

Preface

INTRODUCTION

Association of Southeast Asian Nations (ASEAN) is the seventh-largest economy in the world. In 2015, members of ASEAN agreed to establish the ASEAN Economic Community (AEC), a regional economic integration. This economic integration opens vast opportunities as the market size is huge with a combined GDP reaches US\$2.6 trillion. Collectively, AEC is the third-largest economy in Asia and the seventh-largest in the world.

ASEAN has a young population as half of its 640 million people are less than 30 years old. The growing number of the middle-class segment, which will reach 400 million in 2020, couple with its more than 339 million active Internet users (more than 300 million access the Internet from mobile devices) has made ASEAN an attractive digital consumers.

CONTENTS OF THE BOOK

The book presents a collection of 15 chapters that addresses key topics to understand business, economics and Islamic finance in ASEAN region and also explored trends and challenges in the region.

It aims to serve as an international platform to bring together academics, researchers, lecturers, decision makers, policy makers, and practitioners to share new theories, research findings, and case studies and have a better knowledge and understanding of problems and opportunities in the region.

Chapter 1, titled “Organizational Factors and the Success of Technology Transfer” (authors: Md Zahidul Islam and Safayet Rahman) explores the relationship between organizational culture, structure, complexity of technology and the success of technology transfer. Technology is one of the key competitive advantages of any organization and plays an important role in the success of both international and domestic firms. Technology can be transferred within the boundaries of an organization, outside of organizational boundaries with strategic partners and

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also across national boundaries. As it transcends national borders, difficulties in transferring technology are likely to increase. To overcome the difficulties, certain organizational culture could play an important role in the efficient transfer of technology in an organization. Besides culture, organizational structure could also play a major role to achieve technology transfer success. Furthermore, the complexity of technology is also can affect the success of technology transfer.

Chapter 2, titled “Spatial Dynamic Modeling for Increasing the Competitiveness of Small Medium Enterprises: Case Study Bogor City, West Java, Indonesia” (authors: Hartrisari Hanggoro, Harry Imantho and Anissa Damayanti) states that the Role of Small and Medium Enterprises (SMEs) in supporting Indonesian economic activity are significant. SMEs face many obstacles in their business development. Empowerment of SMEs in Bogor by local governments carried out in conjunction with the Department of Cooperatives and SMEs. This study aimed to establish the spatial model design of SMEs in Bogor area in order to improve the competitiveness of products in Bogor city. The analysis has shown that SMEs in Bogor city is still in the phase of development, market penetration and also product development. The model shows the average performance index of SMEs in Bogor is only 62.29, 19 among 41 have index values about 50. From the competitiveness analysis, we could see that among 41 SMEs can be categorized in 4 quadrants. Strategic program could be developed based on the position in the quadrant. It can be concluded that in general SMEs in Bogor city have not been ready for internationally competition. Government should develop specific strategy for each SMEs based on the quadrant position defined by the model.

Chapter 3, titled “Exploring the Entrepreneurial Motivations and Barriers of Agripreneurs in Brunei Darussalam” (authors: Siti Fatimahwati Pehin Dato Musa, Pg Siti Rozaidah Pg Hj Idris and Muhammad Khairul Hidayatullah Haji Basir) studies the motivations and institutional barriers of local agripreneurs who are involved in different branches of agriculture in Brunei. Descriptive analysis and thematic analysis were performed to analyse the data. The agripreneurs in the study consider their venture into agriculture as an act of symbolic nationalistic support whereby they envision Brunei to be a nation less reliant on food imports, in line with the country’s vision or better known as Wawasan 2035. In addition, their motivation is also based on Islamic values with the intention of seeking lawful earning and a path to a blessed monetary and hereafter rewards. The main problems faced by the agripreneurs are lack of access to finance, lack of infrastructure and technology and lack of exposure. The research on local agripreneurs in the context of Brunei is scarce, thus this study aims to provide a better understanding of their motivations and constraints in order for Brunei to realize the potential of the agriculture sector as an important driver of the economy and thus develop the sector further.

Chapter 4, titled “Empowering Community Through Entrepreneurship Training and Islamic Microfinancing: Sharing the Experience of IIUM-CIMB Partnership” (authors: Norma Md Saad, Mustafa Omar Mohammad and Mohammed Aslam Haneef) states that community economic development is a relatively new strategy employed to increase employment, income, and entrepreneurship activities in small town and communities. The Centre for Islamic Economics, International Islamic University Malaysia (IIUM) has initiated a smart partnership with CIMB Islamic Bank to offer entrepreneurship training and Islamic microfinance facility to the poor in Malaysia. This project adopts several modes of Islamic microfinance financing instruments which include equity-based and debt-based financing. The program aims to educate the communities surrounding the IIUM campus with entrepreneurship knowledge and skill in addition to giving Shariah-compliant micro-financing facility for them to implement their business ideas. CIMB Islamic which is the main partner for this project provides funds for Islamic microfinance facilities and IIUM contributes expertise in providing entrepreneurship trainings to the communities located near IIUM campus. It is hoped that this smart partnership would empower the surrounding communities and create more successful entrepreneurs.

Chapter 5, titled “Halal Industry in ASEAN: Issues and Challenges” (authors: Moha Asri Abdullah and Md Siddique E Azam) affirms that amongst three Muslim majority countries (Indonesia, Malaysia, and Brunei) of ASEAN, Malaysia leads the halal industry globally and considered to be the global halal hub. Simultaneously, the market is growing tremendously in other member countries as well. It has been realized that a number of driving forces are responsible for boosting the expansion of Halal industry globally as well as in ASEAN. While there are a number of factors accelerating the growth of the Halal industry, there are many limitations and challenges that are hindering the market expansion. Therefore, the first objective of this chapter is to introduce the overview of Halal industry globally as well as in ASEAN countries. Later section of the chapter will be exploring the opportunities of the Halal industry for ASEAN countries followed by identifying the issues and challenges confronted by industry players. Finally, it concludes by providing some recommendations in the ASEAN context based on the current global situation and findings of the Halal industry. The chapter adopts methodology of analyzing secondary data.

Chapter 6, titled “Analysis of Food Security Policy by Participatory Poverty Assessment (PPA) Effort: Case In Indonesia” (authors: Muhamad Rusliyadi, Azaharaini Hj. Mohd and Muhammad Anshari) aims to evaluate food security policies and extension policies to the achievement of targets and the results of a development programme such as Food Self Sufficiency village (DMP) used Participatory Poverty Assessments (PPA). The output obtained is information that is an evaluation of how the policy was planned, initiated and implemented. Participatory Poverty Assessments

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(PPA) monitoring and evaluation analyse the outcome and impact of the DMP Programme. The output of the PPA process from this study is the agricultural policy formulated in terms of practical ways of approaching poverty problems from a local perspective. The success of alternative policy options applied by local government such as Physical, Human Resources, Institution development at the grassroots level should be adopted at the national level. It should represent the best example of a case of successful programme implementation at the grassroots level which can then be used in formulating national policies and strategies.

Chapter 7, titled “The Study of Digital Marketplace in Brunei Darussalam” (authors: Alif Azizi Abdullah, Mohammad Nabil Almunawar and Muhammad Anshari) state that a two-sided market or two-sided network is made up of two distinct user groups that provide each other with network benefits in which they interact through an intermediary or platform. A digital marketplace makes use of a two-sided market where the two distinct groups are the buyers and sellers. A digital marketplace is a type of e-commerce site where the sellers offer products or services to the buyers, and transactions are controlled and processed by marketplace operators. With the rapid development and adoption of the Internet and digital marketplace globally and also regionally, businesses in Brunei Darussalam are slowly incorporating digital marketplace. This chapter aims to provide an overview of the current state of the digital marketplace in Brunei, and thus, case studies of local digital marketplaces will be discussed. A qualitative approach, which consists of interviews with companies, will be made for the study. The strengths and problems of employing digital marketplace for businesses and analysis using Michael Porter’s five models will also be covered in this chapter.

Chapter 8, titled “A Study of Quality Tools and Techniques for Smart Manufacturing in Industry 4.0 in Malaysia: The Case of Northern Corridor Economic Region” (authors: Mohd Syaiful Rizal Abd Hamid, Saifuddin Isa and Chew Boon Cheong) analyses the key factors for selecting quality tools and techniques in industrial revolution 4.0, particularly in the smart manufacturing context. This study asked, “What are the factors determining which quality tools and techniques are more applicable in specific circumstances related to quality performance in Industrial Revolution 4.0?” To answer this question, a multiple case study and an in-depth literature review were employed as the research design approach. Two key data collection methods (qualitative methods) were used: (1) Primary data from face-to-face interviews with Toyo Memory Technology and Intel Malaysia (2) Secondary data from previous studies. This review, coupled with the case study analysis, led to the identification of the real implementation of quality tools and techniques in the industries. Finally, this book can enhance the reader understanding of Industrial Revolution 4.0 and quality management practices as well as highlight opportunities for further research.

Chapter 9, titled “Ethnicity and Household Savings in Indonesia” (authors: Shochrul Rohmatul Ajija, Muhamad Abduh, Wasiaturrahma Wasiaturrahma and Ahmad Hudaifah) states that household saving is very important, not only for securing the future spending of the family but also for the country’s economy. Using the logit analysis on data of The Indonesia Family Life Survey (IFLS) wave three, four, and five, this study attempts to analyze factors influencing, especially the role of ethnicity, upon the household savings in Indonesia. The result indicates that gender, location, and level of education are the consistent variables affecting the household saving behaviour in Indonesia across the three wave surveys. Meanwhile, as for the ethnic group variable, there are only Sunda, Batak, and Bima-Dompu that can significantly influencing the people’s saving behavior across the three wave surveys.

Chapter 10, titled “Strengthening Islamic Finance in South East Asia Through Innovation of Islamic Fintech in Brunei” (author: Abdurrahman Raden Aji Haqqi) observes that fintech solutions can revolutionize Islamic financial services and leverage on the so-called ‘Fourth Industrial Revolution’ which is the movement towards combining everyday aspects of our lives, such as finance, into the digital realm that will help increase speed, efficiency, and convenience. The most significant challenge for all countries pursuing Fintech is regulating the industry. Following the issuance of the Financial Sector Blueprint, the Fintech Unit was established under Autoriti Monitori Brunei Darussalam (AMBD). AMBD envisions a vibrant economy powered by ICT through ICT-Smart Citizens as well as being a connected and efficient nation. This article discusses the application of Fintech specifically in Islamic finance sector based on the descriptive method of research by concentrating on its regulations. At the end, the research found that though Fintech in Islamic finance sector has been done since it’s emerge but through Guidelines Fintech Regulatory Sandbox Guidelines Islamic financial Fintech will be strengthened and developed and more diversified.

Chapter 11, titled “Opportunities and Challenges of Social Media to the Islamic Banks in Indonesia” (author: Ahmad Rafiki) affirms that the Islamic banks in Indonesia have a serious issue of a low market share of 5%. This emerged due to the limited/unvaried product range, low literacy and inclusion level of Islamic finance, unfavorable perception for Islamic banking, and limited distribution networks and outreach. All of these causes could be resolved by using social media which will bring several opportunities such as transparency and openness, effective marketing channels, stakeholders’ relationship, social media content, brand image and reputation, shariah compliance activity, learning and knowledge, and greater personalization. Meanwhile, in using social media, the Islamic banks face few challenges such as network infrastructure, negative comments, information risk management, privacy, and deception. All the information in this chapter can be used as a reference to any

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institutions particularly the Islamic banks which associated with digital interfaces and interactions in its daily businesses. Thus expectedly, the Islamic banks could enhance the public trust and establish a good Islamic identity.

Chapter 12, titled “The Loan Shark in ASEAN Can Nanofinance With Qardhul Hassan Deal With It? Lesson Learned From Bank Wakaf Mikro in Indonesia” (author: Khairunnisa Musari) states that loan shark is a humanitarian problem faced by many countries in the world, including in Asia, even in the Association of Southeast Asian Nations (ASEAN)’s countries. Loan shark activities are found not only in Myanmar and Cambodia, which has the lowest per capita income in ASEAN but also in Indonesia, Thailand, Malaysia, Brunei, and even Singapore, which are the five countries with the highest gross domestic product (GDP) per capita in ASEAN. How are loan shark practices in ASEAN countries? Can nanofinance overcome the microfinance gap to fight the loan shark? How the practice of Bank Wakaf Mikro (BWM) in Indonesia to nanofinance with qardhul hassan contract? Find the answers in this chapter.

Chapter 13, titled “Factors Influence Retail Equity Investors to Patronize Islamic Stockbroking in Malaysia: An AHP Approach” (authors: Muhamad Abduh and Faizal Asfan Mohamad) analyses factors influence retail equity investors to patronize Islamic stockbroking in Malaysia and rank their level of importance using Analytical Hierarchy Process. Data are collected using questionnaire via online and offline survey among clients, individuals who work in the stockbroking industry and stockbroking related industry such as fund managers, unit trust managers and mutual funds. The results show that religiosity and product awareness significantly influence the patronizing behavior of Malaysian retail equity investors. On the other hand, economic motives, convenience, social influence and attractiveness of stock investment ranked below religiosity and product awareness. In view of the findings, stockbroking industry players such as investment bank, stockbroking firm or participating organization should take advantage of the religiosity and product awareness factors as a main focus to develop Islamic stockbroking service in Malaysia. Sales, marketing and business development strategies can be designed according to the said criteria.

Chapter 14, titled “Post-Crisis Interdependence Between Islamic Unit Trust Funds and Islamic Stock Market in Malaysia” (author: Muhamad Abduh) explores the short-run and long-run relationship between 34 Islamic unit trusts and the Islamic stock market after the global financial crisis. The study collects the data from Bloomberg’s database from 2009 until 2012 and employs J-J cointegration to identify the long-run relationship while Granger causality test is used to investigate how the changes in Islamic stock market can influence the changes in Islamic unit trusts in the short-run. The finding indicates that 61.76 percent out of the 34 Islamic

unit trusts tested do not have long-run equilibrium with the Islamic stock market. Furthermore, only a few Islamic trusts responded to the changes in the Islamic stock market. This study is important at least in two folds. Firstly is its role in fulfilling the gap in the literature of unit trust—stock markets nexus in Islamic finance. Secondly, the findings provide some relevant information to the investors and fund managers so they may take benefit from the situation.

The last chapter of the collection, Chapter 15, titled “Financial Accessibility and Small Medium Enterprise (SMEs) in Malaysia: The Role of Crowdfunding and Islamic Finance” (authors: Mohamed Asmy Bin Mohd Thas Thaker, Hassanudin Bin Mohd Thas Thaker and Choong Pai Wei) affirms that one of the common problems facing by worldwide SMEs including Malaysia is accessing external financial services. Given this fact, this paper attempts to offer a sustainable model of source of financing for Malaysian SMEs in meeting their financial need, which is known as Islamic Crowdfunding-Small and Medium Enterprises (ICSMEs) model. We review comprehensive literature by focusing on the issues of financial accessibility faced by Malaysian SMEs, and the existing studies relating to SMEs, crowdfunding and Islamic finance in support to construct ICSME model. We discussed the modus operandi of the proposed ICSME model and offers several significances of the model.

Before closing this preface, it is important to thank authors for their interest in participation in this book as well as the members of the Editorial Advisory Board of the book and reviewers for the time and efforts they invested in choosing the best collection of chapters for this book. Thank you very much to all of you.

Mohammad Nabil Almunawar
Universiti Brunei Darussalam, Brunei

Muhammad Abduh
Universiti Brunei Darussalam, Brunei

Patricia Ordóñez de Pablos
The University of Oviedo, Spain
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