

Achievement of Business Capital Assistance for Asnaf Entrepreneurs Studying At Zakat Institutions in Malaysia

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Abstract

The goal of supplying capital is to generate long-term revenue and assist asnaf in transitioning from zakat receivers to zakat payers. In this context, it is frequently asserted that the aid channelled is ineffective from an economic standpoint. This is because most aid recipients fail, mainly due to a lack of business capital. As a result, this research aims to determine the extent to which zakat business capital aid is distributed in Malaysian zakat institutions. This study employs a qualitative research approach through interview techniques and document review. Semi-structured interviews and document evaluation were used to obtain data for this study. The researcher manually managed and analysed the study data using the thematic method. The study results reveal that the research successfully answered all of the researchers' questions. The topic of the researcher's queries was capital support, specifically financial and equipment assistance. Researchers expect that the study's findings will be valuable to zakat institutions in improving the effectiveness of zakat distribution to the poor in this country.

Keywords: Asnaf Entrepreneur, Business Capital Assistance, Malaysia, Poverty, Zakat Institution

Introduction

Zakat, along with prayer, Hajj, and fasting during Ramadan, is one of the five pillars that form the foundation of Islam. Apart from being a religious obligation for all Muslims, zakat also serves as a channel for sharing wealth and blessings around the society and is the most efficient approach to reducing poverty if done transparently and sincerely (Abai et al., 2020). The variety of zakat responsibilities has given it a distinct standing. According to this viewpoint, zakat is worship in the form of worshipful funding. According to this viewpoint, the fuqaha mentions zakat not just in the worship chapter, but also in the chapters on property management, social welfare, jihad, governance, or siyasah (Majid, 2003). The variety of zakat responsibilities has given it a distinct standing. According to this viewpoint, zakat is worship

in the form of worshipful funding. According to this viewpoint, the fuqaha mentions zakat not just in the worship chapter, but also in the chapters on property management, social welfare, jihad, and governance, or siyasah (Majid, 2003). Malaysia collected over RM400 million in zakat per year, a sevenfold rise from RM61 million in 1991 to RM473 million in 2004, with most of the collection centred in Selangor and the Federal Territories (Lembaga Zakat Selangor, 2016). According to the Selangor 2015 state zakat distribution and collecting achievement news release, Selangor's zakat collection in 2015 was one of the highest in the country, totalling RM626.6 million, up from RM582.3 million the previous year, with zakat distribution topping RM600 million (Lembaga Zakat Selangor, 2016). What is astonishing is that the media reports on the state of poverty and the poverty of many Muslims in all corners of the country on a daily basis, portraying the current distribution of zakat as crucial and ineffectual.

Most zakat institutions emphasize collection or collection. Some Malaysian states have a separate collection department, while distribution is handled by the State Islamic Religious Council. The current form of zakat distribution is based on periodic transfer payments, which cannot address the issue of poverty in the Muslim community. The existing distribution paradigm needs to be updated with new ways capable of developing entrepreneurs among the asnaf who are self-sufficient and capable of supporting themselves and their families. Economic and business projects are viewed as this project's goal of creating competitive Muslim entrepreneurs and indirectly moving the Muslim economy. Financial aid in the form of business capital is regarded as more beneficial than financial assistance in the form of compensation. First and foremost, company capital support can provide job prospects. This project also helps to enhance their potential in various ways, even though the average person is not well educated. Business capital support is particularly beneficial since it fits the demands of asnaf entrepreneurs, who no longer require zakat money as remuneration. Y.A.B. Dato' Seri Abdullah Ahmad Badawi, Malaysia's former 5th Prime Minister, suggested during the opening of the 2006 International Zakat Conference that zakat funds should be used for long-term goals rather than charity or short-term aid to those in need, so that they can take care of their welfare in the future (Lembaga Zakat Selangor 2006). Zakat distribution in Malaysia is governed by state government legislation overseen by the State Islamic Religious Council. There are numerous ideas and points of view about the distribution of zakat to asnaf. Malaysia adheres to Imam Syafie's school of thought. According to Imam Syafie's school of thought, when the imam distributes money/zakat, the money should be distributed among the eight groups of asnaf. The amil receives the first portion as a reward for their efforts in collecting zakat money, and the remainder is divided among other groups on an equitable basis. However, if the zakat payer does the distribution himself, the amil right is waived, and the distribution is limited to seven groups (Kasim, 2005). In summary, this study aimed to determine the extent to which asnaf entrepreneurs received business capital help from various zakat institutions in Malaysia.

Methodology

The method used in this paper is review issue based on previous studies that have been conducted by previous researchers as a related. Then, researchers have chosen qualitative methods as a guide to conduct this study. Qualitative methods are the most suitable for obtaining detailed and accurate information. Qualitative research is descriptive and descriptive. These descriptions and explanations will enable researchers and readers to understand a phenomenon from the informant's point of view and understanding (Miles and

Huberman 1984). This is in line with the list of justifications (Cresswell 1988). The qualitative method is an appropriate research approach when faced with a research question that begins with "what" or "how." Qualitative research is also more flexible in implementing various biographies, case studies, phenomenology, and grounded theory approaches. Each has its process and specialities in data collection and understanding a phenomenon (Cresswell 1988).

Literature Reviewer

Entrepreneur success factors study mainly focus on two primary areas, namely internal and external influences. External variables are features of the business structure and surroundings, whereas internal factors are aspects of the individual entrepreneur (Olson, 1987). Lifestyle and everyday association culture are internal qualities that can mould individual entrepreneurial traits to assure success. Olson (1987) believes that cultural characteristics and institutional support can foster the emergence of entrepreneurs as external aspects and causes. Similarly, Busenitz et al (2000) asserted that knowledge elements such as institutions, regulations, and understanding of how to establish a firm and obtain a loan have a significant impact on the formation of entrepreneurship. According to local research such as Zulkifli et al (2015), the elements that determine the success of Bumiputera entrepreneurs are business knowledge, attitude, motivation to achieve, and knowledge about the capital and input materials required to influence business performance. Similarly, Norashidah et al (2009) concluded that the family background of entrepreneurs is positively associated with their success.

The major reason a small firm fails is a lack of funding. A small entrepreneur cannot afford to buy and maintain facilities, recruit staff, or produce and promote items without appropriate capital (Nash et al., 1997). Furthermore, money finance is the most difficult component of beginning a firm (Ang, 1991). According to Ahmad (1999)'s research on the adequacy of capital size, the factor of sufficiency of capital size has a positive association with the success of a corporation. According to Baharun (2000), a study of a hundred failed American entrepreneurs reveals that they failed owing to a lack of cash, high fixed expenses, and economic slump.

Small business owners who receive zakat help. The same findings were found in a study by (Supardi, 2005). He conducted study on zakat recipients under the Community Economic Development (CED) Program in Semarang, Indonesia. According to the survey, the quantity of business capital assistance provided is insufficient to take them out of poverty (measured by the income increase). This programme is conservative and cannot help people grow in terms of social and political empowerment. According to the study, the failure of this assistance to achieve its aims is caused by a lack of supervision, training, monitoring, and administration of the body that manages the support, as well as an undisciplined attitude of the aid participants and abuse of the aid for other purposes.

According to Abd Rahman et al (2008), the most significant difference between the provision of zakat capital assistance and the assistance provided by Amanah Ikhtiar Malaysia (AIM) and Yayasan TEKUN Nasional (TEKUN) is the aspect of monitoring, which for zakat capital assistance is not monitored on a regular and systematic basis. It is considered benevolent help, which is the poor's right. The question of success or failure is unimportant. As a result, it is likely that the help receiver lacks drive, lacks commitment, and ultimately fails. In conclusion, based on the findings and conclusions of the study, it was discovered that the components and characteristics of personality (internal factors) are among the fundamental features and variables that determine the success of an enterprise or business being run.

Result and Discussion

The findings of the study reveal various themes based on interviews with zakat officers and asnaf entrepreneurs as well as data acquired from documents. Themes from informant interviews included equipment aid and money assistance. According to the research findings from the first question, asnaf businesses receive equipment support, huge machines such as yellow noodle processing machines, sewing machines, training aid, and financial assistance. According to the findings of the study, many types of zakat organisations give business capital help to asnaf entrepreneurs. According to the findings of the observations, among the equipment help provided to Asnaf are sewing machines, furniture machines, bread-making machines, and so on. This equipment is intended to alleviate the stress of purchasing somewhat expensive machines while also facilitating their commercial journey. According to the researcher, the outcomes of the equipment assistance provided can help asnaf entrepreneurs expand their businesses. For example, a sewing machine, which the entrepreneur can supplement with the item given. As a result, it can indirectly boost the business of asnaf entrepreneurs who work as tailors. Furthermore, the findings of the researcher's observations combined with the availability of furniture manufacturing machines facilitate and accelerate furniture processing. This indirectly boosts commerce for asnaf enterprises. Here are some perspectives from Zakat Institution informants on the help provided to asnaf entrepreneurs:

"In addition to the financial form, we also provide equipment to asnaf according to their business needs" (IPZ1)

"So far, we will provide equipment if the entrepreneur really needs the machine for business reasons" (IPZ2)

"Various aspects of assistance are given to asnaf, our institution also provides equipment or machines to asnaf entrepreneurs who need it for their business purposes" (IPZ3)

"Our institution will help asnaf entrepreneurs from the equipment aspect if they need it in business" (IPZ4)

" if they make an application for equipment assistance, we will first look at the insufficient needs and look at their business site so that the previous thing does not happen again" (IPZ4)

According to the findings of the interviews, among the equipment help supplied to asnaf are sewing machines, furniture, bread-making machines, and so on. The goal of this equipment is to relieve them of the stress of purchasing expensive machinery and to facilitate their company journey. According to the researcher's interview, the results of the equipment support provided can help asnaf entrepreneurs expand their businesses.

Following that, the researcher discovered that numerous zakat institutions offer business financing help to asnaf entrepreneurs. According to (Kasim, 1990), the biggest issue for most disadvantaged people when beginning a business is finding money. This is an issue that every entrepreneur who wants to establish a firm faces. The distribution of business assistance financing is supposed to generate long-term income and assist in the transformation of zakat

recipients into zakat payers (Rosbi and Sanep, 2011). Capital aid serves as a basic, quick, straightforward, and effective social administration technique for assisting the poor with the fruits of their labour. Furthermore, capital enables households to begin and grow business as well as life skills that lead to greater income and living standards. Here are some perspectives from Zakat Institution informants on the help provided to asnaf entrepreneurs:

"Our institution also helps asnaf entrepreneurs who want to use capital to start a business, from the aspect of financial assistance we will see how much capital or finance is needed to do business" (IPZ5)

"Capital assistance is given to asnaf entrepreneurs between RM3000 and RM5000 according to the business they run" (IPZ3)

"With the help of this business capital, indirectly help the asnaf group to change their lives in a better direction than before in addition to sufficient capital used for business purposes" (IPZ2)

"The zakat institution indeed provides business capital assistance, it's just that we have to filter which ones are eligible or not to receive the assistance"(IPZ1)

"As far as we know, the Zakat Institution has provided business capital assistance to the asnaf group, as well as in our Institution, where we will first see how interested they are in the business world" (IPZ4)

Overall, the findings of this study are consistent with financial help to asnaf entrepreneurs in the form of business capital being viewed as more beneficial than financial assistance for salaries. Despite the fact that the average person is not well educated, this project helps them develop their potential in a variety of ways. First and foremost, company capital support can provide job prospects. Business capital aid is particularly beneficial since it fits the needs of asnaf entrepreneurs, who no longer require zakat money in payment. The outcomes of the investigation are summarised in Figure 1 below.

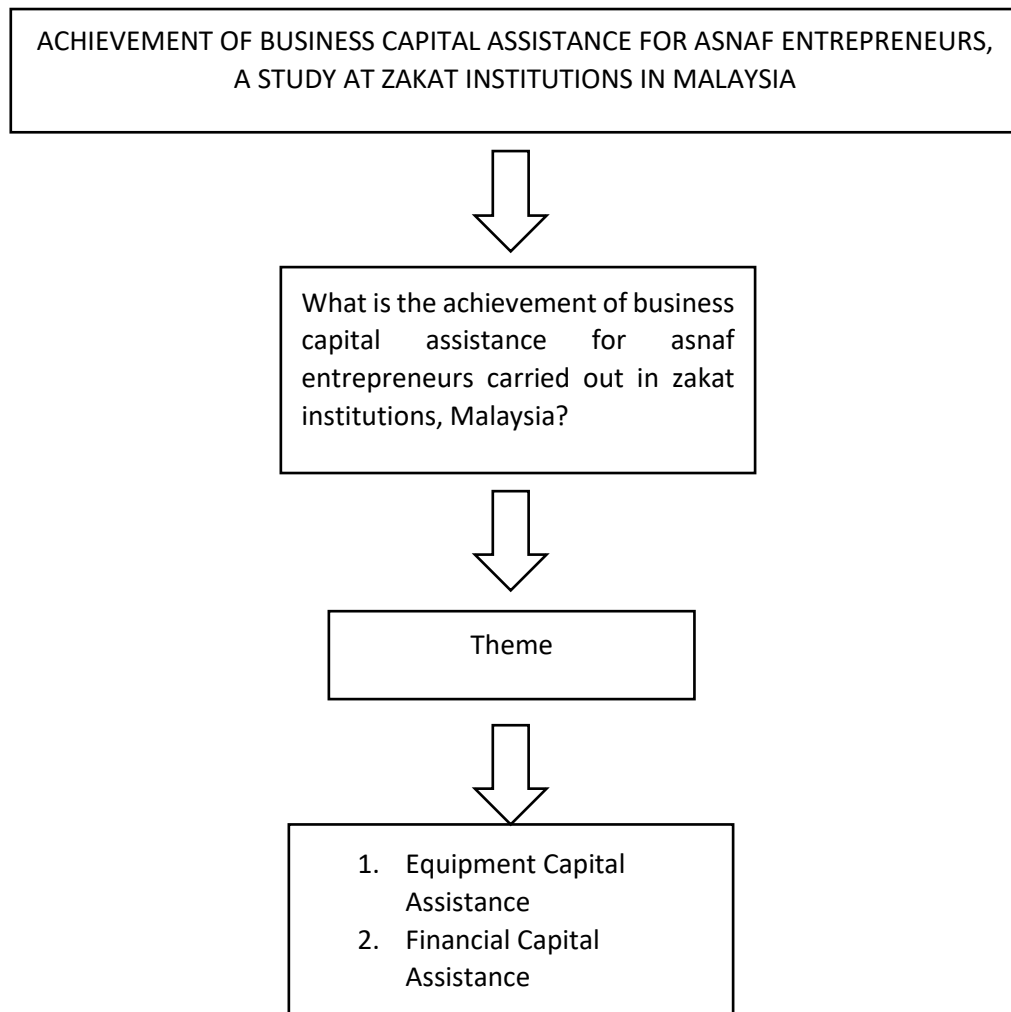


Figure 1: Summary for achievement of business capital assistance for asnaf entrepreneurs, a study at zakat institutions in Malaysia

Conclusion

In conclusion, zakat is intimately tied to societal well-being. Allah has established it with the primary objective of providing a form of social security guarantee for the poor and needy, fostering balanced economic growth in society, and serving as a form of soul purification. In terms of socioeconomics, zakat's role has two implications: income distribution (zakat) and poverty alleviation. Islam does not want wealth to be monopolised by one or a few people; rather, it should be distributed to other groups, particularly those in need. Zakat-by-zakat institution distribution should not be taken lightly. Allah SWT has committed all zakat money to be disbursed fairly to deserving asnaf. Zakat institutions that have taken this obligation must do their best to fulfil the trust placed in them. The researcher hopes that this research would assist the zakat institution in dealing with poverty in this country.

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