

A Study on Relationship between Customers Demand and Customers Perception on Transition of SOCSO as Shariah Compliance Organization

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Abstract— This study attempts to examine customers demand and its relationship on customers perceptions on the transition of SOCSO (Social Security Organization of Malaysia) as Shariah compliance organization. The objective of this paper is to determine whether customers demand has a significant relationship with customers perception. Data were collected using questionnaire survey method and a total of 132 questionnaires distributed to SOCSO contributors at Alor Setar, Kedah. Data were analyzed by the use of descriptive analysis and correlation analysis that presented in a table. The result shows a significant positive relationship between the independent variable and dependent variable. Therefore, it is important to look into extensive effort on the Islamization of SOCSO so that the demand from the Muslims employees to have Islamic social security program can be achieved.

Keywords— SOCSO; Social Security; Islamization of Social Security; Customers Demand and Customers Perception.

1. Introduction

Malaysia as one of the Muslim dominated country has over 33 years vast experienced in Islamic finance have shown remarkable achievement in developing the financial system based on shariah and a leader in the global market. Through the implementation Islamic Financial Services Act (IFSA) in 2013, it is expected to strengthen the system and create a conducive legal system to facilitate the enhancement of Islamic finance. In fact, the government provides their commitment in

this area by highlighting the industry under National Key Economic Area (NKEA) number five which is Financial Services EPP 10 to become the indisputable global hub for Islamic finance. As Malaysia is heading to this positive path, it is vital for Social security organization (SOCSO) to improve their system by applying the shariah standard in their operation. One remarkable step has been taken by Employees' Provident Fund of Malaysia in 2016 by introducing shariah saving scheme where the fund was managed and invested according to shariah. Hence, it is a good model for SOCSO to follow the initial lead and gives benefit particularly to the Muslims. SOCSO is one of the non-bank financial intermediaries act as a body that provides social insurance to the employees in Malaysia and it is a compulsory contribution by law for those with a salary below RM4,000. The organization established under the Ministry of Human Resources by applying Employees' Social Security Act, 1969 and Employees' Social Security (General) Regulations 1971. In addition, SOCSO also provides numerous insurance benefits to the employees like medical, disablement rehabilitation, funeral, education and so on. In reality, according to the Department of Statistic Malaysia, the mean income of Malaysian is RM2,312 with the total number of paid employees are 10.2 million people. It shows, SOCSO received a significant accumulated amount of contribution over time which majority comes from the Muslims employees. However, SOCSO is using the

conventional insurance practice which is not fit and against the Islamic teaching. As a good Muslim, it is crucial to look for halal perspectives on this matter. As Malaysia has an advanced and excellent infrastructure on Islamic finance, the realization of Islamization of SOCSO shouldn't be impossible. This is about the time Malaysia becoming an international finance centre that combining all organization to compliance with syariah. Therefore, it is needed and important to study the perception on the extension of shariah compliance standard in SOCSO and to measure the correlation of customer awareness and customer understanding on the Islamization of SOCSO.

2. Literature Review

The operational dimension of perception includes the customer opinion, observation, assessment, experience and dominantly identified based on their satisfaction towards the product or service (Ringim & Yussof, 2014). In addition, an indicator of positive and negative perception is through the support towards organization (Haron, Ahmad, & Planisek, 1994). In Malaysia, almost 100 percent of Muslims and 75 percent of non-Muslims know about Islamic bank and wish to have the banking relationship. In addition, (Ahmad & Haron, 2002) mentioned that the customer perception might be influenced when they have knowledge of Islamic finance. Therefore, these elements are an important consideration to identify the customer perception on the Islamization of SOCSO. Nevertheless, there is lack of literature to investigate the factors on the Islamization of SOCSO. This gap also considered the missing or inadequate research literature for this study. Employees provident fund also have taken an exemplarily remarkable step by introducing shariah compliant investment savings option to their members and 71 percent of the respondent agreed on the implementation based on the outcome of member's consultation of EPF scheme Enhancement held in April 2015.

This shows a positive perception of the shariah investment implementation to fulfil the need of Muslims. Hence, it is important for SOCSO to serve Muslims society and adhere the maqasid shariah as a foundation for their services and positive perception will lead to satisfaction of the members. (Saqib, Aitisam, Aliya, & Zafar, 2016). In addition, it was found that primary users of Islamic financial products are from a group of

pious Muslims and this is considered as a new untapped market segment that they should explore. Thus, the existence of this group will create new demand for Islamic banking products (Pepinsky, 2010). Moreover, the prohibition of interest by Islam has resulted in the awareness of syariah compliance financial products and services (Fauziah, Ramayah & Razak, 2008). Previous literature has suggested that customer demand can be constructed based on social influence and attitude. Besides, customer's demand can also be influenced by interaction and characteristics. Hence, Islamic financial institutions need to study their attitudes, behaviour and perceptions of Islamic financial products and services to meet the customer's demand.

3. Methodology

The data from this study was collected by using questionnaire. 132 respondents in Alor Setar, Kedah were asked to answer the questionnaire.

4. Finding/Discussion

In this study, there was 64.9 percent (85) female and 35.1 percent (46) were males. In addition, most of the respondents were between 23 - 27 years old (39.7 percent) and followed by respondents between 28 - 32 years old (28.2 percent). In term of level of education, the majority of respondents were at diploma level (32.8 percent). As for monthly income, most of the respondent was in level RM1001 – RM2000 (34.4 percent) followed by income level at RM1000 below (29.0 percent).

Table 1: Description of Demographic Profile

Variables		(n=132)	Percent (%)
Gender	Male	46	35.1
	Female	85	64.9
Age	18-22 years	18	13.7
	23 - 27 years	52	39.7
	28 - 32 years	33	25.2
	33 and above	28	21.4
Level of Education	PMR	10	7.6
	SPM	20	15.3
	Diploma/STPM	43	32.8
	Bachelor Degree	28	21.4

	Master Degree	26	19.8
	PhD	4	3.1
Monthly Income	RM 0 - RM 1,000	38	29.0
	RM 1,001 - RM 2,000	45	34.4
	RM 2,001 - RM 3,000	28	21.4
	RM 3,001 - RM 4,000	18	13.7
	RM 4,001 - RM 5,000	1	8
	RM 5,001 >	1	8

In this study, the relationship between customers' demands and customers perception were examined. In Table 2, the result showed that there was a significant positive relationship between the independent variable and dependent variable. Therefore the hypothesis is accepted where there is a significant relationship between customers demand and customers perception. The table below shows the result of correlation analysis.

Table 2: Correlation Analysis

	Customer Perception	Customer Demand	Compensation	Investment
Customer Perception	1			
Customer Demand	.763**	1		

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Table 3: Regression Analysis

Model	R	R ²	Adjusted R ²	Std. error of the estimate	Burbin Watson
1	0.801	0.641	0.633	0.297	2.112

The result from regression analysis (Table 3) indicates that the value of R² is 64.1 percent. This value can be interpreted as the changes of 64.1 percent in the dependent variable can be explained by an independent variable which is customers demand.

5. Conclusion & Recommendation

In conclusion, it is a duty of Muslims to follow syariah principle not limited to our personal activities but inclusive our business and management activities as a whole. With the vast experience of Islamic finance, Malaysia should take a brave step to implement syariah compliance social and security of Malaysian can be achieved. With positive and significant response from customers demands in this study, it is the time for the organization to revise the structure by implementing a comprehensive syariah contract in the modus operandi of insurance protection and investment activities. Initiatives and cooperation by the government, legislative body and SOCSO should be together to give rise to the effort to ensure the successfulness of this expectations. Hence, this will become the new innovation in the introduction of Islamic social security and drive a vital growth in the development of Islamic finance in Malaysia.

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