

MALAYSIA EPF CASH WITHDRAWALS DURING MCO ACCORDING TO SHARIA PERSPECTIVE

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Abstract

The government has allowed four special withdrawal facilities namely i-Lestari, i-Sinar, i-Citra and Special Withdrawal to EPF account holders in the past few years. Malaysia was hit by an epidemic of COVID-19 that affected many lives. As a response, the government has taken steps to address the issue by declaring a Movement Control Order (MCO). The effect of the MCO has resulted in the country facing a severe economic recession. Key sectors of the economy, such as construction, manufacturing, and services, are operating at a very minimal rate. Consequently, some people are impacted financially by their loss of income. The purpose of this study is to analyze the sharia viewpoint on the EPF special cash withdrawals, considering the principles of maqasid sharia in both current and future situations. Qualitative methods are implemented in this study by using interviews and library research on data collection, and the data obtained is analysed based on inductive and deductive methods to obtain comprehensive research results. The results of this study demonstrate that various parties have discussed this matter and have agreed and disagreed on this action. Meanwhile, from a sharia perspective, there are also different views on the need for EPF withdrawal based on maqasid sharia according to the current and future circumstances.

Keywords: *EPF, MCO, Covid-19, Cash Withdrawal, Maqasid Sharia.*

INTRODUCTION

Malaysia is not an exception to the tremendous issues the COVID-19 pandemic has brought about for people and economies worldwide. The Malaysian government has taken a number of steps to reduce the financial burden that its people are bearing as the country struggles with the effects of the pandemic. The withdrawal of cash from the Employees Provident Fund (EPF) during the Movement Control Order (MCO) periods is one such action that has received a lot of attention. In order to satisfy their urgent financial requirements during these difficult times, eligible contributors can now access their funds through the EPF, an essential element of Malaysia's retirement savings system. The main features of EPF cash withdrawal during the MCO in Malaysia will be discussed in this article, along with the

requirements for eligibility, the amount that can be taken out, the initiative's wider effects on citizens and the nation's economy, and how this action relates to shariah perspective.

PROBLEM STATEMENT

Everything started with the COVID-19 outbreak that swept through our nation. The terrible effects of the Covid-19 pandemic have thrown off financial plans for numerous businesses, homes, and individuals. Malaysia's economy has been severely impacted by COVID-19 due to travel restrictions and a number of self-quarantined measures. The government of Malaysia started imposing Movement Control Orders (MCO) in March 2020 and on occasion in January and June 2021 due to the rising number of COVID-19 patients that have been diagnosed. Only essential sectors are allowed to continue operating during the mobility restriction order (MCO). The number of personnel is also restricted, and only abbreviated business hours are allowed. Due to the fact that fewer financial operations are allowed during this pandemic, unemployment has obviously increased and has consequently become the top issue for workers. Many people were impacted by the movement restrictions, particularly those with modest incomes. Some of them are having financial difficulties because they rely on their daily salaries and overtime compensation. The government has responded by taking steps to lessen the hardship that the pandemic has caused. Permission to withdraw contribution funds from the EPF through offered programs is one of the efforts.

These efforts of government to help people during the pandemic were not fully support by the Malaysian. Some of the expert stated that, the EPF withdrawals not a viable solution to cash flow issues (Nurqalby, 2023). As stated by Professor Dr Mohamad Fazli Sabri, Dean of Faculty of Human Ecology, Universiti Putra Malaysia, he explained that one of the issues driving people to choose EPF withdrawals is due to the current cost of living situation since they consider it as a simple way to get money. He also added that the government should concentrate on dealing with the rising cost of living completely and take preventive measures to assist individuals who have lost their jobs (Nurqalby, 2023). Plus, according to economic analyst from Bernama, the frequent EPF withdrawals, are an inefficient way to help people respond to the rising cost of living. If additional requests for another exceptional withdrawal are allowed, the EPF's goal of maintaining the financial stability of the country's workforce after retirement will be compromised (Nurqalby, 2023).

METHODOLOGY

The method of the research that used in this study is qualitative research method. In this qualitative study, the research instrument used is the interview method. Interviews are frequently used as a research method to learn about participants' perspectives, experiences, and beliefs in relation to a particular research question or phenomenon of interest (as cited in Frances Ryan et al., 2009). This is supported by Sandelowski (2002) that one-on-one interviews are the most often utilised data gathering methods in qualitative research (France Ryan et al., 2009). The interview method used is a structured interview. There are some questions that have been prepared and all these questions are divided into five parts which is concept, issues, potential, challenges, and future outlook. Through the question, the data received will be more comprehensive to give a bigger picture of what the issue ia all about. By using this method, it help the data collection process to be more in-depth and easier to understand.

On this research, the population of this study is limited to the institution of Employees Provident Fund (EPF) Ipoh, Perak. There are two respondents selected among the officers of EPF Ipoh. Since this study is closely related to matters involving EPF members, the selected respondents is someone who has a highly experienced background in the scope of the study. Therefore, It assists this study in obtaining data more accurately and efficiently referring to the objective of this study. The secondary data are obtained by the books, journals, articles, online articles including newspaper. Since this study directly discusses issues in the EPF, the sources obtained are also widely referred to and obtained

from the EPF website itself to ensure the validity of the data obtained. With the existence of this secondary data, it can be used to expand and strengthen the contents of the information obtained from the interview with the officer. For the data analysis, this study using transcription and the textual analysis to conduct the analysis process. Transcription is done manually to ensure that no information is left out to achieve the objective of the study. Analysis will be done by describing the important contents of the respondents' answers according to the themes of the questions that have been set. The outcomes of the description found in the interview transcript session will then be related to the existing study objective applying inductive and deductive analysis approaches.

RESULT

Identify The Types Of EPF Special Withdrawals Allowed By The Government During The Epidemic

The Employees Provident Fund (EPF), Malaysia's primary retirement scheme, provides financial security to the older population in retirement, particularly among private and nonpensionable public sector employees in Malaysia. The EPF was designed as a shared contribution between employers and employees, with different contribution shares based on wage levels. In accordance to the EPF Act of 1951, all private employees are required to pay into the retirement savings scheme. On the other hand, public employees for the first three years of their employment, are required to pay into the plan. They then have the choice of switching to the government pension scheme.

A significant number of public employees who choose the government pension plan have no concerns about covering their retirement expenses because each pensioner receives a substantial monthly pension that is equal to half or more of his or her last drawn salary. However, as there is no specific pension plan for private employees, it is crucial for them to set away a certain amount of each month's pay as EPF contributions. Private employees can build up a specific amount of wealth for their retirement costs by allocating a set portion of income into the EPF scheme of funds. Thus, it maintains the tradition of the provident funds concept in that it provides a savings vehicle for those who are covered throughout employment and get lump-sum cash when retiring or leaving the country. Similar to developed nations like the United States (U.S.), where millions of people are actively building their retirement wealth by distributing money into IRAs and 401(k) plans, this is a way for people to save for their future (Sallahuddin Hassan et al., 2018).

In general, the main purpose of the cash withdrawals offered by the government is to help the people affected by Covid-19. According to the respondent, there are four types of withdrawals allowed by the government in stages, the first is i-Lestari, the second is i-Sinar, the third is i-Citra and the most recent is Special Withdrawal (Azmawi, 2023; Amirul 2023).

Under the terms of the i-Lestari withdrawal facility, EPF members 55 and younger may withdraw up to RM500 per month for a period of 12 months which is one year through March 31, 2021, subjected to the balance in Account 2 during the month of application. Those who are eligible to apply are Malaysians citizen and permanent resident, under the age of 55, have savings in EPF accounts 2 and non-Malaysian citizen (Phase 2) (Azmawi, 2023; Amirul 2023). The i-Lestari Withdrawal facility is designed to lessen the financial strain on EPF members and assist them to continue and maintain their daily lives by covering their essential monthly needs during the COVID-19 pandemic. To supplement the Member's income and cover essential expenses, a maximum of RM500 per month is a reasonable amount (EPF, 2020).

On 2 December 2020, i-Sinar facility was officially announced by the Employees Provident Fund (EPF). Up to 8 million qualified members can apply to the facility depending on the eligibility criteria that have been set. There are 2 categories, for first category, the eligible members include employees in the formal sector, self-employed people, workers of gig economy, individuals who have not made EPF contributions in a while, have lost their

employment, housewives, or have been granted an unpaid leave. The criteria for first category are members of age 55 and below who have not made EPF contributions for at least two (2) consecutive months before applying or suffered their base wage cut by 30% or more starting on March 1st, 2020. drop by 30% or more after March 1, 2020. Total income comprises base pay as well as additional bonuses like overtime and allowances. The amount eligibility of i-Sinar is subject to balance of the member's Account 1 which will determine the i-Sinar qualifying amount. For those who have RM 100,000 and less than RM 100,000 in Account 1, they are allowed to withdraw any sum up to RM10,000. The initial payment will be up to RM5,000, and subsequent payments will be spaced out over a maximum of six (6) months. For those with saving above RM100,000 in Account 1, they can cash out a maximum of 10% of their Account 1 funds (capped at RM60,000) (EPF, 2020; Azmawi, 2023; Amirul 2023).

Next, the withdrawal of i-Citra was also introduced to provide additional financial facilities to members affected by the MCO to meet their basic needs for survival. The qualifications required to apply for i-Citra are EPF members aged 55 and below, including non-citizens and permanent residents and have a savings amount of at least RM150 in the EPF Account on the date of application. For this withdrawal facility, the maximum withdrawal eligibility amount is up to RM5,000. Payment will be made monthly for up to five (5) months. The fixed payment is as much as RM1,000 per month (minimum payment is as much as RM50) or subject to the amount of the remaining savings (Azmawi, 2023; Amirul 2023). Members need to leave a balance of at least RM100 in Account 1 to keep the account active to maintain the status as an EPF member. The withdrawal eligibility amount is based on the amount of the member's savings on the date the application is processed after deducting the upcoming i-Sinar payment (if any) (EPF, 2022).

The most recent is a special one-off withdrawal of RM10,000 savings from an EPF savings account. Applications for the special withdrawal of RM10,000 from the EPF have been opened to members under the age of 55 starting from 1 April 2022. The EPF initiative allows its members to withdraw a maximum amount of RM10,000 and a minimum of RM50, in addition to having to withdraw their savings balance in Account 2 first before accessing savings in Account 1 (Zaky Zainuddin, 2022; Azmawi, 2023; Amirul 2023).

Evaluating the Efficiency of Special Withdrawals for EPF Members During and After the Pandemic

As a result of the covid-19 epidemic that has affected financial management, the implementation of four withdrawal facilities relating to Covid-19 has released as much as RM155 billion from the savings of Employees' Provident Fund (EPF) members. It consists of RM145 billion in sums released by members under the four withdrawal programmes and about RM10 billion in effect from the employee share statutory contribution rate reduction programme, according to Deputy Minister of Finance 1 at that time, Datuk Mohd Shahar Abdullah (Sinar Harian, 2022).

To get an idea of the impact, one type of withdrawal among the special withdrawals are taken. Based on the online newspaper 'Berita Harian', many members who are still having difficulty as a result of COVID-19 and the recent floods that devastated the nation at that time may benefit from the special one-off withdrawal of RM10,000 from the Employees' Provident Fund (EPF) savings. At a press conference held in conjunction with the publication of the BNM Annual Report 2021 (AR 2021) Jessica Chew Sheng Lian, Deputy Governor of Bank Negara Malaysia (BNM), said, "We are clearly aware that this one-off production helps many to recover from the pandemic and floods." (Zaky Zainuddin, 2022). Thus, we can see that the EPF special withdrawal of RM10,000 has helped them especially the affected groups in recovering their own financial management.

However, Sheng Lian continued by saying that despite the requirement to withdraw EPF savings, EPF statistics on the 6.1 million members who presently have less than RM10,000 in retirement savings in their accounts cannot be ignored. She also stated that any further withdrawals will cause a downturn to the remaining retirement savings and

there is a high potential to face the prospect of serious financial difficulties in the future. Therefore, if our community is careless, this lack of retirement savings will affect us later when Malaysia becomes an ageing society (Zaky Zainuddin, 2022). This is the main issue that is often highlighted by various parties including the experts.

In terms of effectiveness, we can look at it from two different angles, first is the short-term effect and second is the long-term effect. If taken from the respondent's opinion, we can see that he does not deny the effectiveness of the special withdrawals. It has to some extent helped the EPF members to cover insufficient funds when the pandemic hit at that time (Azmawi, 2023; Amirul 2023). Starting with the first special withdrawal as example, a total of RM18.1 billion has been withdrawn by 5.16 million members of the Employees' Provident Fund (EPF) through the Account Withdrawal Scheme 2, iLestari. In response to the COVID-19 pandemic in 2020, the EPF implemented some initial measures to support members and employers in managing cash flow issues after the Movement Control Order (MCO) from 18 March to 12 May 2020, when most economic sectors had to be closed, according to EPF Chairman Tan Sri Ahmad Badri Mohd Zahir at the time (Zaky Zainuddin, 2022).

The i-Lestari Withdrawal facility aims to reduce members' financial burdens and assist them in managing their essential monthly needs during the COVID-19 pandemic. The limit of RM 500 per month is regarded as a fair amount as an additional source of income for Members to cover their essential expenses (Azmawi, 2023; Amirul 2023). According to Dr. Mohd Afzanizam (2020), the government's action to allow EPF withdrawals of up to RM500 per month for 12 months is a sensible thing to do. According to him, through the withdrawal at least one can spend their money in difficult circumstances while waiting for the next step to be announced by the government. This matter was also supported by the President of 4PM, Rosland Mohd Arif, who said that the withdrawal should be allowed as it involves the savings of the contributors themselves and they are aware that future savings will decrease. He also said that with the hardships of life, some of the contributors may not have time to enjoy their old age retirement, given that nowadays the number of affected people is increasing (Mahani Ishak, 2023).

Not enough with i-Lestari, there are various other productions allowed in stages called iSinar, i-Citra and Special Withdrawal. The Deputy Governor of Bank Negara Malaysia (BNM), Jessica Chew Sheng Lian said regarding the Special Withdrawal, "We are clearly aware that this one-off withdrawal will help many to recover from the pandemic and floods". But at the same time he stated that the data released on the lack of contributory funds when he retires should not be ignored (Zaky Zainuddin, 2022). With these withdrawals, a total of RM145 billion has been withdrawn by members under the four withdrawal programs. Through some of these withdrawals, it has resulted in the savings level of EPF members becoming low and very worrying. Datuk Mohd Shahar Abdullah said that as of 30 June 2022, a total of 6.62 million members or 52 percent of the total 12.78 million EPF members aged under 55 have savings of less than RM10,000. Of that number, 4.99 million members or 75 percent are bumiputera members. According to him further, at the same time, there are a total of 3.2 million members under the age of 55 who are at a very critical level of savings which is less than RM1,000. Of that number, 2.58 million members or 81 percent of them are bumiputera members (Sinar Harian, 2022). This demonstrates that the majority of bumiputera members are categorised among those who have lower EPF savings than members of other races.

As a result, there are parties who have opposed the idea of special withdrawal from the EPF savings account. Based on the respondent, although the initiative has helped members lighten the burden, but the withdrawal initiative is only temporary (Azmawi, 2023; Amirul 2023). According the online article namely as "Ringgit", there are those who believe that through the authorization of i-Lestari and iSinar under the Employees' Provident Fund (EPF) can provide relief to the poor and needy people. But there are those who are against this perspective as well by arguing that the withdrawals of i-Lestari and i-Sinar funds is actually a private worker's contribution fund and it is not classified as

government aid. According to Dr. Muhammed Abdul Khalid in an interview with People's Economy, he stated that although the nation has about 15 million workers in Malaysia, only over 5 million employees constantly contribute every month. This indicates that some B40 and vulnerable groups will not gain the benefit from the withdrawal for their survival. For instance, the 'FOTE Report - Families On The Edge' data shows that households in low-cost flats in Kuala Lumpur do not have savings as a result of the current crisis, the majority of them are also not protected by the separation of contributions, and they experience a decrease in savings of up to 35% in order to meet current financial responsibilities. The impacted group has thus taken additional measures to make up for the loss of income and ensure the survival of money, including working part-time or overtime, postponing rent payments, limiting up their food consumption, and seeking financial aid from the government. With that, one-off cash assistance does not help the people of the country in the long term. In fact, the gradual distribution of funds every month should be considered (Liyana, 2021).

The Shariah Perspective On EPF Special Cash Withdrawals.

The primary goal of creating the EPF was ensuring that each contributing member has enough retirement savings to prepare for old age. It would not be surprising if contributors eventually find themselves in serious financial trouble if they decide to use up all of their savings. Due to the population's rising life expectancy, retirement savings are crucial to guarantee the contributors' survival after retirement because it is certain that their strength will be decreased from what they had when they were younger. It can be expected that if many of us no longer have savings at that time, of course the country will potentially experience a more devastating social crisis if the people's welfare and finances after retirement are not taken into account. The government approves another EPF withdrawals, especially for those whose funds have been affected a lot as a result of previous withdrawals, the contributors are potentially facing the risk of falling into a long-term condition of poverty without the financial protection they require in case of crises, particularly those concerning health and accidents. In actuality, preserving the EPF savings for future use can safeguard aspects of Maqasid Shariah, and this is a jihad that Islam highly encourages (Faiz Alif, 2023).

Imam al-Ghazali has divided *Maqasid ad-Daruriyyat* into five aspects: Each one of the aspects contains maslahat (benefits). By missing one of them, it leads to *mafsadah* (damage or causing problems) (Al-Ghazali, 1997; Khairil Anwar et al., 2021):

1. Protection of the religion (*din*); such as being obliged to fight and jihad against the infidels which are misleading, because if this is not done, it will destroy religion.
2. Protection of life (*nafs*); such as implementing the law of qisas, due to legal provisions like this, the human soul will be preserved.
3. Protection of mind (*'aql*); such as the prohibition to all intoxicants or hallucinating, to prevent damage of healthy mind.
4. Protection of lineage (*nasl*); such as the obligation to perform hudud on adulterers, capable of preserving the honor or human lineage.
5. Protection of wealth (*mal*); like the cutting off of hands for thieves, then the property will be preserved.

According to the 'Berita Harian', after unusual withdrawals made during the MCO, 6.7 million members, or more than half of all EPF members under the age of 55, have savings balances in their accounts that are less than RM10,000. With that amount of contribution in the accounts balance, contributors can expect to get an estimated retirement income of less than RM42 per month for a maximum of 20 years. More concerning is the fact that up to 3.1 million members, or 39% of those who make this unusual withdrawal, do not rebuild their funds after taking it out. This special withdrawal caused the percentage of active members who reached a Basic Savings of RM240,000 at the age of 55 to drop dramatically, from 36

percent in 2020, to only 29 percent at the end of 2022. The current situation demonstrates clearly that more than half of the active EPF contributors do not currently have enough money to retire above the poverty level. As a result, members must work an additional four to six years to save and restore their lost funds from the pandemic (Muhammad Najmir, 2023).

From the point of view of Islam, this religion places very high standards on those who take care of religion, life, intellect, lineage, and property. If the government permits EPF withdrawals, contributors could be at long-term risk of poverty because there would be no financial protection available in case of emergencies, particularly those concerning health and accidents. Poverty can lead to a number of additional issues, such as a person's religious viewpoint and faith deteriorating due to the individual questioning and blaming fate for his poverty or hardship. This indirectly impacts to an individual's spiritual beliefs and goes against the basic principle of Maqasid Shariah, which is the protection of religion. In addition, future generations will also be affected by the lack of funds for educational investment and expenses that can improve their quality of life in the future. This happens because parents do not have enough financial resources to cover the expenses that should be invested to their children. This is also closely related to the principle of Maqasid which is to protect descendants, which includes ensuring that the rights of children and families are protected. Furthermore, allowing the EPF to be withdrawn will have consequences and put a financial strain on the government because it is predicted that the cost of social and health programs will rise significantly to meet the demands of those with health issues. Therefore, this is closely related to the principle of protecting property under Maqasid Shariah (Syed Marwan & Nazrul Hazizi, 2023).

Indeed, as stated above, keeping the EPF savings for later use can protect certain aspects of Maqasid Shariah, and this is a form of jihad that strongly supports by Islam. With the research that has been stated, what is the guarantee for a person to be able to protect the aspects of Maqasid Syariah if the savings fund that is necessary to continue living in the future is reduced to a worrying amount. According to Sa'id Hawwa, jihad can take on a variety of forms, such as jihad of the tongue and jihad of money, and is not just a term used to describe war. Sa'id Hawwa says that jihad should include building up assets as it is crucial for Muslims. He wrote in his book *Jundullah Thaqaftan wa Akhlaqan* that the five components of *jihad* are *jihad* by the tongue, *jihad* of *ta'lim* (teaching), *jihad* by hand and self, political *jihad* (*al-Jihad al-Siasi*), and *jihad* by asset (*al-Jihad al-Maliy*). Sa'id Hawwa emphasises that having the asset is a requirement for carrying out all forms of jihad, and Muslims would be unable to achieve success without it (Mohamad Sabri, 2017).

Even though it is considered as the least significant of the parts when compared to the others, wealth (or asset) security is still crucial. It may be useful to understand as a tool (*wasilah*) to reach the rest of the protection (religion, life, family sanctity, and intellect). Due to that, Sa'id Hawwa emphasised this type of jihad as being essential for surviving other types of jihad. As the Prophet Muhammad said, jihad is a significant sacrifice for Muslims (Mohamad Sabri, 2017).

Therefore, it can be seen here that the importance of preserving property is something that is emphasized in Islam. Looking at the context of this study's issue, which is about the effect of special withdrawals from the EPF, contributors are advised not to withdraw their savings because these savings are the only financial source that will guarantee and support them when retirement comes. Especially for contributors who do not have any other financial resources other than the existing EPF savings fund, of course it will cause greater harm to the members (Azmawi, 2023). However, this does not mean that those who need help should be ignored. The government's initiative to re-inject RM1 billion to two million EPF contributors through the 'Belanjawan 2023' should be commended. Other aids mobilized by government-related institutions, local authorities and Islamic social finance can also be arranged to meet the current needs of this group.

What can be concluded here is that both parties, the government and the community itself, need to work hard as a form of jihad that strongly supports by Islam in safeguarding their property. On behalf of the government especially, they are aware that the EPF savings are at a worrying level, so other alternatives should be prioritized other than using the contributions of EPF members. Everyone was aware at that time that the government had received too much pressure and chose to allow the production in the hope of relieving the financial crisis that occurred at that time. However, we can see that the results are not very effective because the community is still pushing for production to be allowed again. Therefore, should another withdrawal be allowed? How much more does the government have to allow to make withdrawals from the EPF savings fund? The issue of this financial crisis will not be resolved if the root of the problem is not identified and resolved in the right way. If the situation is too urgent, the government should prepare a more controlled plan to provide a withdrawal scheme from the EPF. Give a choice to the targeted group instead of giving withdrawals openly, this is because some of the contributors who withdraw before are among those who have insufficient balance. The most safest way is the government can think of other alternatives besides having to use future savings which is the only source of old age. With other alternatives introduced by the government, it is guaranteed that such an action will draw people's attention away from the EPF fund this group.

Overall, Islamic financial management planning plays an important role in Islamic family institutions. A wise choice for financial planning especially for a family institution is very important. This is because, using Islamic financial management as one of the main guiding aspects in life will make matters easier in the future. Society should consider financial planning from the very beginning so that a person is not too affected when faced with a financial crisis. Always put aside a portion of your income and channel it to your emergency fund, or retirement fund for those rainy days. When an unexpected event occurs, like the recent Covid-19 epidemic outbreak that caused an economic downturn, problems with financial mismanagement typically result from a number of factors, including low income, disorganised spending, and a lack of motivation and discipline, which make it difficult for a person to properly manage his finances. In fact, the majority of Malaysians do not have enough savings to handle emergencies, and it cannot be denied that most Malaysians are prone to and have a keen interest in taking out personal loans and other types of loans from banks or other funding agencies to get money in a quick and easy way rather than saving.

CONCLUSION

This study evaluated extraordinary EPF withdrawals in Malaysia during COVID-19. Various parties have considered the pros and cons of implementing this project. During the discussion, some agreed and others opposed the decision. While there may be objections to the program, it is important to support individuals in need. The public understands that the government has options beyond allowing EPF savings fund withdrawals. We understand that EPF is implemented to protect members' savings during retirement. Allowing withdrawal when more efficient methods are available may impact the future of EPF members. Preserving EPF savings for future use can protect components of Maqasid Shariah, a jihad strongly supported by Islam. This situation is past and we can only learn from it. The COVID-19 pandemic has highlighted the significance of disaster preparedness.

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