

CHAPTER 4

LITERATURE REVIEW

4.1. Introduction

Wealth is the object of humans in sustaining their life on the earth. Many kinds of literature discussed the wealth either in Islam or other civilizations. As social creatures to sustain their lives, humans interact with one another in economics, politics, social, and culture. In terms of economic activities, they create many occupations to fulfill their life needs in spending and saving. Explicitly, they are practicing wealth management in their household.

Currently, wealth management is not just about investments. It is a comprehensive way of managing wealth. So, one must take the time to understand his/her life's goals, both business and personal. This chapter will elaborate on the definition, theory, and conceptual framework in Conventional and Islamic wealth management.

4.2. Definition of Wealth Management

Wealth management is a phrase that consists of wealth and management. The term has been around since the early 1990s describing a comprehensive service model close to financial planning. More recently, it has been applied to comprehensive investment advisory services for high-net-worth clients (www.IMCA.org). The literal meaning of the word wealth comes from the Middle English word (13th Century) '*welthe*,' from *wele* wealth that means welfare (Webster's New Explorer Encyclopedic Dictionary, 2006: 2093).

It can be defined technically as possessing a large amount of money, property, or other valuable items (Collins Cobuild Advance Learner's English Dictionary, 2006: 645). Another meaning is goods or services having economic utility, money, riches, substance, affluence, belonging, cash, and so forth (Webster's New World Thesaurus, 1971: 281). As Rasban (2006: 200) mentioned, in today's world, the concept of wealth has been defined as 'My Money. The dominance of the conventional financial system influences this term in the world. It can be stated that wealth means valuable and measurable things that give economic utility to humans to attain welfare, such as money, property, asset, cash, and so forth.

The second definition is management. In general usage, "management" identifies a particular group of people whose job is to direct other people's efforts and activities toward common objectives (Massie,1987:2). Robbin & Coulter (1991:2) defined management as the components of coordinating work activities so that they are completed efficiently and effectively with and through other people. The components is divided into various stages to achieve the goal, such as planning, organizing, leading, and controlling. Furthermore, it can be stated that management is the components of attaining the highest goal through a group of people for other people (Ibid: 2).

To Ashiya (2007:3), wealth management represents a favored approach for delivering financial advisory services to affluent client. Also, Sanwick (2008-2009: 2) adds that wealth management is defined as a type of financial planning that provides those categorized as HNWI's and their families with private banking, estate planning, legal resources, and investment management services.

Wealth management encompasses financial planning services like risk management, investment retirement planning, working capital management, real estate planning, tax planning, inheritance planning, and charitable giving. Then, wealth management can be associated with financial planning, asset management, and estate planning.

Moreover, it should be stressed that wealth management differs from financial planning. The difference lies in the fact that financial planning is a sole advisor's effort, while wealth management is generally a team effort (Ashiya, 2007:3-4). While Rao (2007: 26) says that the basic idea of wealth management is to help individual investors gain a complete perspective on their wealth, it would also be financial services provided to wealthy clients, mainly individuals and their families. It can be generalized that financial services help affluent clients inadequately manage their wealth. These clients are categorized as High Net Worth Individuals (HNWI). Generally, it refers to clients with more than \$ 1 million in financial assets (Grzeskiewics & Kozlinski. 2007: 13).

4.3. History of Wealth Management

The practice of managing wealth can be traced to the development of private banking. As defined by Hand J Bair, "*Private banking is the full range of services that a client may wish to obtain, and this, therefore, extends way beyond wealth management.*" (Geiger & Hürzeler, 2003: 94) By definition, it seems similar to wealth management. Hence, private banks' function was receiving money on deposits, managing the money affairs of states and individuals, and lending money to a borrower. These practices are similar to the application of today's wealth management.

Several private banks carried out the first-time wealth management practices in Europe. For example, one of the oldest private banks in the UK, C. Hoare & Co, was established in 1672 and was continuously owned and run by the Hoare family for 11 generations (Maude, 2006: 155). Hoare's Bank was (and is still) a private bank in London's West End. Richard Hoare was a goldsmith who moved his business to Fleet Street in the 1690s and completed his transformation from goldsmith to banker in the ensuing decades (Hoare, 19323; 12-26). Wegelin & Company was one of the private banks founded in St. Gallen in 1741 (Switzerland's oldest surviving bank) (Wealth Management Association, 2013). Its development continued and became popular in contemporary times, implemented by conventional and Islamic ones.

Wealth management in Islamic history is not something new. Islam as a Dīn guides all aspects of human life, including component of Islamic wealth management. The components of wealth management can be divided into four stages: wealth creation, wealth accumulation, wealth protection, wealth distribution, and: wealth purification (Ariff, 2017: 34-36; Wouters, 2003: 151). Prophet Muhammad pbuh explained in his Sunnah that the best way to create wealth is through human effort and engaging in trade that in is line with Shari'ah. The Prophet (ﷺ) was asked, 'What type of earning is best?' He replied, "A man's work with his hand and every transaction which is free from cheating or deception." [Reported by al-Bazzar; al-Hakim graded it Sahih (authentic) (<https://sunnah.com/bulugh/7/1>).

Prophet Muhammad pbuh at the age of twenty-five already had a business and partnered with investors, including his wife Khadijah (Antonio, 2019: 91-92). Prophet Muhammad (PBUH) has taught the importance of increasing the value of the property

owned by humans to sustain their lives. However, in practice, wealth accumulation is carried out personally, there is no financial institution that accommodates the practice. Furthermore, mudhārabah partnership and its derivatives were the solutions to replace usuary practice linked to credit (Cikakza, 2025: 5).

Beside that wealth accumulation component, the concept of Aqilah, which involved a collective guarantee among a group individual to support each other during times of calamity or adversity, gained popularity as Muslim Arab expanded their trade networks to regions such India, the Far East, and other Asian countries (Sadeghy, 2010), can be regarded as the component of wealth protection. In the time of Ottoman Empire, Muslim also adopted similar practice of mutual assistance and compensation when engaging in trade with Spanish merchants, and waqf funds were also utilized to cover basic insurance of Muslim people (Schoon, 2008; Cikakca, 2004). Currently, Islamic insurance or takaful and banca-takaful are both component of wealth protection designed to coverage and protection for individuals and business within Shariah-compliance.

Wealth distribution in the Islamic history was not only as a means of personal redistribution of the accumulated capital in the economy, but also as wealth distribution institution. According to Cikakca (2015), there are two of wealth distribution practiced in the Islamic history, namely, taxation and waqf institution. The Islamic taxation consisted of zakah, jisyah, and al-kharaj (Cikakca, 2015: 6). Another wealth distribution is waqf which is also developed in Islamic History and to now. However, Islamic taxation was only managed by the government and subsequently distributed for the benefit of community, whereas the waqf funds can be distributed to the public and family purposes.

(Ibid: 7). In fact, the distribution of wealth for the benefit of families was practiced in Islamic inheritance and will system, which is mentioned in Surah al-Nisa, 11.

The difference practice between Conventional dan Islamic wealth management can be seen from its worldview towards wealth. Islamic wealth management views wealth as a trust from the Ultimate Owner, Allah Almighty, regulated the Shari'ah derived from the Qur'an and Sunnah, as well as state laws that do not contradict Islamic values and principles. On the other hand, Conventional wealth management relies on rational faculty referencing state law that govern it. It can be said that Islamic wealth management is rooted from religious principles emphasizing Shariah and ethical-compliant investment and financial practice, while Conventional wealth management relies on secular laws and economic principles for guidance.

Technically, the components of Islamic wealth management are managed both individually and by the government. There were no private institutions that holistically managed all components of wealth management as practiced by the conventional model in 16th century. Only recently Islamic wealth management have been managing individual's wealth either partially and holistically, following the development of Islamic economic and finance institutions worldwide.

4.4. Wealth Management Components

Wealth management consists of four components: wealth creation, enhancement or accumulation, protection, and distribution (Bank Sarasin: Islamic Wealth Management Report, 2011: 7). This aspect will be elaborated in detail as follows:

4.4.1. Wealth Creation

Wealth creation is the first essential element in wealth management because it is the cause (Rasban, 2006: 91). Furthermore, wealth creation is usually presented as gaining money and other valuable assets. Wealth creation is an effort of people to accumulate and enhance wealth (Wealth Manager Association, 2013: 3).

Wealth creation can be generated from inheritance and earnings that will help to sustain human life. Earnings can be generated from work, farming, production, and entrepreneurship. So, wealth that has been acquired by trade, labor, or transfer can later be accumulated, preserved, and distributed for future needs and generations. However, wealth can never be created by little luck in Islam. The only way for an individual to create wealth is to plan and work hard to obtain lawful "*halal*" income (Nasr, 2015: 24).

4.4.2. Wealth Accumulation (Enhancement)

When one's family grows, the needs and wants of the family grow too. Therefore, people work hard to accumulate wealth to sustain their basic needs, families, and community. Some are related to family expenses such as housing, education, vacation, and retirement planning. By then, the demand for income is more than ever, which compels one to accumulate more wealth to fulfill the ever-swelling needs and wants. To Mashruwala (2013: 165-166), we must align our investments with our responsibilities and dreams when accumulating wealth. There are four ways of enhancing one's wealth: prudent saving, work, business, and investment (Rasban, 2006: 165-166). Saving puts aside a portion of one's income for future financial needs (Islamic Wealth Management Report, 2011: 7).

In realm of investment, accumulating wealth can be achieved through various financial and capital market instruments such as deposit, equity, unit trust, money market, hedging, derivatives, and structured product. Moreover, a Muslim who intends to accumulate wealth must consider certain principles about these activities. Firstly, the accumulation of instruments must be in the ethical field. Secondly, they must be free from *riba*, *gharar*, and speculation. Lastly, they must achieve Maqâsid Shari'ah. In the view of Çizakça (2015), certain economic principles of wealth accumulation practically existed throughout Islamic history, namely: i) competitive market; ii) no upper limit to profit provided they are 'legitimate,' halal; iii) no interference in the price; iv) modest tax on trade; v) free trade, risk-sharing, and the prohibition of *riba*.

4.4.3. Wealth Protection

Wealth protection planning is a multidisciplinary component of shielding one's wealth from internal and external threats (Jarvis & Mandell, J.D, 2003: 9). Also, Wealth protection relates to efforts towards preserving the value of the wealth owned through productive and valuable investments (Ariff & Mohamad, 2017: 384). It is a type of insurance that benefits the individual or his/her family if the unexpected should occur. Internal threats can be classified as premature death or disability, need for nursing, home care, and future income loss. On the other hand, external threats include downturns in the investment market, all types of taxes, educational expenses, and estate costs. Specifically, it involves cash flow planning, tax planning, family security planning, disability income planning, and critical illness income planning (Billah, 2013: 4).

People always face these threats or risks. People cannot avoid such risks but could be minimized using the proper wealth protection planning. Protecting wealth can use insurance, and retirement planning are provided by many financial institutions. This wealth protection helps people sustain themselves and their families in their future lives. In Islamic financial institutions, it is related to Takaful or Islamic insurance based on cooperation, responsibility, assurance, protection, and assistance between groups of participants (Ibid: 4).

4.4.4. Wealth Distribution

The distribution of wealth is essential because individuals/households' wellbeing is affected by their wealth independent from their income (Schneider, 2004: 5). There are many terms related to wealth distribution. Therefore, it is called the factor distribution of wealth when it is related to a production factor. Still, it is called the intertemporal distribution of wealth related to wealth between generations. Lastly, it can be categorized as the personal distribution of wealth related to a household (Ibid: 4). Regarding wealth management, it is related to the last category of wealth distribution that discusses households.

There are many ways of distributing wealth in society, such as charity, tax, will/bequeath, and inheritance. In Islamic teachings, wealth distribution has broadened instruments such as *zakah*, *warasah* (inheritance), *wasiah* (will), *hibah*, *infāq*, *sadaqah*, and *waqf*. Islamic wealth distribution focuses not only on transferring wealth to society but also on achieving the happiness and welfare of *akhirah*.

4.5. The Market of Wealth Management

4.5.1. Type of Players

The favorable growth in wealth management has enticed numerous financial institutions to offer wealth management service. Banks, in particular, are often at the forefront of providing this service due to their role as intermediary entities tasked with aggregating excess funds from depositors and subsequently channeling these funds to borrowers capable of investing in profitable enterprise (Huat, 2011: 85).

Furthermore, certain banks offer holistic wealth management services, while others provide only specific aspects of wealth management services and products. Consequently, there exists a diverse range of player in wealth management industry:

4.5.1.1. Private Banks

A private bank is a bank whose legal status is sole ownership, registered partnership, limited partnership, or limited partnership with shares (Maude, 2006: 155). It provides more than traditional banking services of deposits and loans.

Furthermore, a type of banking product and service includes the following: 1) Day-to-day banking; 2) Investment; 3) Commodities; and 4) Philanthropy. Another fact of strategic importance in private banking is that many of its clients take an active role in managing their wealth (Chorafas, 2006: 15).

These private banks come in a variety of shapes and sizes: 1) midsized listed groups such as Julius Baer and Sarasin; 2) privately-owned companies such as Union Bancaire Privee; 3) family-owned banks such as Sal and 4) independent private banks such Coutts, Swiss private bankers (Maude, 2006: 155). These banks are mainly located

in Swiss and other European countries that provide personal services for wealthy people. In Malaysia, many private banks offer wealth management products and services such as AmBank, Affin Bank Berhad, CIMB Investment Berhad, Bumiputra-Commerce, Finance Berhad Bank Rakyat Malaysia Berhad, and Bank Muamalat Malaysia.

4.5.1.2. Family Offices

It may be a formal and informal organization that manages a multi-generation wealthy family (Huat, 2011: 230). On the other hand, it is a private wealth management advisory firm established by an Ultra-HNWI to manage their family's private wealth (Global State of family Office". [www.capgemini.com/.../The Global State of Family Offices.pdf](http://www.capgemini.com/.../The_Global_State_of_Family_Offices.pdf), 2013). Moreover, a traditional family office structure consists of a team of professionals dedicated to providing wealth management services to one or more generations of a single family of substantial wealth (Wakem accessed from wallstreetandtech.com., 2005).

It is mainly well developed in the US, but much less so in Europe (Maude, 2006: 163. To Maude (2006: 163), it is difficult to find exact data because there are different family office models and no standard definition within each (Ibid: 163). In general, the models can include a single-family office invented by John D. Rockefeller (1882), a multifamily office in the mid-1970s, and a multi-client family office (Ibid).

4.5.1.3. Universal Banks

It can be defined as conducting a range of financial services comprising deposit-taking and lending, trading of financial instruments and foreign exchange (and their

derivatives), underwriting of new debt and equity issues, brokerage, investment management, and insurance (Saunders & Walter, 1994: 84).

The wealth management value-creation opportunity bulks for universal banks lie in their existing book of business (Maude, 2006: 158). Many universal banks worldwide, such as HSBC, UBS, and CIMB, provide wealth management products.

4.5.1.4. Other Players

Other players that provide products and services for wealth management are financial advisers and investment banks. In Europe, particularly the financial adviser network, whether independent or tied to an institution, it has proved to be a highly effective vehicle for serving the affluent client segment's financial planning and investment needs (Ibid: 61). For instance, Banca Fideuram, owned by Sanpaolo, is an excellent example of HNW clients (Maude, 2006: 61). Furthermore, the investment bank is an institution specialized in investment management serving wealthy individuals and institutional clients, and its service includes raising funds in the capital market (Huat, 2011: 216). These investment banks increasingly recognize the benefit of wealthy clients because they have been using various approaches to attract clients. Large investment banks include Goldman Sachs, JP Morgan, and Lehman Brothers.

4.5.1.5. New Player: Islamic Private Banking

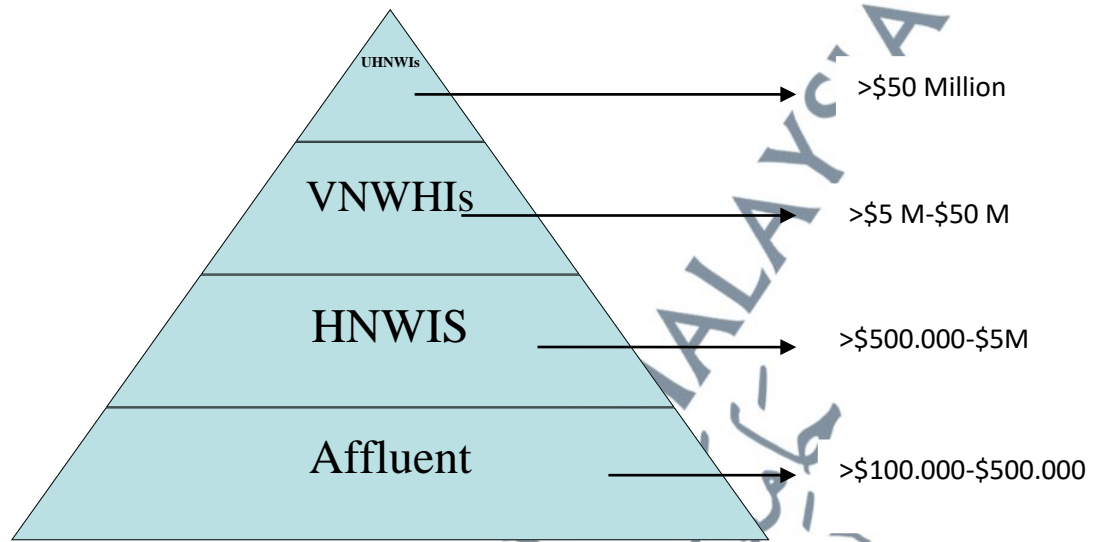
The accumulation of wealth by Muslims worldwide and the trend of Muslims shifting assets away from the United States drives increased demand for Islamic private banking (Maude, 2006: 163). Also, Islamic banking plays in the hand of local players

despite increasing wealthy Muslims, especially in the Middle East and some in other countries. The challenge before Islamic banking worldwide is to enhance their skills and product globally to meet the needs of HNWIs.

Many International Western banks have been offering Islamic wealth management products to grasp the wealth of muslim investing their wealth. For instance, UBS, with its Noriba established in Bahrain in 2002, HSBC Amanah founded in 1998, Citigroup and Deutsche Bank, and Islamic Sarasin Bank. Interestingly, Malaysian Islamic finance thrives rapidly by adopting a more lenient interpretation of Shari'ah law (Ibid; 90). Many Islamic commercial banks now offer wealth management services, such as Islamic CIMB, Islamic May Bank, and Bank Rakyat Malaysia.

4.5.2. Type of Clients

In theory, wealth management clients can be segmented according to a multidimensional range of factors such as geography, demographics, wealth, income, asset class holdings, and preferences (Maude, 2006: 55). Some wealth management institutions have segmented clients based on family background, work experience, sex, age, and behavior. However, the most common type of client is based on wealth, called the wealth pyramid. It consists of four levels: 1) core affluent; 2) HNWIs, VHNWIs' and UHNWIs. The explanation can be seen in figure 2.5.



Source: PricewaterhouseCoopers (2005), 'Global Wealth Management Survey.'
Reproduced by David Maude

Figure 7: The Wealth Management Pyramid

The most common (but not universal) criterion used to define an HNW individual or family is the ownership and control of at least \$1 million of investable assets. Another category is HNW's ownership from \$ 1 million to \$ 50 Million, and UHNW ranges from \$ 50 upwards (Global Wealth Report 2016, 2016. <http://www.db.zs-intern.de/uploads/1479892972-GlobalWealthReport2016.pdf>).

4.6. Wealth Management and Maqāṣid Shari'ah

The preservation of wealth (*hifdz al-mâl*) is a form of means of achieving the Maqāṣid Shari'ah. According to Ibn 'Ashur (2001: 138), preservation of wealth is protecting the assets of the ummah from loss, flowing into the hands of other than the ummah without compensation, and protecting particular assets from loss without

compensation. When it comes to managing wealth in Islam, realizing the five necessities in Maqāsid Shari'ah is essential.

Ibn Ashur (2006: 71) defines Maqāsid al-Shari'ah as the purposes (*al-ma'ani*) and wisdom (*al-hikam*) considered by the Lawgiver in all or most of the areas and circumstances of legislation, which are not confined to a particular type of commands. Al-Fasi defines Maqāsid Shari'ah as the purposes and secrets that Allah (Law Giver) has ordained in every law and its laws (Al-Fasi, 1993). So, Maqāsid Shari'ah is the goal, wisdom, and secrets in the Shari'a law that Allah has ruled for the benefit of His servants.

Attia (2001: 52) explained that the levels of Maqāsid Shariah, namely *dharuriyyat*, *hajiyyat*, and *tahsiniyyat*, are the means (*wasīlah*) to achieve a benefit, such as food is one of the means for preserving the soul is *dharuriyyat*, cooking it with good taste with a variety of side dishes is *hajiyyat*, and etiquette in eating is *tahsiniyyat*.

There are five objectives of Shari'ah in wealth management in the view of Ibn 'Ashur, namely wealth circulation, transparency, preservation, documentation, and justice (Ibn Ashur, 2011: 300-320). To keep the goal of the circulation of wealth, it is prescribed by Allah SWT for mu'amalat contracts by transferring property rights through commercial contracts and tabarru'. The aim of demanding transparency in wealth and property is to avoid harm and disputes as much as possible for the reasons the promise and documentation have been determined. The ways of retaining assets include economical, not extravagant, and excessive. Ownership documentation is necessary for the landlord to avoid all sorts of risks and disputes. Justice in the pursuit of wealth means that property is achieved in a not unjust manner. Justice means that wealth and property must not be improperly and unfairly obtained.

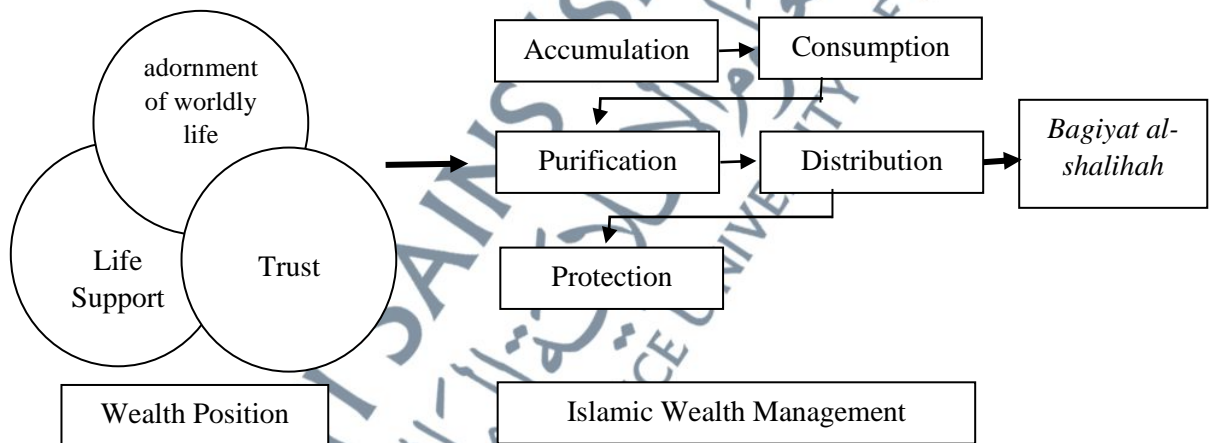
Several studies related to studies on Islamic wealth management based on Maqāṣid Shari'ah. Nasr (2015: 17-31) argues that Islamic wealth management based on Maqāṣid al Shari'ah's framework can play a distinctive role in creating, accumulating, protecting, distributing, and purifying wealth. It is imperative to start by educating individuals on the wide implementation of *farāid* , *waqf*, *zakat*, and other channels for a stable future and constant growth for the whole society. Swajaja et al. (2019) explain in detail that in the perspective of Islamic wealth management, the transfer of shariah share ownership occurs at the stage of wealth creation. Therefore, the aspect that must be protected according to the Maqāṣid Shari'ah guidelines is the halal according to shariah principles by fulfilling the elements of religious care (*hifz al-din*) and treasure care (*hifz al-mal*), the mechanism of purchase and rational buying behavior based on science (*hifz al-'aql*) and can control themselves not too excessive in seeking profit in buying and selling (*hifz al-nafs*).

It can be said that Islamic wealth management based on Maqāṣid Shari'ah in its elements has different characters in terms of values and principles, which refer to Islamic sources. Therefore, Islamic wealth management not only complies with contractual forms in Islam but also benefits both in this world and the hereafter for individuals, families, and the community. It is in line with Imam Syatibi stated that the basic objective of Shariah is to achieve goodness or *maṣlahah* to human beings, which includes *maṣlahah* in the world and also *maṣlahah* in the hereafter (Shatibi, 2004: 238).

Several Islamic wealth management models derived from Maqāṣid Shari'ah's approach. For example, Al-Faizin and Akbar (2020), by referring to the interpretation of Surah al-Kahf, 46, begin with the nature of wealth in Islam and the explanation of the components of Islamic wealth management which ends up being *bagiyat al-shalihah*

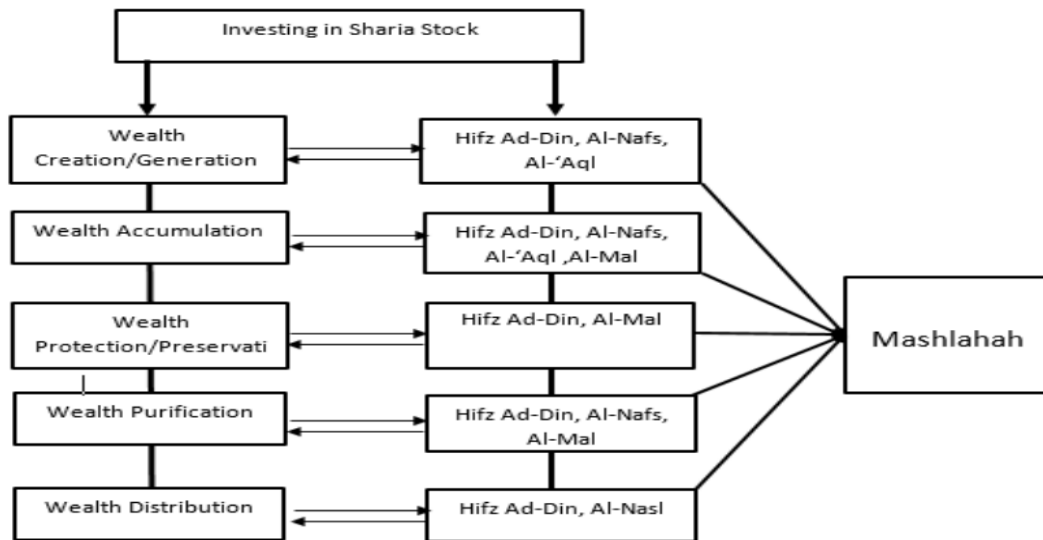
(everlasting good deeds). To know the nature of wealth, it is necessary to know about it, which undoubtedly refers to the Qur'an, Sunnah, and the views of Islamic scholars in their related works on the nature of wealth.

Swadjaja, Sawarjuwono, and Ludigdo (2019) propose a model for managing Islamic wealth based on maqāṣid Shari'ah. To them, a model of Islamic wealth management based on Maqāṣid al-Shariah is used as a grand theory in shariah stock investments in the capital market to achieve the ultimate goal of prosperity in the world and the hereafter and provide positive benefits for all parties. Their model explains how managing Islamic wealth can achieve five essential aspects of maqāṣid Shari'ah.



Source: Al-Faizin & Akbar (2020ā)

Figure 8: Model of Islamic Wealth Management based on Surah al-Kahf, 46



Source: Swadjaja, Sawarjuwono, dan Ludigdo (2019)

Figure 9: Model of Islamic Wealth Management based on Maqāsid Shari'ah

The two preceding models explained the components of Islamic wealth management from creation, accumulation, protection, distribution, and purification, are based on the Maqāsid Shari'ah

4.7. Previous Studies

4.7.1. Related Literatures to the Implementation of Islamic Wealth Management

There are many studies related to the concept of wealth management, theoretically and practically. Wealth is defined by quantitative measurements of one material possession based on general wealth management or economic theories (Shalleh, 2012: 234). It is supported by Mill (1965) said that wealth may be defined as all useful and agreeable things which possess exchangeable value, or, in other words, all useful and

agreeable things, except those which may be obtained in quantity desired without labor or sacrifice.

In Islam, the term wealth is called *māl* that refers to which (human) nature is inclined and which it is possible to hoard for the time of need. It can be summarized that wealth (*al-māl*) is everything that has valuable *maddiyah* among humans, which can be utilized without harm, according to Shari'ah. By all definitions, it can be summarized that wealth in Islam is anything that has material value among humans, and it is permissible to use it or exchange it according to the Shari'ah principles and values.

In Islam, financial planning or wealth management is not just components of acquiring and accumulating wealth (Alam, Nafis, et. al., 2017: 11). Therefore, it is needed well understanding about wealth management in Islamic perspective. Before moving to its management, the main objective of wealth management in Islam as stated by Islamic scholars was to lead to a mere fair distribution of wealth (Suren and Bhatti, 2016: 53). Supporting by Qutb (2005), the community needs general circulation of its wealth to develop the various aspects of life (Shepard, 1996: 155). The key concept of Islamic wealth management is the responsibility and distribution not as an end result (Razak, 2019: 25).

Another important aspect is Shari'ah that makes Islamic wealth management different from the counterpart. Shari'ah provides a guidance related to the different dimensions of wealth, such as its accumulation, protection, growth, consumption, purification, disposition, and distribution (Shirazi, et al., 2022: 3). There is a fundamental underpinning theory toward definitions of wealth raised by Western and Islamic Scholars, namely in the aspect of values containing Shari'ah that promote human benefit. More

than that, the character of the wealth described is the same can be owned, stored, and used when needed. It can be said that the concept of Islamic wealth management is aligned with moral or ethical values that must be observed in its components.

Several theories have been conducted related to the study of Islamic wealth management. In the theory of wealth-income distribution, Mill explains that wealth is something that can be used for humans in productive activity and can be accumulated (Jensen. 2001: 494) "Sources of enjoyment may [therefore] be accumulated and stored up; enjoyment itself cannot" (Mill 1965a: 49, 48; and 1967a: 284). It can be said that the assets obtained by humans must be developed and accumulated in economic activities. Mill discussed distribution under three headings: "Of Wages," "Of Profits," and "Of Rent" (Mill 1965a: 337, 400, 416). He explained that income distribution is more focused on post-production distribution; labor gets its wealth distribution with wage, an entrepreneur with profit, and land with rent.

In contrast to Mill's opinion, Islam does view wealth as mere enjoyment (*zinatun*) and a means of worshipping Allah so that the components of seeking and distributing wealth will always be connected with Islamic *aqidah* shariah and morals. Imam Hasan al-Syaibani, in his book *al-Iktisab fil Rizq*, emphasizes that make the components of looking for treasures to worship Allah SWT. Al-Muhasibi (2016), in his *al-Makasib*, emphasizes the importance of relying on Allah when seeking sustenance. From the view of Islamic scholars, religion is an essential factor in wealth management whose motivation is worldly happiness and its orientation is the happiness of the hereafter.

The component of wealth management consists of four stages: 1) wealth creation; 2) wealth accumulation; 3) wealth protection; and 4) wealth distribution. Wealth creation

is the beginning of wealth management that consists of several ways of creating wealth, such as employment, self-employment, inheritance, compensation, gift, and purchasing (Rasban, 2006: 18). In addition, wealth creation is more than possessing wealth and is only one form of increasing wealth.

Huggett (2004: 769) found a positive slope between wealth accumulation and earning risk in wealth accumulation, which explains that individual and aggregate wealth accumulation increases and increases risk. Therefore, he focuses on precautionary wealth accumulation to reduce risk while accumulating wealth. This view can be used as an important basis that knowledge of wealth accumulation is very important to know for those who increase the value of their assets. In Islam, there are risk factors related to wealth accumulation and Sharia compliance.

In the view of Heer (2001: 445), wealth is much more unequally distributed than earnings. His analysis examines inheritance taxation by seeing a three-sector economy: the household sector, the production sector, and the government. The results are the wealth inequality increases after accounting for an inherited bequest, and inheritance taxes increase equality and welfare (Ibid: 445). By then, the inheritance taxes have the potential to mitigate this inequality and improve overall welfare. It is argued that Heer's analysis underscores the importance of inheritance taxation as a policy tool to address wealth inequality and promote social welfare within an economy.

Consequently, William S. Comanor and Robert H. Smiley (1975) estimated the impact of past and current enterprise monopoly profits on household wealth distribution in the United States (Comanor & Smiley, 1975). The finding is that the past and the current monopoly have significantly impacted this distribution's present inequality. These

studies use interest as a variable in the components of wealth management. Another study that reflected wealth distribution is Abdul Aziz et al. (2014) that examines the related literature in planning and managing Islamic wealth distribution between 2001 and 2013. The study concluded that there is still a limited number of articles and papers published by the researchers related to this field.

Interestingly, Hauser (2004) observed the motivation of wealthy people for charitable giving. He stated that charitable giving is a big business and a significant contribution. She then questions what motivates wealthy families to give to charities at all. Listing and discussing the various motivations frequently offered, she begs to disagree and submits that the real motivation for most families giving programs is instinctive and sympathetic (Hauser. 2004: 23-29). Hence, it is mainly related to ethical and social values. Kamri and Daud (2011), in their study of wealth management using Islamic values, concluded that wealth management in Islam should comply with values like gratitude, accountability, prudence, fairness, and futuristic. Implementing these values will harmonize more efficient and effective wealth management (Kamri & Daud, 2011: 187-212).

Regarding consumer choice, Yu and Ting identify (2011) key factors affecting consumers' choice of wealth management by using the AHP decision model. They conclude that, in general, customers' first concern about the wealth management service is the quality of service, followed by the products and the image. Chan and Chan (2010) study behavioral intentions of Taiwanese nationals based in the People's Republic of China (the PRC) regarding their choice and decisions about WMS providers. The finding indicated that trustworthiness, provision of flexible services, and cultural affinity feelings

are the most crucial among the ten factors related to their intentions and decision-making about choosing wealth management service providers (Chan and Chan, 2010: 1-11).

Moreover, Islamic wealth management has also supported Islamic banking and finance in the world economy. In Malaysia's case, the Malaysian government wants to ensure that, by 2020, wealth management is one of the key industries in the country (Economic Transformation Programme: A Roadmap for Malaysia, 2015: 228-229). Islamic banking is one of the Islamic financial institutions that offer wealth accumulation products. For example, Ismail (2010) attempts to study both creation and wealth issues by examining how Islamic banks create wealth and generate profit and employment. The study concluded that Islamic banks are valuable and integral part of the national economy's development as they create wealth for individuals and the community (Ismail, 2010: 1-16).

The previous research has related to the study of wealth accumulation and tried to highlight the relationship between wealth protection, distribution, and purification. Azhar & Arshad (2012: 101-116) explained that Takaful is an Islamic concept that grasps property protection and distribution. Currently, it has become one of the essential instruments in the wealth management business, and it differs from other conventional wealth management products since it has been constructed based on Shari'ah. Takaful benefits consumers in wealth protection and has a crucial element in risk management.

Specifically, in wealth distribution, Aziz & Nordin (2015: 13-18) investigated the relationship between Malaysian Muslims' knowledge about the planning of *waqf*, *wasiyyah*, and *farāid* in wealth distribution. Based on the results obtained, the conclusion is that Malaysian Muslims' knowledge positively impacts the planning of *waqf*, *wasiyyah*,

and farāid. A study by Ghul et al. (2015: 1-11) stated that knowledge of the concepts of Islamic estate planning and awareness of the importance of wealth management has a significant effect on Wasiyyah practices in Malaysia. Alma 'mun (2012) added that respondents, institutions, and inheritance law demography are the significant factors triggering the wasiyyah practice in Malaysia.

Moreover, thirty-eight journal articles analyzed by VOSviewer, are divided into eight clusters of research. The central issues are term management. The first cluster focuses on personal issues to family finance related to Islamic wealth management, including aspects of causes and effects, consumerism, and physiology. The second cluster discusses the issue of the past and present history of IWM from the aspect of principles, gender, economic status, and institutions. The third cluster is about giving a case study in Malaysia.

The fourth cluster is more related to trust, also part of Islamic wealth management. Then the fifth cluster focuses on Islamic wealth planning from asset allocation, a risk, to the discussion of the life cycle approach. The sixth cluster focuses on the behavioral finance of Islamic wealth management. The seventh cluster discusses Islamic social finance, closely related to Islamic wealth management. The last cluster relates the development of Islamic wealth management to Islamic microfinance and efficiency.

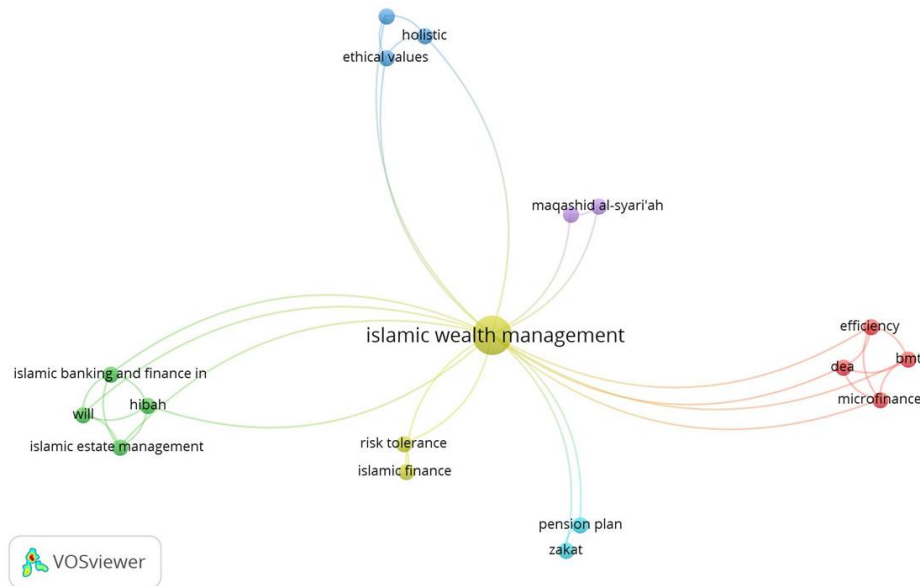


Figure 10: Research Cluster of Islamic Wealth Management

Initial research on IWM was conducted by Kamri & Daud (2011), Shalleh (2012), and Ismail & Antonio (2012) tried to find ideas and principles of Islamic wealth management values sourced from the Qur'an, hadith, and the thoughts of scholars from their works related to Islamic economic thought sources. In subsequent developments, Faqooq (2013 & 2014) tried to compare the principles of value between Islamic and Conventional wealth management. As for discussing it with a historical approach, Cizakça (2014) discusses the development of Islamic wealth management in the past from today.

Wealth management is about managing clients' wealth through some components of financial planning services. The stages of Islamic wealth management are not different from conventional ones. There is only one added element: wealth purification, which is very important to make balanced happiness, in here and the hereafter. Other differences seem to be seen in the worldview of managing wealth in this world. Moreover, the ideas

of the element of Islamic wealth management can be traced to Islamic sources. As mentioned in the previous section that the source of Islamic economic thought is divided into two other categories: (1) independent work forming different literature (general source) and (2) single independent (or unique) work (particular work) (Orman, 1997: 1).

Regarding the concept of wealth management, there are some Muslim thinkers whose works consist of wealth management ideas besides the primary sources: 1) al-Qur'an and 2) Sunnah. Essid (1995: 180), in his book, briefly discusses Ibn Sīnā's concept in *'ilm Tadbir al-Manzil*, which is included in *kitāb al-Siyāsa*. According to him, Ibn Sīnā begins his treaties with an introduction to the necessity of administration and governance of human aspects of life, why humans need dwelling, and why they must assemble in families. The study explicitly concerns household management, which looks into all family components' responsibility in conducting the household properly (Ibid: 180).

Bonner (2001) studies the work attributed to al-Syaibānī that focuses on poverty, surplus, and wealth circulation. It roughly corresponds to the questions of acquisition, consumption, charity, surplus, and so on that take on different meanings and forms.

Furthermore, Mohammad (2009) attempts to investigate al-Imam Mohammad Ibn al-Hasan al-Syaibānī (1986) 's economic ideas, focusing on his levels of *al-Kasb*. The study uses al-Syaibānī's levels of *al-Kasb* to develop a theoretical *Infāq* model that integrates the material, spiritual, moral, social, and legal dimensions. These studies correspond to the concept of wealth management that includes the components of wealth management.

Another important work related to the concept of wealth management is *Kitab al-Isyarah ila Mahasin al-Tijarah*, written by Ja'far al-Dīmasqī. Hence, his work includes

the meaning of wealth, wealth creation, and consumption from an Islamic perspective. Furthermore, in his study, Yassine (1992: 31-38) focuses on the relationship between Greek Economic Thought in The Islamic Milieu by comparing the thought of Bryson and Dimasqi. His work then focuses on trade and wealth accumulation more favorably than Ibn Khaldun's (Spengler. 1964: 282).

Setia (2011: 11-32) studies Ja'far Ibn 'Ali al-Dīmasqī on community, money, and prudent management in trading and spending. To him, the message of al-Dīmasqī's thought is that proper management of the self is the basis for good management of the household economic (*Tadbir al-Manzil*) and then turns to the good management of the society (*Tadbir al-Madinah*). His thoughts concern the idea of managing wealth, such as preserving wealth and prudence in spending (Ibid: 28). His view of managing wealth is very applicable as he was well-versed in the theory and practice of commerce. Also, al-Dīmasqī, in his work, indicates measures essential to the accumulation and protection of wealth (Spengler, 1964: 282).

As a result, these three works are related to the concept of wealth management. Moreover, this study is different from other literature. It combines three Muslims' thinking of economics into a new Islamic wealth management model by embedding primary sources of Islam as the study's foundation.

As a result, Islamic wealth management encompasses various theories and principles that have been used previous literatures. Some of the key theories in the study of Islamic wealth management include:

1. **Modern Portfolio with Shariah:** this theory is added with Shariah, which is often associated with Harry Markowits. The theory emphasizes the portfolio of

investment is not only focusing on maximizing returns while minimizing risk, but also constrained by Shariah principles such as no investment that incorporate interest, ensuring real economy investment, and avoiding activities deemed repugnant to Islam like alcohol, pork, and gambling (Sandwick & Collazzo, 2021: 40). It guides wealth managers in selecting investments and financial products that align with Islamic principles and values.

2. **Wealth Effect with Shariah:** The wealth effect is an economic theory that suggest people tend to spend more as their wealth or asset increase. It is added by, the traditional notion of the wealth effect is that an increase in wealth will cause a decrease in saving relative to consumption (Collier & Smith, 1984: 386). In Islamic context, the wealth effect is viewed within shariah and ethical responsibilities that direct human behaviour with strong emphasis on fulfilling self, family, and religious spending.
3. **Life-cycle theory of consumption:** The theory was developed by the economist Franco Modigliani in the 1950s. Modigliani and Brumberg's collaboration, and inspired by the central role of the relationship between consumption and income in Keynes' General Theory. They contend that the relationship between consumption and income being proportional over the long term align perfectly with the observations across different income levels. The theory also states that saving rates increase more rapidly income among household that have income relatively stable. In Islamic literature for example can be found with what was conveyed by al-Syaibani and Ibn Sina the income earned is in line with the plan of consumption either for oneself, family, alms

and saving or investment (Mohammad, 2011; Ismail, 2012). Therefore, the life cycle theory of consumption in Islam is also an emphasis on the relationship between income and consumption regulated from rules of Islam in accordance with its level of necessity which is later on will be discussed in the other chapters.

4.7.2. Factors Influencing the Adoption of the Component of Islamic Wealth Management in Malaysia

As mentioned in the previous chapter, Islamic wealth management contains five components: wealth creation, accumulation, protection, distribution, and purification. The study tries to identify the factors influencing the adoption of Islamic wealth management elements in Malaysia. In most Islamic economics and finance studies, the term adoption is used in Islamic banking as a dependent variable, which is used to measure why people adopt Islamic banking products and services and examine relationships with the factors contributing to its adoption.

Ali, et al. (2023) identify three clusters of barrier to adoption Islamic banking one of them is related to behavioral factors, they are knowledge and awareness, religiosity, and trust and intention. Because of knowledge and religiosity may encourage adoption to Islamic banking. Jaafar et al. (2023: 151) revealed that religious significantly influences the using of products and services of Islamic banking in Malaysia. In regard to Islamic investment, Roslee (2023) stated that Muslim in Malaysia with sufficient knowledge and heightened awareness are better equipped to make informed and effective investment decisions, who can differentiate various Islamic financial options.

As for wealth protection, Ismail et. al. (2023) stated that religiosity and subjective norms significantly influence positively towards takaful purchase intention. Some are related to the part of Islamic wealth distribution that is one of the components of Islamic wealth management, such as the study of Alma'amun (2010), Z.H. Gul et al. (2015), and Abdul Azis and Nurdin (2015). Based on the findings, the adoption of *wassiyah* as a dependent variable can be influenced by some factors such as knowledge, life events, wealth management, institutional factors, and types of wealth management assets. Bolkan et al. (2023) also found that knowledge, religiosity and self-efficacy significantly influence hibah practice among muslim communities in Malaysia.

By then, it can be assumed that Islamic wealth management's adoption has certain variables that can affect it. Overall, all finding underscore the role of behavioural factors in shaping the adoption of Islamic banking and finance in Malaysia. Therefore, it can be inferred that religiosity and knowledge, commonly used to measure the adoption of Islamic banking and finance in Malaysia and may also be applicable in measuring the adoption of Islamic wealth management in Malaysia.

4.7.2.1. Religiosity and Adoption of Islamic Wealth Management

Religious value is an individual practice of Islamic matters. It includes obligatory ibadah (the act of worship) such as obligatory prayers, paying zakat, fasting in the month of Ramadhan, and performing hajj (pilgrimage) if a Muslim can do so (Said & Saad, 2016:439). Alam et al. (2012) clarified religion as one of the most universal and famous social institutions which may influence attitudes, values, and behavior of individuals and communities in the rankings.

El-Menouar & Stiftung (2014: 53-78) have a Comprehensive five-dimensional Muslim religiosity structure: 1. Fundamental religiosity, 2. Central duties, 3. Religious experience, 4. Religious knowledge, and 5. Orthopraxis. They found that statistical analysis indicates that the scales are reliable and internally valid.

Numerous studies supported the effects of religious affiliation and commitment on consumers' intention to adopt Islamic banking, such as the study of Dusuki and Abdullah (2007: 146-160), Khattak and Rehman (2010), Loo (2010: 453-485), and Ahmad and Haron (2012). Their research agrees that the most influential factor in adopting Islamic banking by customers is religion.

Some studies also revealed that the adoption of wealth accumulation (investment) is because such a product is Shari'ah compliant, profitable, and fulfills more needs and wants. Bhatti et al. (2010: 536-554) found out that customers' preference is affected by the bank's profitability in terms of profit. In Lee et al. (2013: 84-85), profitability is more significant than Shari'ah compliance in adopting Islamic banking among Malaysian students. Concerning Shari'ah compliance, if Islamic banks continue to provide the facility and return with the benefit of Shariah compliance, more university students will turn to Islamic banks because conventional banks offer the facility and returns without benefits with Shariah compliance (Hao, 2013: 86).

Some studies are related to religiosity and wealth accumulation. Religiosity is an individual belief that has integrated a particular religion's tenet into attitudes, values, and ideas. Religion usually encourages its followers, save money and not waste it. Keister (2003: 175) said that religion indirectly influences adult wealth ownership by affecting behaviors and practices such as fertility, shaping asset accumulation. Also, wealth

accumulation depends on having information about some financial instruments and their features (Ibid: 175). In her finding of religious influence on wealth accumulation, Keister showed that Jews enjoy the tremendous gain in wealth ownership, while conservative Protestants accumulate relatively little wealth (Ibid). In another study, Keister (2012) said households with more strongly literalist beliefs are less likely to be in financial trouble and benefit from a more conservative investment approach (Keister, 2012: 146). They are more likely to put their income into lower return assets such as housing and are less likely to hold higher yields but higher risk investments (Ibid).

On the side of Islamic religiosity, Abdullah and Majid (2001: 37-55) indicated that the relationship between religiosity and saving behavior is significantly positive in International Islamic University Malaysia (IIUM). Also, Mahdzan et al. (2017: 434-452) revealed that Islamic religiosity was insignificantly related to portfolio allocation. Two dimensions of religiosity (virtue and obligation) significantly impact the distribution of assets in the investment (Ibid: 434-452). The higher the level of virtue, the lower the propensity to allocate risky assets into the portfolio; otherwise, the higher the level of obligation, the higher the tendency to allocate risky assets. Meanwhile, individuals with higher risk tolerance, income, and education levels show a greater tendency to allocate risky assets in the portfolio.

According to Islam, wealth protection is crucial; every potential financial risk and threat must be considered and provided for Muslims. Therefore, risk management and Islamic insurance (Takaful) play an important role in the practice of IWM. There is a relationship between religion and Islamic insurance to protect Muslim wealth. Some researchers have proved a positive relationship between religiosity and Islamic insurance

as the product of wealth protection. Mansor et al. (2015: 78-89) found that a Muslim consumer has a relatively high positive attitude towards Takaful based on their religious factor. In line with that, Jamil and Akhter (2016) stated that the impact of Shari'ah perceptions in life insurance and family Takāful was significant.

Ismail, et al. (2023), in his study, showed that religiosity and subjective norms has a significant relationship with takaful purchase intention. Their study stated that the importance of religious beliefs and social influences in shaping individual's attitudes and behaviors towards takaful. Mohamed (2017), in his thesis, showed a significant relationship between religion and choosing Takaful insurance, which includes the teachings of Islam, particularly on *riba* (interest), brotherhood, and cooperate risk than other fundamentals of conventional insurance firms. So, in Malaysia's case, as part of Malaysian people, religiosity would point toward takaful being a more favorable wealth protection mode.

The study of religiosity and its relationship to wealth distribution is related to the *waqf*, *hibah*, *wassiyah*, *farāid*, etc. McGranahan (2000), in his study, found that religiosity is an essential indicator of charitable giving, which has a significant impact on the probability of making a charitable bequest. To him, more religious individuals give more weight to the utility of the needy. More religious individuals might provide more to the poor because they were more concerned about their souls and believed that charitable deeds would help them attain heavenly rewards (Ibid: 1281-1283). His finding aligns with the Islamic perspective that religiosity plays a significant role in charitable giving driven by the faith.

Perkins (1992) suggests that a strong religiosity belief motivates one's generosity behavioral intention. Then, in their study, Tara et al. (2014) revealed that religiosity influences Muslim consumers' perception of cash *waqf* giving. In line with Rizal and Amin (2017), religiosity has a positive relationship with cash waqf giving. Also, Mokhtar (2018) said that religion is essential for giving cash waqf.

Another wealth distribution that is correlated with religiosity is inheritance. Dahan et al. (2012) found a significant relationship between financial obligation, religiosity, and knowledge to adopt will (Ahmad & Basir, 2012: 12-13). Abdullah et al. (2017) supported it and claimed that the religious factor influences most respondents (Muslim community in Klang Valey) in adopting a will in Malaysia. About Islamic inheritance (*farāid*), Horioka et al. (2000) and Pestieau (1997) argued that inheritance law played an important role in shaping the bequest transfers. Since *wasiyyah* practice and bequest transfer were linked to each other, it can be assumed that *farāid* connects with religiosity.

Wealth purification is related to the application of zakah. Zakah is one of the pillars of Islam. Therefore, it is linked to Islam as a religion. Abdullah and Sapiei (2018) found that religiosity, which covers namely obligation, virtues and vices, and optional ritual, significantly influenced zakat compliance. It is in line with Muhammad Sukri et al. (2016) that showed in their study that religiosity has a highly significant correlation to zakah compliance on gold. The more religious the Muslims are, the more they pay Zakah.

In terms of zakah income, Farah et al. (2017) study said that religiosity has significant relationships and a positive influence on paying zakah income. Bakar and Rashid (2010) revealed that religiosity has a positive relationship with the payment of zakah income. According to the respondents, the reason is the belief that zakah is part of

their social obligation towards the Muslim *Ummah* and that part of their wealth is the right of the poor and needy. Muda et al. (2006) revealed that religion is one factor that influences Muslims in zakah participation. By all means, religiosity has a significant relationship with zakah as an element of wealth purification.

By all explanations, it can be concluded that religiosity is the factor that affects the adoption of elements of Islamic wealth management in Malaysia. Thus, this hypothesis is developed:

H1 Religiosity has a positive influence on the adoption of Islamic wealth management

4.7.2.2. Knowledge and Adoption of Islamic Wealth Management

Knowledge and wealth are closely intertwined. Through acquiring knowledge, one can make decisions that can advance their opportunities, including moving them from poverty to better lives (Bahemuka, et, al., 2019: 7). Muslim Malaysians must be provided with adequate information on laws and practices affecting the accumulation, protection, and distribution of wealth or assets by Shari'ah laws and wealth purification. Thus, the knowledge of Malaysian Muslims about the five components of Islamic wealth management, including creation, accumulation, protection, distribution, and purification of wealth, is important to measure how literate Muslim people are about Islamic wealth management.

The creation of wealth includes the production of public and private assets, which indicates the important but limited role of the market and price mechanism (Enderle, 2009: 288). He adds that the motivation behind this wealth creation includes self-interest, the joy of finding, entrepreneurial spirit to provide services to others (Ibid; 288). These

motivations only can be achieved through knowledge. In Islamic wealth management, the principle of permissible wealth creation puts society's welfare alongside the personal welfare afforded by wealth creation (Ariff, 2017: 33). Then, the basis ideas of wealth creation in Islam does not only cover self-interest but also social interest. Therefore, the Islamic principles and values in creating wealth are important to really do Islamic wealth management.

Moreover, some study relates wealth creation in Islamic wealth management. Basah & Tahir (2019), IWM is a subset of IF posts an ideal avenue for customers to create wealth in line with the ethical and Islamic requirements to sustain the real economy and hence be beneficial to the society at large. Ismail (2010: 3) said that adopting PLS contracts might lead to value creation to the Islamic banks, their shareholders, customers, and the economy as a whole. It can be said that Islamic banking can help people create wealth. Also, the multiplier effect of consumption and demand of goods through zakat can translate into job creation across the economy (Mahomed, 2017: 378). Ahmed (2007: 24), in his study, stated that waqf-based Islamic MFI can provide microfinancing and facilitate wealth creation of the poor. It is argued that Islamic social finance instruments can also provide wealth creation despite through commercial activities, as the form of Islamic virtue in attaining the blessing of Allah. So, it can be assumed that knowledge of wealth creation in Islam encourages Muslim people to adopt IWM.

Commonly, some Islamic banks offer the product of wealth accumulation. Some studies provide that customers' awareness of Islamic banking products and services leads to Islamic banking practice or adoption (Abdullah et al., 2012: 151-163). Mahdzan et al. (2017) showed that understanding Islamic banking concepts and perceived advantage

significantly influences adoption of Islamic banking services. However, the current level of understanding of Islamic banking is below average. Mariadas & Murthy (2017) said that one of the factors influencing Islamic banking adoption in Malaysia is consumers' knowledge. According to them, consumers believe that Islamic banking provides good products and services and believes that Islamic banking is suitable for some people, provides customer satisfaction, and has proper risk management (Ibid: 192). It can be regarded that knowledge has a positive influence on the adoption of wealth accumulation represented by Islamic banking products and services in Malaysia.

In wealth protection, Hamid & Othman (2009) found that the majority of the respondents do not know and understand all contracts used in takaful, such as *tabarru'*, which is the primary and core feature of takaful, *al-ujrah* (commission), and *al-wakālah* (agency) (Hamid & Othman, 2009: 568-478) Ghazali et al (2011) and Ahmad et al (2010) stressed that awareness, knowledge, and understanding of life insurance products in Malaysia are still low, which affects the consumer's intention and consumption of the services. On the contrary, Hassan et al. (2018) found that out of 503 respondents, 378 (75.1%) are aware of Takaful, and 125 respondents (24.9%) do not know about Takaful. Kamil & Mat Nor (2019) indicated the importance of knowledge in Islamic insurance or Takaful. To them, Takaful customers know the relationship between insurance and religion in contemporary business. (Ibid: 1). Husin & Rahman (2013) indicate that consumer knowledge as mediating variables of attitude, subjective norm, and perceived behavioral control influenced consumers in Malaysia to participate in family Takaful Malaysia. It can be concluded that at the beginning of Takaful development, people's knowledge of Takaful was severely lacking compared to current situations when most

people are familiar with Takaful. Therefore, high Takaful knowledge influences the adoption of Takaful in Malaysia.

In wealth distribution and purification, Wahab et al. (2019) found that that knowledge is one of the main factors influencing the adoption of Islamic will practice. They are supported by Ghul et al. (2015: 1-11), who showed that knowledge of the concepts of Islamic estate planning and awareness of the importance of wealth management has a significant effect on wasiyyah practices. In *waqf*, Osman et al. (2012) revealed that the positive impact of knowledge determines a *waqif's* trust towards the *waqf* institution. For zakah, Ali et al. (2017) showed that understanding zakah is a significant value to the dependent variable, the intention of zakat payer, to pay zakah through zakah institutions. Based on the study of Pitchay et al. (2019), only 75% of respondents understand the concept of zakah, while the rest needs more disclosure to zakah and how it is implemented in Malaysia.

These particular studies present the relationship between knowledge and the adoption of Islamic wealth management products such as saving, investment, Takaful, and wealth distribution in Malaysia. So, the hypothesis is developed:

H2 knowledge has a positive influence on the adoption of Islamic wealth management

4.7.2.3. Religiosity as Mediator between Knowledge and Adoption of Islamic Wealth Management

The study by Michell and Mossawi (1995) said that the role of religion as a powerful mediator in the decoding of advertising messages. Aren and Hamamci (2022), in their research on interest, stated that religiosity has been found to act as mediating

factor in the association between collectivism, power distance, masculinity, negative opinion on interest and interest. Pauzi et al. (2022) found that the presence of religiosity as a mediator between perceived behavioral control as independent variable and consumers' intention to patronize food premises with a halal logo. Overall, the religiosity serves as important mediator variable in understanding various aspect of human behavior, including consumer behavior, financial decision-making, and adherence to religious practice. Religiosity not only influences individuals' attitudes and beliefs but also mediated the relationship between other socio-cultural factors and behavioral outcomes.

By then, religiosity can serve as mediating factor by motivating individuals to apply their knowledge of Islamic wealth management in their financial decision-making components. Alam and Hisham (2011), said that religiosity acts as a full mediating role in the relationship between relative and contextual variables, and purchase behavior of Muslim consumers. It can be stated that the identification of religiosity as full mediating variable emphasizes the need for marketer and businesses to understand and respect the religious values and beliefs of Muslim consumer when developing products and marketing campaigns.

In the view of Kaawaase and Nalukwago (2017), religiosity has an important aspect in the relationship between behavioral intention and propensity to patronize Islamic banking. Understanding the role of religiosity in influencing behavioral intentions towards Islamic banking can provide insights into how individuals' knowledge of Islamic wealth management interacts with their religious belief and practices to shape their financial behaviors. Based on the study of Sarfraz and Mian (2021) regarding the adoption of takaful, religiosity is identified as positive mediator in the association

between traditional values and the acceptance on newly introduced products and services in takaful. Religiosity may amplify the influence of knowledge by strengthening the connection between traditional values and acceptance of takaful, as individuals with higher religiosity are more inclined to prioritize religious consideration in their financial decisions, including takaful as instrument of wealth protection in Islamic wealth management.

Regarding waqf as one of the wealth distribution instruments, Ramli et al. (2023) explained in their study that religiosity plays a role as a mediator between perceived ihsan and waqf behavior. It can be argued that knowledge serves as a critical factor that interact with religiosity to shape attitudes and behaviors related to waqf, highlighting the interconnectedness between knowledge, religiosity, and Islamic wealth management.

It can be concluded that religiosity plays important role in mediating various aspects of human behavior, particularly with the context Islamic wealth management. Moreover, religiosity influences individuals' attitudes towards obtained from their knowledge to adopt specific Islamic financial products and services, such as takaful, Islamic investment, Islamic banking product, and waqf. So, the hypothesis is developed:

H3 Religiosity has a positive influence to mediate knowledge and the adoption of Islamic wealth management

4.8. Conceptual Framework

Ontologically, this study is based on the Sharia paradigm used to develop Islamic economics. In the view of Arif (1985), the paradigm of the Islamic economic system is the Sharia, which is fundamentally different from two paradigms, Capitalism and

Socialism. Therefore, the focus of research on Muslim human behavior as the basis of micro-foundations in Islamic economics whose philosophical foundation is individualism in the role of vicegerent of God on earth to achieve *falah* in this world and the hereafter, accountable for performance. Likewise, the concept of property as an object in this study is also different, which does not refer to the secular worldview, but the Islamic worldview.

By then, this study is explained systematically using a flow chart to significantly contribute to understanding the current research design. First, the study will elaborate on Islamic wealth management development in global and Malaysian contexts. It will explore the prospects and challenges of Islamic wealth management in Malaysia, analyzed based on literature related to the topic.

Secondly, the study explores and analyzes knowledge from three earlier Muslim scholars, al-Shaybānī, al-Dimasqī, and Ibn 'Sina, who extended the ideas of wealth management from the Qur'an and Sunnah, as known as revealed knowledge (*naqli*). So, the method used in this stage is to explore the views of three Islamic scholars in wealth management in Islam by referring to their works related to elements of Islamic wealth management.

Thirdly, the study will analyze the components of Islamic wealth management: creation accumulation, protection, distribution, and purification of the wealth as a dependent variable on the adoption of Islamic wealth management in Malaysia. Besides knowing the components Islamic wealth management, it is important to know the knowledge received by Malaysian people in Malaysia's Islamic wealth management. Moreover, the most important variable is religious values as an individual belief and

practice in Islamic matters. The two dependent variables will be related to the adoption of Islamic wealth management. Namely: 1) Knowledge of components in Islamic wealth management, and 2) religiosity.

Epistemologically, this study refers to sources of knowledge based on *naqli* (Revelation) and *'aqli* (Reason). This study is closely related to the *'ilm tadbir al-manzil* developed by Muslim philosophers Ibn Sina, Ibn Maskawy, Al-Dimasqi, and Al-Tusi. Ismail (2012: 19-46) explains that Islamic economics epistemologically consists of three stages in its historical development: Islamic economics as part of Islamic revealed knowledge, part of practical philosophy (*'ilm tadbir al-manzil*), and part of *Ilm al-'Umrân* is a new discipline invented by Ibn Khaldun. From *fiqh* perspective, the ideas of *'ilm tadbir al-manzil* can be reflected from Al-Syaibâni's work *'Al-Iktisâb fil Rizq'* which is mostly related to Islamic revealed knowledge.

From their three perspectives, fundamental knowledge about the components of Islamic wealth management will be obtained, namely wealth creation, accumulation, protection, distribution, and purification. Additionally, the practice of Islamic wealth management in Malaysia can serve as a robust source in generating concepts within the components of Islamic wealth management.

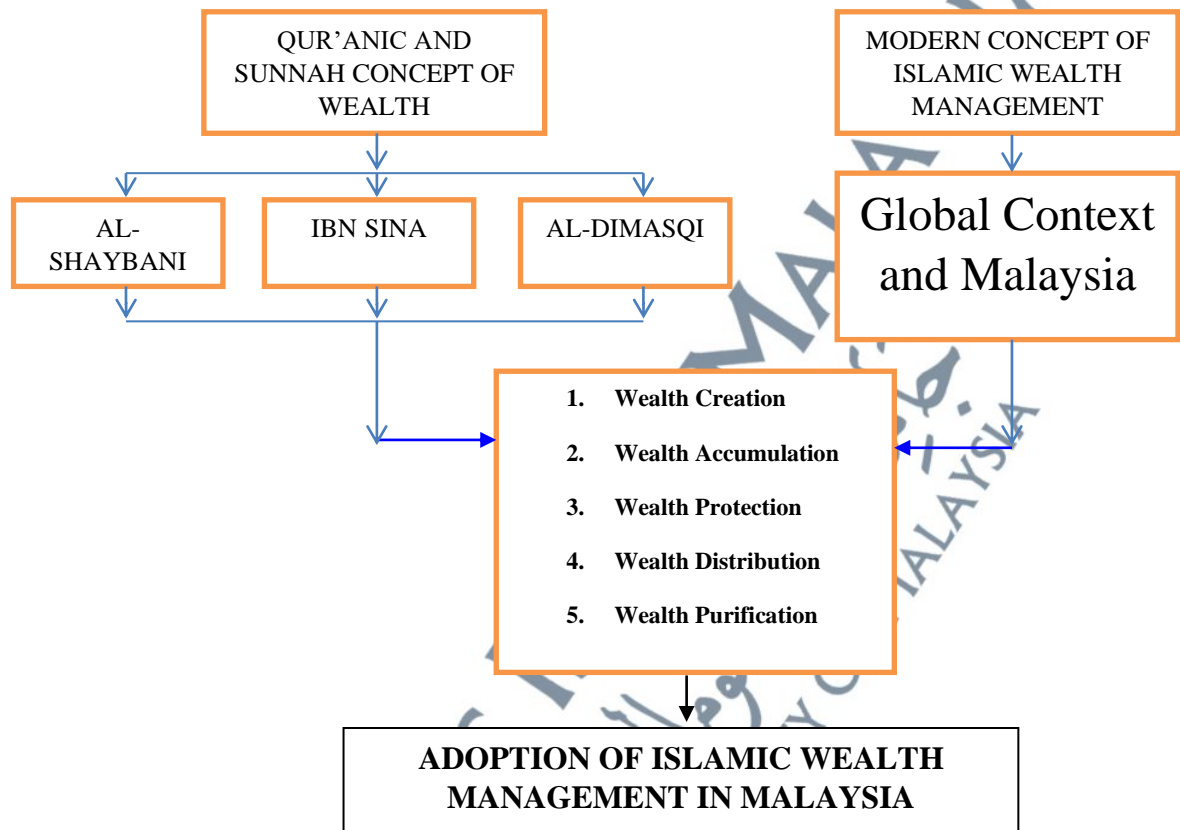


Figure 11: The Conceptual Framework

4.9. Conclusion

Based on the above elaboration, it can be summarised that wealth has always been concerned with humans. Humans create wealth, accumulate it, and protect it from sustaining life. Then, wealth creation, accumulation, protection, and distribution have been used as the concept of managing wealth. They are also used in financial services by financial institutions.

The institution is known as private banking, and many financial institutions offer wealth management services such as family offices, universal banks, investment banks, commercial banks, and financial advisors. However, wealth management institutions' development and increasing Muslims' wealth encourage Islamic financial institutions to offer wealth management services.

The issue in Islamic wealth management is only in service and product-related matters related to avoiding *riba*, *gharar*, and *maysir*. It is also necessary that wealthy Muslims comprehend the concept and practice of such products and services. The ideas and concepts have been explained in the Islamic literature, but not all Muslim people know them well. Also, Islamic wealth management's practical level needs the fundamental concept to structure the body of knowledge in Islamic wealth management.

