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Pemangkin Idea

Economic Stability

Through Gold Investment



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In the landscape of global finance, gold has consistently been seen as a stronghold of stability and a safeguard against economic unpredictability. In Malaysia, a nation with a dynamic economy and a substantial Muslim population, the appeal of gold investment is multifaceted. Not only does it offer a refuge in times of economic turbulence, but it also provides a viable option for those seeking investments that comply with Shariah law. This article explores the role of gold investment in enhancing economic stability in Malaysia, detailing the various schemes available, and offering insights on ensuring compliance with Shariah principles and avoiding scams.

THE ROLE OF GOLD IN ECONOMIC STABILITY

The fundamental value of gold is largely unaffected by economic volatility, rendering it a crucial asset in preserving economic stability. In Malaysia, where the economy experiences periodic fluctuations due to external trade dependencies and internal policy changes, gold serves as a stabilising force. It offers investors a way to preserve capital and gain returns, especially in times when other investment

forms, such as stocks or real estate, may be underperforming. Malaysia has a range of gold investment options that are specifically designed to cater to the requirements of its population.

Physical gold: Refers to tangible forms of gold such as gold bars, gold coins (dinar), and jewellery. Investors commonly acquire these items from well-established jewellers or financial institutions. One benefit of investing in real gold is the possession of a tangible item, which offers investors a feeling of security.

Gold Investment Accounts (GIAs): Several Malaysian banks offer GIAs where investors can buy and sell gold without physically handling it. Banks such as Maybank, CIMB, and Public Bank have the platforms where transactions are pegged to real-time gold prices.

Gold-Backed ETFs: These are exchange-traded funds that invest in physical gold. They are ideal for investors who wish to gain exposure to the gold market without the complexities of handling physical gold.

Gold Saving Platform: A relatively new form allows one to purchase gold online,

with the physical gold safely stored in secured vaults. Platforms like Gold Accumulation Program (GAP) by Public Gold offer features that are compliant with Shariah principles, making them attractive to Muslim investors.



COMPLIANCE WITH SHARIAH

For many Malaysian investors, ensuring that their investments comply with Shariah principles is paramount. Here's how gold investment aligns with these guidelines:

No Interest (Riba): Shariah prohibits the payment or acceptance of interest. Gold investments inherently do not involve

interest, as profits are made based on asset value changes rather than interest accrual.

Immediate Transfer of Ownership: In Shariah-compliant gold trading, the transfer of ownership should be immediate. This is perfectly adhered to in physical gold purchases and is also a principle in many digital gold platforms where the gold equivalent is immediately allocated to the buyer.

Physical Existence: Under Shariah law, the item must exist physically and be owned by the seller at the time of sale. This is straightforward in physical gold transactions and is also adhered to by Shariah-compliant digital gold services that back digital sales with physical gold.



Why go for gold

with Maybank Islamic
Gold Account-i (MIGA-i)



ENSURING LEGITIMACY AND AVOIDING SCAMS

While Malaysia has a robust regulatory framework to govern financial markets, including gold investments, there have been instances of scams targeting unsuspecting investors. One notable example is the Genneva Malaysia gold investment scheme, which gained widespread attention due to its fraudulent practices.

Genneva Malaysia was a gold trading company that operated from 2010 until its eventual collapse in 2012. It promised investors high returns on their gold investments through a scheme known as the "Goldsmith Investment Program." The company claimed to engage in gold trading and offered investors the opportunity to buy physical gold and store it in Genneva's vaults, with the promise of guaranteed returns. Genneva Malaysia promised investors high returns of up to 2% per month, which far exceeded the market norms for gold investments. These returns were unsustainable and should have raised red flags among investors. Investigations revealed that Genneva Malaysia operated as a pyramid scheme, using funds from new investors to pay returns to existing investors. This structure is inherently unsustainable and often leads to financial collapse.

The collapse of Genneva Malaysia resulted in significant losses for thousands of investors who had placed their savings in the company's gold investment scheme. Many investors lost their life savings, retirement funds, and even incurred debt as a result of their investments with Genneva. Following the collapse of Genneva Malaysia, legal proceedings were initiated against the company and its directors. Several individuals associated with the company were charged with offenses related to fraud, money laundering, and violations of securities laws. The Genneva Malaysia case serves as a cautionary tale for investors, highlighting the importance of due diligence and skepticism when evaluating investment opportunities. It underscores the need for regulatory oversight and investor education to protect against fraudulent schemes in the gold investment market.

Due to the inherent value and extensive demand for gold, the market is very susceptible to fraudulent activities. Investors can protect themselves against being victimised by following these steps:

Verification of Sellers: Always deal with reputable and licensed institutions. Check for licenses issued by the Securities Commission Malaysia or memberships in recognized industry bodies.

Transparency of Terms: Legitimate schemes will have clear, understandable terms and conditions. Be wary of schemes that promise unusually high returns with vague or convoluted terms.

Awareness and Education: Staying informed about common scams and the latest news in gold investment can protect investors. Attending seminars or consulting with financial experts can provide deeper insights.

Shariah Certification: For those seeking Shariah-compliant products, it is important to check for certifications or endorsements from recognized Islamic finance authorities.

CONCLUSION

Investing in gold can significantly contribute to economic stability by providing a safe investment avenue that not only guards against inflation but also aligns with ethical investment principles. In Malaysia, where economic dynamics and religious principles often guide investment decisions, gold remains a preferred choice. By understanding the various schemes available and the criteria for Shariah compliance, investors can navigate the gold market confidently and securely.

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