a bit at the centre. Significant Kolmogorov-Smirnov statistic shows violation of normality assumption. A non-significance result (significance value of more than 0.05) indicates normality (Pallant, 2001). From the analysis, the study concluded that the data for all variables are not normally distributed. Therefore, non parametric tests can be used for this study.

Table 3: Tests of Normality – Descriptive

Items	Skewness	Kurtosis
Familiarity	1.721	3.032
Help needy	-0.635	-0.453
Enhance CSR	-0.888	-0.134
No return	-0.924	1.825
Written off	-0.741	0.312
Paid back on demand	-0.680	-0.578
Not offer	0.939	1.461
Current account use Qardhul Hasan	-0.446	-0.449
Charge service fees	-1.174	1.326
Collateral	-0.501	-0.529
Problem 1	-0.160	-1.416
Problem 2	-0.453	-1.283
Problem 3	1.057	0.930
Problem 4	0.255	-0.726
Problem 5	-0.249	-1.107
Problem 6	-3.096	9.525

Table 4: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
familiarity	.342	30	.000	.719	30	.000
help needy	.317	30	.000	.742	30	.000
enhance scr	.353	30	.000	.718	30	.000
no return	.290	30	.000	.771	30	.000
written off	.294	30	.000	.857	30	.001
paid back on demand	.283	30	.000	.849	30	.001
not offer	.270	30	.000	.852	30	.001
current account use Qardhul Hasan	.246	30	.000	.898	30	.007
charge service fee	.333	30	.000	.805	30	.000
collateral	.263	30	.000	.882	30	.003
problem1	.257	30	.000	.837	30	.000
problem2	.236	30	.000	.841	30	.000
problem3	.252	30	.000	.866	30	.001
problem4	.214	30	.001	.923	30	.033
problem5	.279	30	.000	.862	30	.001
problem6	.475	30	.000	.425	30	.000

a. Lilliefors Significance Correction

The study intends to explore the awareness of Islamic bankers in Malaysia towards Qardhul Hasan using the frequency tests. The results as presented in Table 5 show that majority of the respondents are familiar with Qardhul Hasan (52.5%) and they also agreed that Islamic banks should offer Qardhul Hasan (85%).

Table 5: Islamic Bankers' Perception on Familiarity with Qardhul Hasan

Items	Frequency (%)
Very Familiar	31.1
Familiar	52.5
Not Sure	4.9
Not Familiar	6.6
Not Familiar at all	4.9
Total	100

General Information on Qardhul Hasan

The study also aims to elicit Islamic bankers' perceptions towards the Qardhul Hasan by using the descriptive tests. The results are demonstrated Table 6 and Table 7.

Table 6 shows that the majority of the respondents (96.7%) agreed with item 1: Qardhul Hasan can help the needy (with high means and relatively low standard deviation of 4.44 and 0.0563 respectively as per Table 7). This indicates a strong agreement amongst the respondents.

In addition, Table 6 also shows that the majority (90.2%) of the respondent agreed with "Qardhul Hasan enhances corporate social responsibility". With a mean of 4.39 and high standard deviation of 0.665 as reported in Table 7, it indicates that the respondents viewed Qardhul Hasan enhances corporate social responsibility. Therefore, it is very important for Islamic banks to offer Qardhul Hasan so that the bank is perceived as incorporating corporate social responsibility in its activities.

Table 6 also depicts that 80% of the respondents agreed with item 3 that “Qardhul Hasan is less popular due to no return to Islamic banks”, with a relatively high mean of 4.12 and standard deviation of 0.885 (Table 7). This also indicates a strong agreement amongst the respondents.

Table 6: General information on Qardhul Hasan (Frequency)

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Chi-square
a) Qardhul Hasan can help the needy.	-	-	3.3	49.2	47.5	0.000
b) Qardhul Hasan enhances corporate social responsibility.	-	-	9.8	41.0	49.2	0.000
c) Qardhul Hasan is less popular due to no return to Islamic banks.	-	6.7	13.3	41.7	38.3	0.000
d) It is also a belief that Qardhul Hasan can be written off.	1.7	16.7	25.0	48.3	8.3	0.000
e) Qardhul Hasan must be paid back on demand.	10.0	20.0	21.7	45.0	3.3	0.000
f) Islamic banks should not offer Qardhul Hasan	19.7	49.2	24.6	4.9	1.6	0.000
g) Current account of Islamic banks can apply Qardhul Hasan principle.	2.3	16.3	25.6	41.8	14.0	0.001
h) Islamic banks can charge some service fee to cover the administrative and transaction costs in Qardhul Hasan.	5.0	5.0	15.0	66.7	8.3	0.000
i) Islamic banks may require collateral to offer Qardhul Hasan.	5.1	18.6	23.7	44.1	8.5	0.000
j) Qardhul Hasan should be managed separately from other products.	1.7	5.0	10.0	66.7	16.6	0.000
k) Qardhul Hasan does not add value to Islamic banks.	18.0	49.2	19.7	11.5	1.6	0.000

Table 7: General Information on Qardhul Hasan (Descriptive)

	N	Mean	Std. Deviation
Help needy	61	4.44	.563
Enhance CSR	61	4.39	.665
No return	60	4.12	.885
Written off	60	3.45	.928
Paid back on demand	60	3.12	1.091
Not offer	61	2.20	.872
Current account use Qardhul Hasan	43	3.49	1.009
Charge service fee	60	3.68	.892
Collateral	59	3.32	1.041
Managed separately	60	3.92	.787
Does not add value	61	2.30	.955

Moreover, table 6 demonstrates that 83.3% of the respondents agreed with the item of “Qardhul Hasan should be managed separately from other products”. Only 6.7% of them disagreed with this item and 10% neutral. With a relatively low mean and relatively high standard deviation of 3.92 and 0.787 respectively as per Table 7, it implies that the importance of the Islamic banks to manage the Qardhul Hasan transactions separately from other products. These findings are supported by the results of the Chi-square test as shown also in Table 6, which revealed that the Chi-square value of each item is significant at 10%.

Additionally, the study further investigates which groups of the stakeholders assigned to be offered Qardhul Hasan. The analysis is depicted in Table 8. An examination of mean values for groups suggests that the most important group to be offered Qardhul Hasan is “the needy students and other economically weaker sections of the society” (mean of 4.0), followed by “Islamic banks’ staff” (mean of 3.92). On the other hand, the least group to offer Qardhul Hasan as perceived by Islamic bankers is “non clients of Islamic banks” (mean of 2.54).

Table 8: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Accountholders	60	1	5	3.05	1.096
All bank's clients	61	1	5	2.80	1.077
Non clients	39	1	4	2.54	.913
Needy students	61	2	5	4.00	.796
Islamic banks' staff	61	1	5	3.92	.988
Individuals	44	1	5	2.61	1.185
Institutions	61	1	5	2.90	1.165

Problems of Qardhul Hasan

The study also intends to elicit the perception of Islamic bankers towards the main problems in offering Qardhul Hasan. To analyze this objective, the respondents were asked to rank the six assigned problems in terms of seriousness with 1 the most serious and end with 6, the least serious. Table 9 shows the problems as laid out in the questionnaire.

Table 9: Problems of Qardhul Hasan

Problems	Rank
Not able to generate any profit	1
Not able to cover the financing	2
High administrative and transaction costs	3
High risk	4
No support from top management	5
No demand from customers	6

Based on the findings, majority of the respondents rank “not able to generate profit” as the main problem of Qardhul Hasan, followed by “high risk” and “not able to cover financing”. This indicates weak understanding of the respondents on Qardhul Hasan because Qardhul Hasan

should not include any profit elements. “No support from top management” and “no demand from customers” were perceived to be the least serious in Islamic banks in offering Qardhul Hasan.

Other information

In this section, the respondents were asked which of the listed products will be most likely to use Qardhul Hasan. A variety of responses were received. In general, there were no specific products that can apply the Qardhul Hasan concept but majority of the respondents agreed that Qardhul Hasan can be mainly used for financing (33.3%).

Difference in the perceptions on Qardhul Hasan among Islamic bankers

This section provides the analysis whether any differences among Islamic bankers on their perceptions on Qardhul Hasan and the problems as perceived serious by the bankers. Table 10 shows the significance test for all the items. From the table, it can be seen that all the Kruskal-Wallis values are more than 10%, with the exception of items 2 and 3, Qardhul Hasan enhances corporate social responsibility and Qardhul Hasan is less popular due to no return to Islamic banks, where the Kruskal-Wallis values are less than 10%. This indicates that there is no significant difference in the perceptions of the Islamic bankers with regard to their position level.

Table 10: Kruskal-Walis test

Items	Kruskal-Walis
l) Qardhul Hasan can help the needy.	0.234
m) Qardhul Hasan enhances corporate social responsibility.	0.088
n) Qardhul Hasan is less popular due to no return to Islamic banks.	0.015
o) It is also a belief that Qardhul Hasan can be written off.	0.141
p) Qardhul Hasan must be paid back on demand.	0.209

q) Islamic banks should not offer Qardhul Hasan	0.181
r) Current account of Islamic banks can apply Qardhul Hasan principle.	0.148
s) Islamic banks can charge some service fee to cover the administrative and transaction costs in Qardhul Hasan.	0.260
t) Islamic banks may require collateral to offer Qardhul Hasan.	0.439
u) Qardhul Hasan should be managed separately from other products.	0.147
v) Qardhul Hasan does not add value to Islamic banks.	0.792

With regard to the perceptions on the problems of Qardhul Hasan, there are also no significant differences among different level of Islamic bankers, with the exception of problem 4: High risk where the Kruskal-Walis value is less than 10%.

Conclusion

This final section summarises the main results and conclusion of the study. This research study deals with the perceptions of Islamic bankers on the issue of Qardhul Hasan in Islamic banks in Malaysia. The study adopted the methodology of questionnaire survey (most of the questions are close-ended to make the respondents answered them easily) to answer the three research questions. Table 11 summarises the research questions and research objectives of the study.

The responses from several groups of respondents were analysed using descriptive statistics and tested using non-parametric tests.

The survey questionnaire received a high response rate (46.9%); therefore, the conclusions below may be considered to be representative of informed opinion in the bankers in Malaysian Islamic banks.

The responses given by the respondents of this survey reflected their perceptions on Qardhul Hasan as well as the problems in Qardhul Hasan. The findings are divided into three sections:

Knowledge and awareness about Qardhul Hasan, General Information on Qardhul Hasan, Problems of Qardhul Hasan and Differences in Perceptions among the Islamic bankers.

Table 11: Research Questions and Research Objectives

<i>Research Questions</i>	<i>Research Objectives</i>
1. What are the perceptions among bankers in Islamic banks in Malaysia on Qardhul Hasan?	To elicit the perceptions on Qardhul Hasan among bankers in Islamic banks in Malaysia
2. What are the problems as perceived by Islamic bankers with regard to Qardhul Hasan?	To identify the problems faced by Islamic banks with regard to Qardhul Hasan.
3. How difference is the perceptions on Qardhul Hasan in Malaysian Islamic banks?	To determine any differences in perceptions on Qardhul Hasan in Malaysian Islamic Banks.

The empirical findings show that majority of the Islamic bankers in the study are familiar with Qardhul Hasan and agreed that Islamic banks should offer Qardhul Hasan to enhance corporate social responsibility. In addition, Qardhul Hasan is offered to help needy people. The findings also confirmed that the needy people, particularly needy students will be the most important groups for the Islamic banks to offer Qardhul Hasan. This is not a surprising finding as Qardhul Hasan is benevolent loan, meaning that zero-return financing, that will definitely be favoured by needy people due to less installment to be paid (no profit). However, contrary to this finding, Islamic bankers perceived the most serious problem in offering Qardhul Hasan is “not able to generate profit”. This somehow shows lack of understanding among the Islamic bankers with the definition of Qardhul Hasan itself, which not supposed to earn any profit. “High risk” is also perceived as a very serious problem.

When the perceptions between the top management, middle management and lower management are tested to see any significant differences, it is found that no significant differences among them with the exception of items 2 and 3, Qardhul Hasan enhances corporate social responsibility and Qardhul Hasan is less popular due to no return to Islamic banks, where there are significant differences among the respondents. Similar findings also applied to the problem with the exception of problem “high risk” where there is significant difference among the three groups. In addition, majority of the respondents agreed that Qardhul Hasan should be applied to financing.

As a conclusion, the findings could provide some insights to Islamic banks in order to diversify their products by offering as well Qardhul Hasan to the customers. The study proves that Islamic banks perceived Qardhul Hasan is important to be offered to the customers. However, this can only be allowed after proper policies have been developed so that there will be no recurring problems in the future. The targeted customers also must be clearly defined so that the Qardhul Hasan will fulfill the needs of the society.

As Islamic organisations, Islamic banks are accountable to Allah and to the communities in which they operate and have a duty to be transparent in all their activities. Based on these principles, Qardhul Hasan is definitely the product in meeting the expectations of the Islamic community.

Implication of Findings

The findings confirm some suspicious arisen by the public that many Islamic banks have only a strong profit-motive orientation. They have not appropriate balance to function socially (as opposed to commercially), as it is expected by Islamic tenets generally. Due to this, the Islamic banks’ top management, in particular need to be warned about this issue. In the long terms, while

this motive prolongs, the existence of Islamic banks might be in trouble. They are not going to achieve al-falah, or the maqasid of shariah, as they should be laid as the main intention of establishing of Islamic banks.

Since the study also found the misunderstanding of Islamic bank operators on Qardhul Hasan concept, we believe that they need to be taught more the Islamic bank products. The focus should not be given merely to the commercial or profitable ones, but also the products or services which are integrally attached to the existence of Islamic banks such as Qardhul Hasan and Zakat.

Policy Implications

The research found that the majority of respondents agree that the Qardhul Hasan can help the needy, as well as it enhance corporate social responsibility, perhaps it is now the time where Bank Negara Malaysia enforces the implementation the Qardhul Hasan product to all Islamic banks in the country. Two purposes hopefully might be achieved by this policy: First, to balance the profit-motive orientation with the social responsibility among the Islamic banks, and second, to have a better image in the society that Islamic banks have a good CSR.

Theoretical Implications

Since this research can be classified as a preliminary study, no theoretical implication can be affected. Except perhaps, we might conclude that (1) Islamic banks in Malaysia in general have a stronger profit-motive (commercial) than social function, and (2) there is a lack of understanding of Malaysian Islamic Banks operators on Qardhul Hasan.

Limitations

There is no perfect study and the current one is no exception. Therefore, this section will discuss some limitations in the present study, which include:

The data were collected mainly from questionnaire. No interview so far was conducted due to time and budget limit. Having deep interview with some selected respondents, perhaps will give more comprehensive picture about the Qardhul Hasan in Islamic banks operators in Malaysia.

This is an exploratory study in nature. It is conducted due to so limited research on this topic was held previously. Consequently, the study has also very limited literature review. In turn, no hypotheses can be developed, as well as no such sophisticated statistical examination can be run.

Further Research Directions

Many more research can be done in the context of Qardhul Hasan in Malaysian Islamic banks. These include, the studies of demand on Qardhul Hasan, the perception of customers or stakeholders on Qardhul Hasan, the [case studies] operation of Qardhul Hasan in the some Islamic banks that have launched the Qardhul Hasan products, the study comparison between Malaysian context and other Muslim countries which have been operating the same industry (Islamic bank), and so forth. Since this topic is so far rarely studied, we believe that ample opportunities in this topic are waiting for researchers.

Notes:

ⁱ There are about 8 to 11 times the terms of riba is stated in the Holy Qur'an (See for example: QS Al-Baqarah 275-279; Ar-Rum 39; An-Nisa 160-161 and Ali Imran 130). This indirectly indicates the serious view of Islamic teachings against the practice of riba.

ⁱⁱ See Table 1 below.

ⁱⁱⁱ This amount is about 15-16% of the total Qardhul Hasan funds allocated by the BNI Syariah nationally.

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