

## **The View of Zakat Practitioners on Micro Financing from Zakat Funds as Productive Zakat for Asnaf Entrepreneurs**

**Muhammad Anas Ibrahim (PhD)**

Academy of Contemporary Islamic Studies, Mara University of Technology (UiTM)  
Terengganu Branch.  
Email: anasibrahim@uitm.edu.my

**Nurul Ilyana Muhd Adnan (PhD)**

Research Centre for Sharia, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia.  
Email: ilyana\_adnan@ukm.edu.my

**Aemy Aziz**

Academy of Contemporary Islamic Studies, Mara University of Technology (UiTM), Kota Samarahan, Sarawak.  
Email: aemy.aziz88@gmail.com

**Hafizuddin Muhd Adnan (PhD)**

Department of Computer Sciences, Kulliyah of Information & Communication Technology, International Islamic University Malaysia, P.O. Box 10, 50728, Kuala Lumpur, Malaysia.  
Email: hafizuddin.adnan@live.iium.edu.my

**Nurul Izwah Muhd Adnan (PhD)**

Department of Library and Information Sciences, Kulliyah of Information & Communication Technology, International Islamic University Malaysia, P.O. Box 10, 50728, Kuala Lumpur, Malaysia.  
Email: izwahadnan@gmail.com.

**To Link this Article:** <http://dx.doi.org/10.6007/IJARBSS/v11-i4/9590>

DOI:10.6007/IJARBSS/v11-i4/9590

**Published Date:** 29 April 2021

### **Abstract**

This paper is intended to perceive the distribution of zakat in the form of micro financing from Zakat funds. The current distribution method is more on "one off". However, often misused, or funds provided are not accountable by the receiver. Therefore, the method of zakat distribution in this form of micro financing will offers mutual responsibility to be implemented, thus the funds were distributed without any losses. The question is, what

happens if in the future, the amount of annual zakat is reduced while the ASNAF is increasing? Moreover, the working capital given in form of micro financing is claimed having the RIBA elements. Data were collected from informan, through a semi-structural interview on Zakat practitioners. The Data then analyzed by content analysis. The findings from primary and secondary data show that there are views that allow the distribution of zakat given by micro financing for business capital or additional capital for business growth among ASNAF entrepreneurs. The proper contract used is Qard Hasan, mudarabah, Musyarakah Mutanaqisah, Ijara. It will deliberate that there has been a definition of micro financing, the legal of microfinance funding from zakat funds and microfinance financing practices from zakat funds in foreign countries whereas it can be used as a model and apply it for zakat institutions in Malaysia.

**Keywords:** Productive Zakat, Asnaf Entrepreneurs, Micro Credit, Financing, Zakat Funds

### Introduction

Zakat is not a mechanism to collect assets and wealth to help the needy people. However, the main goal of the zakat is to rise human position become more honorable than the wealth possesses (Qardawi, 2003).

Zakat is also the main point in developing the community to complement the needs of life. It is a tool or mechanism to stabilize the Islamic economy when it can bridge the gap between the rich and poor. It also strengthened the social justice of the economy among the community (Ibrahim, 2007). It was also strengthened into four objectives, the first, solving poverty problem. Second, build social justice. Third, developing communities based on helping each other, loyalty and *mahabbah*. Fourth, banish the feelings of hate, jealousy and revenge that are exist in less capable groups (Ahmad et al., 2006).

Nevertheless, there are eight groups to be fulfilled their right from the zakat property. First, faqir<sup>1</sup>, second, poor<sup>2</sup>, third, ' *Amil* , who was appointed to pick up and manage zakat, fourth, *Mu'allaf* is a person whose heart tends to or new in embracing Islam, fifth, *riqab* which is the servant who will be freed but not having enough ransom money, sixth , *Gharimin* who is unable to settle down in paying the debt, seventh, *Fisabilillah* the man fought on the way of Allah, Eighth, *ibn Sabil* is a traveler who runs out of supplies/ food or travelers who want to start his journey (Syahatah, 1994). Generally, all of these groups have been explained in the Qur'an:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمَوْلَقَةَ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ  
اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

Meaning: "Alms are only for the poor and the needy, and the officials (appointed) over them, and those whose hearts are made to incline (to truth) and the (ransoming of) captives and those in debts and in the way of Allah and the wayfarer; an ordinance from Allah; and Allah is knowing, Wise..." (al-Tawbah 9:60)

The above basis indicates the right in the zakat funds. However, in helping the Asnaf to get rid from becoming asnaf forever, zakat needs to be distributed until sufficient to their needs

<sup>1</sup> According to Imam Ahmad Ibn Hanbal, the poor is those who have no property or insufficient half of the requirement (Husain HusainSyahatah, 1994).

<sup>2</sup> According to the view of the Syafei-based scholars, they are not sufficient for their needs to be in need of ten wishes but only seven (Yusuf al-Qardawi, 2003).

(Ubayd, 1981). In a productive distribution, Zakat fund is able to become a public financing to a country if it properly managed (Ismail & Sanusi, 2006).

Therefore, zakat occupies the most important place in Islamic fiscal policies and operations. It is regarded as a natural fiscal tool supplied by Allah SWT and fairly serves as distribution tool income and act as the national economic activity booster. Unlike conventional fiscal policies, the Islamic fiscal policy identifies zakat as an instrument besides to government taxes and expenses. Zakat is unique as it is a natural instrument that assists to balancing the country's income. For instance, through the distribution of income from the rich to poor group. Helping the poor are obligations from the rich as well as the poor deserved for it.

Appraisal on the performance and improvement in the zakat management institution in Malaysia was encouraging and it gives encouragement to Muslims to fulfill Zakat through the institution.

Apart from that, the level of zakat management is seen to exhibit the professional quality of service and respected by others (Adnan, 2015). By this matter, it gives the impact to Muslims in Malaysia to hold the trust toward zakat institution by fulfilling zakat to the ASNAF. As a result, the annual collection of zakat was increasing in every zakat institution and the concern to fulfill zakat was increasingly noticed (Ab. Majid, 2009).

The belief in zakat institutions will increase if it can be proved by solving the great problems of Muslims especially in Malaysia. Nevertheless, the high collection is not a success benchmark, but the impact of the zakat distribution in resolving the economic problems in the Islamic community as a whole. In other words, zakat is able to become public funding to a country if it properly managed (Ismail & Sanusi, 2006).

There are several institutions that provide capital assistance to ASNAF such as Amanah Ikhtiar Malaysia (AIM) and TEKUN, zakat institutions and Baitul Mal. These institutions provide assistance in the form of cash, equipment and guidance. This is to increase the income of the ASNAF thus improving their living status. This matter will create the situation where the Asnaf will fulfill zakat (no longer become Asnaf) (Qardawi, 2003). Such action was in line with the Caliph Umar who had told Sua'ah by saying:

كرروا عليهم الصدقة وان راح احدهم مائة من الابل

"When distributing zakat to poor people, give them excessive to be satisfied; Repeat give them to them even if they got a hundred ostrich "(Abu 'Ubayd, 1981:502).

The provision of the zakat distribution to the deserved group is to eradicate poverty (Yusuf al-Qaradawi, 2003). This distribution can be distributed in the form of productive zakat. To achieve the goal of the productive zakat distribution is by providing simple capital assistance such as micro financing. This assistance can develop and improve into a large-scale sector in business.

The assistance of business capital provided by zakat institutions and Baitul Mal in Malaysia is without repayments. It is given in the form of cash capital or in the necessary equipment (Abd. Rahman, Ahmad, Wahid, 2008).

Small entrepreneurs can obtain the support of business capital from financial and non-financial institutions. Among the popular retail capital provided by the financial institutions are through the micro financing scheme. Apart from non-financial institutions, the business capital assistance is also provided by Amanah Ikhtiar Malaysia (AIM), Yayasan Tekun Nasional (TEKUN) and zakat institutions and Baitul Mal in Malaysia (Adnan, 2015).

Micro financing is often carried out by financial or non-financial institutions to be divided into two types of funding. First, through the Islamic microfinance financing. Second, conventional

micro-financing. However, the difference between these, the conventional financing is based on *riba* concept which is an interest-based for each financing or loan given (Md. Tahir, 2014). Thus, muamalat in Islam allowed the micro financing to be practised. This financing contract is based on several contracts between them: *musyarokat al-Muntahiyat bil-Tamlík*, *al-Ijarat al-Muntahiyat bil-Tamlík*, *Qard al-Hasan*, *murabahah* and *mudarabah*. These contracts are a financing way for a business that is performed (Syahatah, 2014).

The effectiveness of funding from zakat, it can support the ability of a viable Muslim community and strengthening their financial resources (Ibrahim, 2016).

This explain that zakat had motivate the ASNAF entrepreneurs become successful with this micro financing aid. As a result, the existence of economic stability, increased revenue and reduced poverty rate (Ibrahim, 2016).

### Objectives

This article is aimed to analyze the views from zakat practitioners towards micro financing from the zakat funds. Therefore, this article is divided into six parts of discussions:

- Distribution of productive zakat through micro financing
- Definition of micro financing
- The Islamic ruling of micro financing from zakat funds
- The mechanism of micro financing from the zakat funds
- Distribution of zakat productive in the form of micro financing to asnaf entrepreneurs
- Views of practitioners of zakat towards micro financing from the zakat funds

### Research Methods

This article to apply the case study in explaining the issues in depth and in the empirical study on the current situation (Yin, 2003). Consequently, this study is seen to meet the purposes and characteristics outlined in a case study. This research is used is to look at the individual that is practitioners of zakat towards micro-financing from the zakat funds and eligible entrepreneurs in the Council Mansion of the Islamic State (MAIN) based on the law and the mechanism.

In addition, compatibility with the data types of qualitative, the data in this study were analyzed using method of content analysis. It is one of the techniques of gathering and analyzing the content from text (Neuman, 2003). The text is referring to any type of written material such as thesis, dissertation, book, magazine, diary, letters, meeting minutes, field notes and transcripts of interviews (Lebar 2009).

### The Distribution of Productive zakat through Micro Financing

Zakat distribution is based on al-Quran verses in Surah al-Tawbah. According to Adnan (2015:61), scholars gave different commentary regarding the verse. However, a number of them chose the verse a basis that allows for micro financing from zakat funds.

The distributions method that could reach the objective for zakat distribution are through the productive zakat. It is used to be productive and effective (Ibrahim 2016). According to Adnan (2015), the method to realize it, is through the distribution in productive form. Besides, capital assistance freely given or micro credit financing. This distribution can reduce the gap between the poor and the rich.

The zakat is given to asnaf until they are fully sufficient in their needs, so that it can withdraw them from the Asnaf status ('Ubayd, 1981; Qardawi, 2003). Therefore, the method of productive zakat through micro financing is seen having mutual thought with his views. Zakat

can help to enhance the economic activities of the ASNAF and reduced the constraints faced by the ASNAF entrepreneurs which is lack of funds to expand the business.

In addition, micro financing is a mechanism that helps small and medium entrepreneurs expand the business. It was explained by Ahmad Habib (2004), a micro financing with a method of Qardul Hasan loan in Iran has shown success to farmers and traders in the needs of additional funds. In addition, a research conducted in Bangladesh which shows this micro-financing method, is a positive development for small traders and stalls owners in overcoming financial problems (Mannan, 1985).

In addition, Ibrahim (2016), explained in 1950 as a 1369 H of the Pakistani government rise a question to be discussed; can the zakat fund be borrowed without any interest. The question was discussed with micro financing to ASNAF entrepreneurs to make changes in social economy (Shahatah, 2015).

In addition, the Majlis Fiqh Islam (*Majlis Fiqh al-Islami*) has discussed in a conference about zakat fund investment, allowing the investment of zakat funds and eventually owned by asnaf Entrepreneurs (Shahatah, 2015). In a sense, it is one of the funding to ASNAF entrepreneurs who need equipment, places so on and so forth to expand their business.

According to Qardawi (2003), the loans from zakat funds are essential than the loan which has *riba* basis, in order to help entrepreneurs, avoid the loan with *riba* basis. Thus, Asnaf be required to receive zakat distribution in the form of micro financing (Tarimin, 2011). According to Ibrahim (2016), with the availability of micro-financing, the fund was able to eliminate the credit scheme with *riba* basis. The implications will open a space to financing scheme that free from *riba* which are prohibited in the Shari'ah.

In addition, Tarimin (2011), also proposed a new mechanism in micro-credit financing to the services, business, education and manufacturing sectors. The source is toward the zakat fund based on Shariah valuation. This explains that micro financing can further expand the muamalat sector so as to generate economic growth. Thus, it will open a wide opportunity for Asnaf entrepreneurs to venture into more sectors and not to focus on only one sector.

According to Tarimin (2011), ten percent to twenty percent of zakat funds is made for micro financing to the business, services, manufacturing and education sectors. In addition, micro financing helps to stem poverty by creating employment opportunities for women. This is seen that the micro financing scheme is a legitimate ruksah in generating the Asnaf economy from the zakat fund (Ibrahim, 2016).

In conclusion, micro financing is one of the financial resources for entrepreneurs in expanding their business. The financing must be free from the *riba* that suppress the weak people. Hence, the availability of zakat funds is able to become a resource that is free from Usury (*Riba*).

### **Definition of Micro Financing**

Since the efforts made by Muhammad Yunus and Bank Grameen in Bangladesh, the Micro financing field grew tremendously. Today, microfinance is said to be an important role in the global financial system. There are over 1,400 micro financial institutions listed at *Microfinance Information Exchange* (Ali, 2012).

Therefore, the first step in conducting micro-financing programs is understanding the definition. According to Armendariz & Labie (2011:20), micro-financing is always less clear in terms of its meaning. Therefore, the definition of micro-financing has been defined as a credit of microfinance to provide small-scale financial services. It is focused on those who have

difficulty in obtaining financial services in current banking. The provision of micro financing is to the low-working young income group.

According to Ledgerwood (2000), the definition of microfinancing is a method of economic development that provides benefits to *low-income* groups whether male or female. This benefit is in the form of financing for low-income or self-employed groups.

Based on Robinson (2001), the world Bank has established micro financing as a small-scale financial service for credit and savings provided to the agriculture and fishery sectors that carry out small enterprises or goods produced, sales, recycling, and repairing. For services, employment has obtained commissions, leases or rental of land, rental of vehicles, machines and machineries. Apart from that, the group will benefit from the funding which also consist of urban and rural communities that they are in progress in the country.

The definition issued by Bank Negara Malaysia explained that microfinance is meant to help entrepreneurs gain a round and purchase capital, it is allocated RM 1,000 to RM 50, 000. Funding is not a purpose for personal but to fund a micro enterprise business.

In conclusion, micro financing is a fund that is available to small entrepreneurs to help grow a business run and not used for personal use. It is a method of economic development to help those with low-income earners to increase income.

### **Islamic Ruling for Micro Financing from Zakat Fund**

Looking at this method of micro credit financing is more to a new *ijtihad* based on the verses of the Qur'an in Surah Al-Tawbah (9:60). According to Nurul Ilyana Muhd Adnan (2016), according to the verse, scholars gave various different laws in the distribution method to the ASNAF.

Thus, according to Al-Sayuti (2006), the verse made basis to the zakat distribution method which was implemented by the Prophet Muhammad to the Asnaf. It is based on a<sup>3</sup> Hadith that has been-aware of Marfuq explaining the laws of zakat to be fair to the distribution of this zakat property.

According to Adnan (2015), the (Islamic) law allows the zakat funds given in the form of financing micro-credit, on the basis of language comprehension on the verse in surah at-Tawbah. The difference in the letters *li* (to) and *fi* (on) on the verse. The same thing was also discussed by Abd Khafidz (2006:86), that the letters *li* at the beginning of the term fakir, poor, amil and muallaf, which mean belong to or rights to that particular group. While the letters *fi* placed at the beginning of the terms; slave to be independent, people who owe, people who fights in the path of God and the person who is travelling. This explains the autonomy on the distribution of the zakat is based on their needs.

Furthermore, according to Abd Khafidz (2006), the use of the letters of the *li* is derived from the letters of *lam* are categorized as letters the *lam* of *al-idafah* which is *lam* refers to its owner or something that may belong to the person who has the right. Among *lam al-idafah* are *lam al-mulk* which is ownership and *lam al-tamlík* which is transferring of ownership. Allah SWT stated that property ownership is the absolute right for the fakir, poor, amil and muallaf. According to Abd Khafidz (2006), the use of the letters *fi* belongs to the *al-hurf jar*, a term does not present any meaning if unaccompanied. It carries a meaning when accompanied

---

<sup>3</sup> From Abu Said al-Khudrir. A said "when we were along with the messenger of the prophet who distributed the hijack of the war, then came a man out of the past Tamim saying: Be fair!. Then the Prophet SAW said: Wo be unto you, no one is doing unfair again unless I am, surely you have lost in the event that I do not unfair." (Muslim, No:1765)

with other terms in a sentence. Most of the scholars noted that the use of *fi* for the distribution of zakat to the slave, the person who owes, *fi-sabilillah* and *ibn-sabil* is related to public interest. They absolutely do not have personal rights against the property.

According to Tarimin (2005), continuity of the property ownership of the zakat for the fakir, poor, amil and muallaf should have an effective method to distribute for the social sector, economy, spirituality and education. Therefore, the use of the letter *li* at the beginning of the word *fuqara'* give meaning to the ownership of this group of people (Ibn 'Arabi, 1974). In the field of economic, they use the method to distribute zakat based on the zakat productive (Hamat, 2010).

According to Ahmed (2009:67), the productive distribution is given to meet the needs of subsistence or to take out them from being as recipients. The effective method is given in the form of capital to start a business.

In this case, based on the fatwa which has been issued to do the reform and redistribute the zakat funds. The reform was held on March 23, 1998 which has been decided to accept and agree with the new implementation to distribute the capital through the concept of pay back (the Post of the Legislative Power to Sharia Law of Selangor State, 2014).

According to Hussain Hussain Syahatah (n.d), the scholars of Islamic economics give a priority in the distribution of zakat to the right asnaf (recipients); poor and fakir to avoid losses and waste. It is intended to improve the social life of the asnaf (recipients), especially the poor and fakir. The given zakat fund work as a starting capital in involvement in economic activities (Syahatah n.d)

This situation is corresponding to the rules that issued by Yusuf al-Qardawi obligatory of zakat by Allah S. W. T is to strengthen Islam where the distribution of zakat to the poor and fakir to meet the basic needs; physical and mental. The physical needs including food, drink, clothing and shelter, as well as wedding. While the mental needs are such as the knowledge related to entrepreneurship in economic activities.

### **The Mechanism of Micro-financing from the Zakat Funds**

Poverty eradication is an important goal in the Islamic economic system. Institutions that provide micro-financing play an important role to achieve this goal. The availability of micro-financing indirectly helps the poor out of the poverty situation. The combination of instruments of Islamic economy<sup>4</sup> will be able to support the poor to do small enterprise (Ahmed, 2012).

Based on the chapter of fiqh, there is an instrument which is not based on the profitability from the raised funds, such as waqaf, hibbah, wills, jua'lah, qardhassan and zakat. According to Ahmed (2012), zakat in Islam correlated to the economy that benefits the recipient. Zakat fund is produced from wealth among Muslims and given to the poor to release them from poor economy.

According to Ibrahim (2016), that kind of instrument can be used as a source of micro-financing and financial assistance to improve the socio-economic status of the poor.

Therefore, micro-financing is one of the branches of the muamalat. It able to help the small business to expand their business. According to Phatmawati Ibrahim (2016), the limitations get the funds affected the recipients to expand their business. However, the micro-financing

---

<sup>4</sup> According to Habib Ahmed (2012:30), this Islamic economic instrument consists of zakat, Wakaf, Qardhassan and charity can have a significant impact on poverty eradication.

can increase the reduction percentage of eligible recipients from involving themselves in the concept of *riba* (Lawi and Sollahi, n.d).

According to Naser and Mohsen (2011), there is a method of financing that can be done for microfinance, known as *Qardu Hasan* (loan without interest). It supports the funds especially for the new venture scale business. This fund can be carried out with a variety of *sighah* (akad or contract). According to Syhatah (2015), akad (contract) in micro-financing are divided into several types such as *Musyarakah Muntahiyah Bitamlik* (sharing that end up with ownership), *al-Ijarah al-Muntahiyah Bitamlik* (leasing end up with ownership), *al-Baie' al-Ajil wa al-Sadadu 'ala Aqsat* (delay sales with installment payment) and *Qardu Hassan* (loan without interest). Any micro-financing involve *riba* is against the principle of shariah and illegal.

Moreover, micro-financing also related to one another akad (contract) to expand a mechanisme of financing for the eligible recipients who want to get financing. According to Muhammad Abdul al-Halim Umar (n.d), there are three concepts of financing for entrepreneurs. First, the concept of the guarantee business (*'ala al-Itman al-Tijari*). Second, the concept of sharing (*'ala Musyarakah*). Third, mutual help in goodness (*'ala al-Birri wa al-Ehssan*). Concepts of the contract for the first is, *Baie' al-Sallam* and *al-Ijarah wa al-Ijarah al-Muntahiyah*. Concept for the second, *al-Mudharabah*, *al-Musaqah*, *al-Mujara'ah* and *al-Mugharasah*. concept for the third, *al-Sadaqah al-Tatowu'* dan *Qard hassan*.

In addition, financing also use the concept of decreases sharing. According to Samsudin & Ghani (2015), financing concepts such as *mudarabah* or *musyarakah* can be adopted. But only for the medium- and long-term period business. Thus, the termination of the contract cannot be done vividly, and withdrawal should be made gradually because operators need time to get the returns as well as profit from the conducted business. The vividly withdrawal affect and slowdown the development of an enterprise.

Therefore, he suggested *musyarakah mutanaqisah*<sup>5</sup> an instrument that is ideal to be implemented for micro-financing. The contract is fair between two parties in the financing (Zainan & Ismail, 2013).

Yet, despite of the mentioned methods above, grant funding from the zakat funds should be carried out. According to Syhatah (2015), the guidelines of the financing should be in parallel with the sharia. He outlined five procedures that can make the zakat funds as an alternative financing for the eligible recipients.

First, the conducted project involved in the purpose of zakat distribution to secure the stabilization of society and the economy. This is to achieve the main goal of zakat distribution which is to reduce the gap between the rich and the poor. Reflected with the hadith, that property take from the rich and give to the poor (Qardawi, 2003).

Second, the project run by its members. This is to ensure that the financing achieve its objectives. The distributed financing should be not facing any failure.

Third, the project must be based on *Maqasid Syariah*. Financing projects that benefit to the recipients should be prioritize. This ensures that damage can be overcome with the occurrence of micro-financing.

---

<sup>5</sup> According to Muji Tahir & Ahmad (2009), the financing of *Musyarakah Mutanaqisah* brought the meaning to the financing tenure of the Fund's asset share Upward. This method will continue until the expiry of the card. Hence, the asset ownership division will be fully relocated to the financing receiver.



Fourth, good comprehensive on fiqh of zakat. This is to ensure that either microfinance or funded project parallel with the shariah law. Because the law of fiqh will change based on the current situation.

Fifth, the project should be regulated by the institution of zakat. It guarantees the progress of a project financed from the zakat funds. There are entrepreneurs who are lack in knowledge about the business scopes. According to Ishak et al (2012), a failure occurs to entrepreneurs when they are lack in business knowledge. Thus, under the regulatory done the risk of loss or failure of a project can be avoided.

Sixth, micro-financing should contain any element of riba. This can help eligible entrepreneurs to obtain financing free riba. According to Ibrahim (2016), financing from the zakat funds should be able to restrain the recipients engaged directly with loans based on the riba. Thus, the method of micro financing must be a method of financing according to Islamic law.

### **The Distribution of Zakat Productive in the form of Micro Financing to Asnaf Entrepreneurs**

Current distribution is done based on the concept of a one off, in a lump sum. If the finance grants not compulsory to pay back, there is a tendency to run the business in persistent among the entrepreneurs. There is no commitment responsibility between the receiver with the giver. A study done by Nadzri (2016) indicated that most of financial failure are among the eligible entrepreneurs compared to the entrepreneurs from Amanah Ikhtiar Malaysia (AIM), even though the entrepreneurs among the asnaf did not have obligation to pay back compared to entrepreneurs AIM. Yet, the economic achievement of asnaf entrepreneurs is weak due to no responsibility.

In addition, zakat distribution in the form of micro-financing according to respondents Sulaiman (2017), explained:

“zakat distribution in micro-financing can avoid riba financing.”

There is a view Mat Radzi (2017), explaining the same thing:

“to expand more business, must avoid them (entrepreneurs asnaf) from riba financing.”

Supported also by Othman (2017) :

“this is not a kind of loan, so must avoid the financing contained of riba.”

Based on the explained views above, the micro-financing from the zakat funds will avoid the asnaf entrepreneurs involve in concept of riba which has been prohibited by shariah. The problem of pay back in the day when not able to pay back due to interest or usury multiplied. This opinion is similar to Ibrahim (2016), claimed that the distribution in the form of micro-financing is able to overcome the credit scheme based on riba, and presenting the micro financing without a riba.

Othman (2017), further added:

“so, they do not get involved with the conventional banks and *ah long*.”

The authors suggested that the opinions on this issue are to hinder harm in the future. For the beginning, we provide capital aid and equipment. Yet, the given capital aid is not enough. Whereas the asnaf entrepreneurs are need the additional capital aid. If there is no other alternative to get the additional capital aid, then they will find an easy way to take loan contained of the elements of riba or borrowing from *ah long* (unlicensed loan money) with unreasonable interest and also threatening the borrower in harm way. Thus, the purpose of the micro-financing from zakat is to prevent any harms to the borrower. This view is parallel

with the methods of *usul fiqh* that is *Saddu al-Zarai'* which is preventing things getting worse occurred by providing micro-financing, therefore avoid the conventional financing (Mustofa, 2006).

He explained further:

“financing a one off alone.”

Financing one off or once scheme is insufficient for additional capital aid. Financing one off is appropriate to start the business. However, expanding a business needs to a credit financing to prevent problem occurs during business operation. As explained by the Sanep Ahmad (2009), the commencement of financing only for the beginning period. Mahad, Wahid, Ahmad and Jalil (2016), stated financing is insufficient for the recipients if they only rely capital aid alone, which can lead to go back into the same problem again.

Based on the discussion above, it is very clear that micro-financing from the zakat funds able to prevent the asnaf entrepreneurs relating with financing that contains riba elements. Moreover, micro financing is also capable of dodging asnaf entrepreneurs to turn back into poverty (Mahad et al., 2016).

Therefore, the distribution of zakat productive through micro-financing is parallel with the framework of the first procedure that is; guarantee the stability of the community and not to get involved with riba financing. The stability of the economy is to provide facilities in obtaining additional funds to expand the business.

### **The views of practitioners of zakat towards micro financing from the zakat funds**

Micro-financing from the zakat funds from the point of views from Practitioners of Zakat and the fatwa. This view is focusing on to the required of financing or not. If there is any necessity occurs, the willingness to adopt needs to be simple and easy to implement.

Thus, the authors focus on the views of Practitioners of Zakat based on the law of micro-financing from the zakat funds. Mohammad Farid Mohammad Zainal (2017), stated:

"ليس انها لغني وليس ذوا مكتسب"

Meaning: “whereas the tithe is not for the rich, rather than among the people who have income”

Based on the views, the zakat is not given to the rich. In fact, it is not allowed to be given to whom acquired income. However, in looking to the situation this micro-financing is given to the recipients so that them. This case, explained by him:

“Help the asnaf out of poverty (give them a fishing rod he can find the fish)”

Based on this view, the initiative to the fakir and the poor to get out of the asnaf (Ibrahim, 2016). The monthly living allowance cannot be considered as solution to prevent them from poverty. According to Qardawi (2003), the giving of zakat distribution is depending on the needs of the asnaf. Each of asnaf has different needs. He suggested that zakat should be given without any limit and rate until fulfilled their needs. Thus, the zakat distribution to the asnaf would not be given twice. He also suggested that the necessary needs in the form of capital, equipments. It depends on the type of the required objects, place, time and individual. For example, a seller of vegetables given five dirhams. While a gems seller is given 10,000 dirhams. This indicates the amounts is giving based on the needs of the individual and the type of business. Method used is as follows:

"اذا اعطيتم فاغنوا"

“When you distribute zakat to themselves (poor and fakir) then make them rich” Abu ‘Ubayd (1981).

According to the method recommended by Abu 'Ubayd based on the view of Sayidina Umar micro-financing to asnaf entrepreneurs' is should be able to enrich them. This statement has been agreed respondents Zainal (2017), as follows:

*"Maqasid aims to expand the economy of the Muslims by providing a micro-financing to the poor and fakir."*

This point of view supported the importance of the micro-financing from the zakat funds. His view used as the method to deal with the problem of social economy among the poor and fakir. It is parallel with the views of Muhammad al-Hafzowi (n.d), there are three purposes of the *maqasid*; *daruriyat*, *hajiyat* and *tahsiniyat*. These three purposes related with the goal of micro-financing to help the asnaf in expanding their business so that they can improve their income. If their business affected then also their income, which is also can affect them, that lead to incomplete their life *maqasid*. This situation is parallel with the first framework to secure the stability of society and the economy of the asnaf through micro-financing.

### The Mechanism of Contract of Micro Financing

Contract or akad is the basic things in micro-financing. If the accepted *aqad* been practiced muamalat Islam also been practiced for this financing, then it will be valid. Zainal (2017), the willingness in the contract of micro-financing:

*"Qardu hassan is for non-asnaf. Murabahhah, mudarabah musyarakah mutanaqisah, ijarah and bai sallam are mechanisms applied for the asnaf fakir and the poor only."*

Based on the above opinion, it shows that quality of loans in micro-financing are not allowed to be applied for the asnaf. However, sharing, rental, and booking can be applied in the contract micro-financing. Though, Muhammad Izuan Sulaiman (2017) claimed:

*"Micro-financing can be applied in the form of qardu hassan to non-asnaf. Murabahhah, mudarabah musyarakah mutanaqisah, ijarah and bai sallam can be applied to asnaf."*

All the mentioned types of mechanisms in the contract micro-financing can be implemented, based on the previous quoted, whether for borrowing, sharing, investment, rental and booking depending on mutual agreement. It was supported with the view related from Qasim Haj Amuhammad (n.d), implementation of micro-financing in the form of *ijarah*, *musyarakah mutanaqisah*, *mudarabah* and *qardu hassan*. Naser and Mohsen (2011), agreed with the previous opinion, where the implementation of micro-financing can be applied in the form of *qardu hassan*. Both opinions are supported by Muahmmad Abdul Halim Umar (n.d) the contract been implemented in the micro-financing. Similarly, Hussain Hussain Syahatah (2015), also rule over types of contracts allowed in the micro-financing such as *ijarah*, *musyarakah mutanaqisah*, *mudarabah* and *qardu hassan*.

There is difference between the first view and the second, it is not allowed the manifestation of a loan. The author focused more on the needs of the asnaf. Not all asnaf need a rental, partnership or investment. There are asnaf entrepreneurs need capital in the form of credit where the loan can be employed. Therefore, the above discussion is parallel with the fourth framework where the contract in micro-financing applying the Islamic *muamalat* from the content of fiqh zakat.

### Sectors that can be Implemented

Based on the views of Practitioners of Zakat sector that can be recognized for micro-financing. According to the views of respondents Zainal (2017), sector as follows:

“refers to the proposal submitted by asnaf.”

Based on the above opinion, showed that all types of sectors carried out by the asnaf entrepreneurs can receive a micro-financing. However, based on the proposal, the background of the business is important so that it is eligible to receive the micro-financing and suitable for the business while the capital aid to fulfill the needs of the business.

In addition, the respondent Sulaiman (2017), suggested that the sector as a produced product:

“Stitches, soy, livestock, fisheries, saloon”

His view to focus on the diversity of business done by the asnaf entrepreneur. Fasihah Mat Radzi (2017), look at the business sector broadly:

Six types of business many done by the asnaf:

- a) Business (food)
- b) Service
- c) Retailing
- d) animal husbandry
- e) Agricultural
- f) Fisheries

He listed six types of sector mostly done by the asnaf entrepreneur. Therefore, all the six sectors eligible to receive micro-financing for business (food), service, retail, animal husbandry, agriculture, and fisheries.

In conclusion, the sector can be implemented in parallel with the second and procedure framework. the second framework is a sector that is done is people who have the skills in the field, with the preparation of the proposal by the asnaf entrepreneur. It is also parallel with the third procedure framework; where the implementation of the sector matches with the project according to the shariah, each of the sector is *fard kifayah* on the Muslim.

## Conclusion

Generally, the distribution of zakat in concepts in this study are based on the distribution of productive to help the asnaf from poverty issue. If the distribution of zakat is only just enough to cover the cost of living, then it still worrying the asnaf. Thus, zakat distribution in productive way can be parable as giving a fishing rod and bait to get the fish, compared to the previous concept of distribution, they only give the fish. Yet, giving a fishing rod is positively able to acquire more income.

Thus, from the point of view based on the fiqh, the distribution in form of micro-financing is not against the shariah, if the distribution is given to the fakir and the poor until sufficient and even more, so that they are able to release themselves from the asnaf. Meanwhile, the involved sector can be applied as mentioned above to enhance the ability and skills of the asnaf in the field of entrepreneurship.

Therefore, micro-financing from the zakat funds should be parallel with the Islamic muamalat which not engaged with elements of riba. This is because, zakat fund potentially able to help the asnaf without taking advantage from the financing.

Consequently, the methods of zakat distribution through micro-financing can be implemented by the institution of zakat in Malaysia as one of the methods of productive zakat distribution to assist the asnaf entrepreneurs in expanding their business as well as release themselves from the poverty issue.

## References

- Abu 'Ubayd (1981), *Kitab al-Amwal*. Cairo, Egypt: Dar al-Fikr
- Al-Syatibi. (2006). *Al-Syatibi Wa Maqasid Syariah Islamiyah*. Damsyiq. Beirut: Dar al-Qutaibah.
- Al-Qurtubi. (2006). *al-Jami' Ahkam al-Qur'an*. Beirut: al-Resalah.
- Al-Zarqa', S. A. S. M. (1989). *Syarah al-Qawa'id al-Fiqhiyyah*. Beirut: Dar al-Qalam.
- Tahir, M. H., & Ahmad, S. (2009). *Aplikasi Fiqh Muamalat Dalam Sistem Kewangan Islam*. Shah Alam: Pusat Penerbitan Universiti (UPENA) Universiti Teknologi Mara..
- Syahatah, H. H. (1994). *Ahkam al-Zakah*. Cairo: al-Madain.
- Syahatah, H. H. (2006). *Fiqh al-Tatbiq al-Elzami Lil Zakah 'Ala Mustawa al-Daulah*. Cairo: Buuth Wa Dirasat fi al-Fikr al-Iqtisadi al-Islami.
- Shahatah, H. H. (2003). Trans. Zarkasyi, H.F and Ar-Rashid, H. Tuskan. (*Kaedah Agihan Zakat Harta, Pengertian, Sistem dan Agihannya*). Kuala Lumpur: Pustaka Al-Shafa.
- Syahatah, H. H. (2015). Interview on 13 Oct 2015 at Dar al-Mashoroh. Egypt: Nasr City, Cairo.. Pada
- Khatir, Ibn. (1989). *Taisir al-'uli al-Qadir Li-ikhtisar Tafsir Ibn Kathir*. Riyadh: Maktabah al-Ma'arufa.
- LZS. (2016). *TUAS 2016: Suntik Motivasi 300 Usahawan Asnaf*. Access from <http://www.zakatselangor.com.my/terkini/tuas-2016-suntik-motivasi-300-usahawan-asnaf/>
- Lawi, M. A., & Solihi, N. (t.t). *Istrarijiah al-Tamwil Mtanahi al-Songhir al-Islami Fi Jazair Litahqiq al-Tamniyah al-Mustadamah-Dirasah Halah Sonduqak-Zakah bil Jazair*. al-Jazair: Jamiah al-Wadi.
- Haykal, M.'I. (2007). *Kifayat al-akhyar*. Cairo: Dar al-Sallam.
- Muhammad, A. A. M. T., & al-Hilwa, A. F. (1997). *al-Mughni*. Riyadh, Kingdom of Saudi: Dar Ilmi al-Kutub.
- Chapra, M. U. (1993). *Islam and Economic Development: A Strategy for Development with Justice and Stability*. International Institute of Islamic Thought.
- Tarimin, M. (2011). *Produk Mikro Kredit Menggunakan Dana Zakat: Satu Sorotan Hukum*. Selangor: Akademi Zakat Selangor.
- Ahmad, M., Noor, M. A. H., Tarimin, M., Bahrom, H., & Kassim, S. (2006). *Penerokaan Sumber Baru Zakat di Malaysia*. Paper presented at National Conference of Zakat & Taxation.
- al-Khin, M., & al-Bugha, M. (1992). *Fiqh al-Minhaji ala MAzhabi al-Imam al-Syafii*. Damsyik: Dar al-Qalam.
- Neuman, L. W. (2003). *Social Research Method: Qualitative and Quantitave Approaches*. Boston: Allyn Bacon.
- Adnan, N. I. M. (2015). *Mikro kredit daripada dana zakat di Baitul Mal Aceh dan Potensi pelaksanaan di institusi-institusi di Malaysia*. PhD Thesis. Universiti Sains Malaysia.
- Lebar, O. (2009). *Penyelidikan Kualitatif: Pengenalan Kepada Teori dan Metod*. Malaysia: Pendidikan Sultan Idris.
- Ibrahim, P. (2007). *Peranan Agihan Zakat Dalam Meningkatkan Tahap Ekonomi Ummah*. Paper presented at National Conference of Zakat & Taxation. Kuala Lumpur: Putra World Trade Centre (PWTC).
- Ibrahim, P., & Ghazali, R. (2014). Zakah as an islamic microfinancing mechanism to productive zakah recipients. *Asian Economic and Financial Review*, 4(1):117-125.
- Ibrahim, P. (2016). Mengoptimalkan pembiayaan dana zakat untuk golongan miskin dan memerlukan. *Conference of Islamic Micro Credit*: (pp. 18-29. Pulau Pinang.

- Ibrahim, P., & Ramli, R. (2010). *Kesan Agihan Zakat Dalam Membasmi Kemiskinan dan Ketidakeimbangan Agihan Pendapatan di Negeri Sembilan*. Persidangan Kebangsaan Ekonomi Malaysia ke V (PERKEM V) (pp. 104 – 113). Port Dickson
- Ryan, S., & Theobold. (2002). *Research Method and Methodology in Finance and Accounting* (Second Edition). London: Thomson.
- Robinson, M. S. (2002). *The Microfinance Revolution: Volume 2, Lessons from Indonesia*. Washington: World Bank.
- Marican, S. (2005). *Kaedah Penyelidikan Sains Sosial*. Kuala Lumpur: Pearson Prentice Hall.
- Sekaran. (2005). *Research Method for Business: A Skill Building Approach*. John Wiley & Sons Inc.
- al-Zuhaili, W. (1994). Trans. Hj. Yaacob, M.K. *Fiqh & Perundangan Islam*. Vol. 3. Kuala Lumpur: Dewan Bahasa dan Pustaka.
- Qardawi, Y. (2003). *Fiqh al-Zakat: Dirasatu Muqaranah lil Ahkamiha wa Falasafatiha fi zhou'l al-Quran wa al-Sunnah*. Cairo: Maktabah Wahabah.
- Hamat, Z. (2010). Kelestarian Pengagihan Dana Zakat Di Baitul Mal Aceh. *International Seminar Regional Development, Law and Governance in Malaysia and Indonesia*. Indonesia: Pekan Baru, Riau.

### **Interviews**

- Mohammad Zainal, M.F. Interview on 15 May 2017.
- Sulaiman, M.I. Interview on 17 May 2017.
- Othman, N.O. Interview on 16 May 2017.
- Mat Radzi, F. Interview on 16 May 2017.