

The Effectiveness of Business Capital Assistance to Asnaf Entrepreneurs: A Study in Maim, Malacca

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Abstract

The zakat institution provides business capital aid to enhance the living standards of asnaf entrepreneurs and encourage their transition to entrepreneurship and zakat contributors. The aim of study to assess the extent to which the Malacca Islamic Religious Council plays a new strategy for zakat distribution in developing the economy of Asnaf Entrepreneurs. This study uses a qualitative research design through interview procedures and document evaluation. The study results show that the research conducted is satisfactory and answers every researcher's question. The theme that emerged from the first question was the form of capital assistance, financial assistance and equipment assistance. Researchers hope that the findings of this study can provide useful information to zakat institutions to further improve the efficiency of zakat distribution to the poor in this country.

Keywords: Asnaf Entrepreneurs, Business Capital Assistance, Malacca, Poverty, Zakat Institution

Introduction

Zakat is one of the five pillars that form the basis of Islam in addition to prayer, Hajj and fasting in the month of Ramadan. Apart from being a duty of worship that is obligatory for all Muslims, zakat also plays a role as a medium for distributing the blessings of wealth among the community and is the most effective way to eradicate the problem of poverty if it is done transparently and sincerely (Abang Abai et al., 2020). The variety of zakat functions has placed it in a unique position. With this position, zakat can be described as worship in the form of worshipful financing. Based on this position, zakat is not only mentioned by fuqaha in the

worship chapter alone but also in the chapter on property management, social welfare, jihad and governance or siyasah (Majid, 2003).

Most zakat institutions emphasise the aspect of collection or collection. Some states in Malaysia set up a special department for collection only, while distribution matters are handed over to the State Islamic Religious Council. The method of zakat distribution still focuses on periodic transfer payments, which cannot solve the problem of poverty in the Muslim community. The current distribution concept needs to be refreshed with other approaches that can produce entrepreneurs among the asnaf to be independent and able to support themselves and their families. Economic and business projects are seen as this project to produce competitive Muslim entrepreneurs and indirectly move the economy of Muslims. Financial assistance in the form of business capital to asnaf entrepreneurs is seen as more beneficial than financial assistance for remuneration. First, business capital assistance can provide job opportunities. This project also develops their potential in several aspects, even though the average could be better educated. Business capital assistance is also productive because it meets the needs of asnaf entrepreneurs and as a result, they no longer need zakat money in remuneration. Y.A.B. Dato' Seri Abdullah Ahmad Badawi, the former 5th Prime Minister of Malaysia, during the opening of the 2006 International Zakat Conference, among other things suggested that zakat funds should not only be seen as a charity or as short-term aid to those in need but rather it should be used for long-term goals so that they can take care of their welfare in the future (Lembaga Zakat Selangor, 2006)

According to Kasim (1990), most of these groups' main problem is getting capital to start a business. Capital acts as a simple, fast, easy and efficient social administration mechanism that enables the poor to break the poverty crisis through their efforts. Capital enables the poorest households to initiate and develop their entrepreneurship and life skills towards increased income and living standards. Therefore, when there is a failure, it will be linked to capital, i.e. lack of business capital. The question is whether it is true that lack of capital is the main cause of business failure. Therefore, this study aims to identify factors other than capital that influence the success or failure of businesses undertaken by these asnaf entrepreneurs. The identification will help the zakat ensure the success of asnaf entrepreneurs who receive business capital assistance.

In Malacca, the zakat collection is carried out by the Malacca Zakat Center, a corporate company under the Malacca Islamic Religious Council. The Malacca zakat center is entrusted to collect zakat. While in terms of distribution, it is managed by the Malacca Islamic Religious Council. Therefore, distribution in the form of financial and equipment business assistance, loans and job assistance by MAIM volunteers is part of a new strategy that aims to generate income for zakat recipients and remove them from the shackles of poverty. The researcher intends to study and research the extent to which the Malacca Islamic Religious Council plays a new strategy for zakat distribution in developing the economy of Asnaf Entrepreneurs.

Problem of Statement

When examining the form of zakat distribution to the poor and needy asnaf in MAIM, there is a distribution in the form of giving opportunities to the poor to improve their standard of living such as business assistance contributions whether in the form of finance and the purchase of equipment as well as financial loans, as well as job assistance for MAIM volunteers. Therefore, the zakat institution has emerged as an authoritative agency in collecting zakat sources, saving and distributing zakat funds to the entitled asnaf. The effectiveness of this institution's work results from the public service transformation process

to become a more professional, advanced and competitive institution. The form of zakat distribution in such a way shows the transition pattern of the zakat distribution methodology which is shaped to allow the recipient to be productive and not just receive the distribution directly. Since 2008, the management of zakat distribution in Malacca has introduced new forms of distribution to the poor and needy asnaf such as financial business loans and the purchase of equipment, card al-Hasan financial loans and MAIM volunteer job assistance. Entrepreneurial programs are critical in bringing this group out of life's hardships, turning them into zakat payers, ultimately strengthening the individual economy and the community and increasing the state's economic development in Malacca. The programs in the asnaf Entrepreneur group require continuous study. This is important so that the aid channelled earlier has the maximum impact, and the effect can be felt in the long term. The question arises here as to how to implement the distribution of business capital assistance to asnaf entrepreneurs and improve their lives. Here the researcher wants to study the effectiveness of business capital assistance to the asnaf entrepreneurs in Malacca

Literature Review

According to Mohd Nor et al. (2006) conducted a study on the efficiency of collection management and distribution of zakat collection in several selected states including Malacca. Even so, his research focuses on organisational efficiency in the collection and distribution of zakat. (Hairunnizam et al., 2009) conducted a study on the distribution of zakat to eight asnaf. Their study is based on the efficiency of zakat distribution to the entitled asnaf. The study was also conducted by obtaining feedback on the perception of management from respondents who are zakat payers in Malaysia. They concluded that the distribution of zakat should be done fairly and equitably. Otherwise, it will give a negative impression to zakat payers, assuming that zakat distribution institutions are ineffective in distributing zakat to those entitled to it.

The effectiveness of zakat distribution to the asnaf group should not be seen based on the income aspect alone, and it needs to be evaluated in a broader context that includes the extent to which zakat can help the asnaf group achieve the needs outlined in the Maqasid Syariah which is to maintain the purity of religion, guarantee the safety of life, guarantee the dignity of reason and mind, guarantee honour and self-respect and guarantee wealth (Rosbi et al., 2009). Based on a study of zakat recipients in Selangor and the Federal Territory, it was found that each recipient has shown improvement based on the principles of Maqasid Syariah. The study proposed by the author is based on the effectiveness of zakat distribution in Malacca based on the recipient's ability to get out of poverty and generate income.

Zakat distribution is not only in the form of money to asnaf, but it is also in the form of programs to advance asnaf such as training, health and education that will increase the economic capacity of asnaf. Giving money without following up with a solid program will make asnaf poor and impoverished, especially dependent on zakat money and remain zakat recipients (Mohd Nor et al., 2006).

Methodology

Based on the proposed research title, the researcher has chosen a qualitative study using interview and document analysis methods. The research methodology focuses on the following methods: Documentation Method, the collection of data where the researcher studies documents related to the problem being studied and covers previous studies. This includes studying printed materials such as books, journals, working papers, reports, previous

research results, magazines, newspapers, and any written material related to the research topic. Interview Method This method is a method of data collection by conducting semi-structured interviews with zakat institution officials and asnaf groups, which are asnaf entrepreneurs.

The qualitative approach was chosen because, this approach allows the researcher to interpret the data by giving meaning, translating, and making the result of the interpretation as data (Neuman and Roskos, 1997). Therefore, the researcher has the freedom to interpret the data obtained descriptively to answer the problems in this study.

Result and Discussion

The study's findings show several themes produced from interviews with informants and respondents as well as data from the documentation. The study results from the first question found that the assistance given to asnaf entrepreneurs is assistance with large machines such as yellow noodle processing machines, sewing machines and financial capital. The themes that emerged from the first question were equipment and financial assistance. The results of this study show the research conducted by the researcher during the interviews at MAIM, Malacca.

The researcher's study found that various forms of zakat institutions provide business capital assistance to asnaf entrepreneurs. Among them, is support in terms of financial capital, every entrepreneur who wants to start a business often faces this problem. The provision of business assistance capital is expected to generate long-term income and help transform them into entrepreneurs and further change from zakat recipients to zakat payers (Rosbi and Sanep, 2011). According to toKasim (1990), the main problem for most poor is getting capital when starting a business. Capital aid acts as a simple, fast, easy and efficient social administration mechanism to help the poor with the results of their efforts. In addition, capital also enables households to start and develop entrepreneurship and their life skills towards increased income and living standards. Here are some views from asnaf informants regarding the assistance provided:

"Alhamdulillah, the zakat institution helped me a lot in my sewing business, especially from the aspect of financial assistance" (IUA5)

"Alhamdulillah, I am very grateful to be introduced to this zakat institution, because they helped me a lot to run this business, especially from the aspect of financial capital" (IUA3)

"Alhamdulillah, I am one of the recipients of business capital assistance from the Zakat Institution, alhamdulillah my bakery business is now progressing and getting well received from the public" (IUA2)

"Alhamdulillah, uncle's business is helped by the Zakat Institution and JKM (Community Welfare Department), uncle is very grateful that there are still many people out there who are concerned about uncle even in this situation (IUA1)" (IUA1)

"yes, uncle was helped by the zakat institution throughout his business, even now they always come to monitor the development of uncle's

business, uncle is very grateful to God for making his sustenance easier"
(IUA4)

Overall, the findings of this study are in line with financial assistance in the form of business capital to asnaf entrepreneurs seen as more beneficial than financial assistance for salary. First, business capital assistance can provide job opportunities. This project also develops their potential in several aspects, even though the average could be better educated. Business capital assistance is also productive because it meets the needs of asnaf entrepreneurs and as a result, they no longer need zakat money in remuneration.

Next, is a theme related to equipment capital assistance. As a result of this interview, all informants explained that the zakat institution provides equipment and financial capital assistance to asnaf entrepreneurs. Here are some views from asnaf entrepreneur informants regarding the equipment assistance they get from the Zakat Institution:

"Alhamdulillah, the zakat institution has provided a machine to make bread to increase my bakery business" (IUA2)

"Alhamdulillah, I have received a sewing machine from the Zakat Institution to further develop my sewing business"(IUA5)

"if you expect your income is not enough to buy equipment at the beginning of the business, thank God the zakat institution helped a lot with my business affairs" (IUA3)

"Since I already have a site and a business, the trust of the Zakat Institution in me is higher, they have added a board processing machine for me to further improve my furniture business." (IUA1)

" Alhamdulillah, even though they are strict in making this selection of capital aid, if we are honest, God willing, God will make things easier for us, I am very grateful that in addition to financial aid, I also got help with equipment/a place to do business from the Zakat Institution" (IUA4)

The interview results found that among the equipment assistance provided to asnaf are sewing machines, furniture machines, bread-making machines and so on. The purpose of this equipment is to reduce the burden on them to buy expensive machines and to facilitate their business journey. From the researcher's interview, the results of the equipment assistance given can further increase business among asnaf entrepreneurs. Figure 1 below shows a summary of the findings of the study conducted by the researcher.

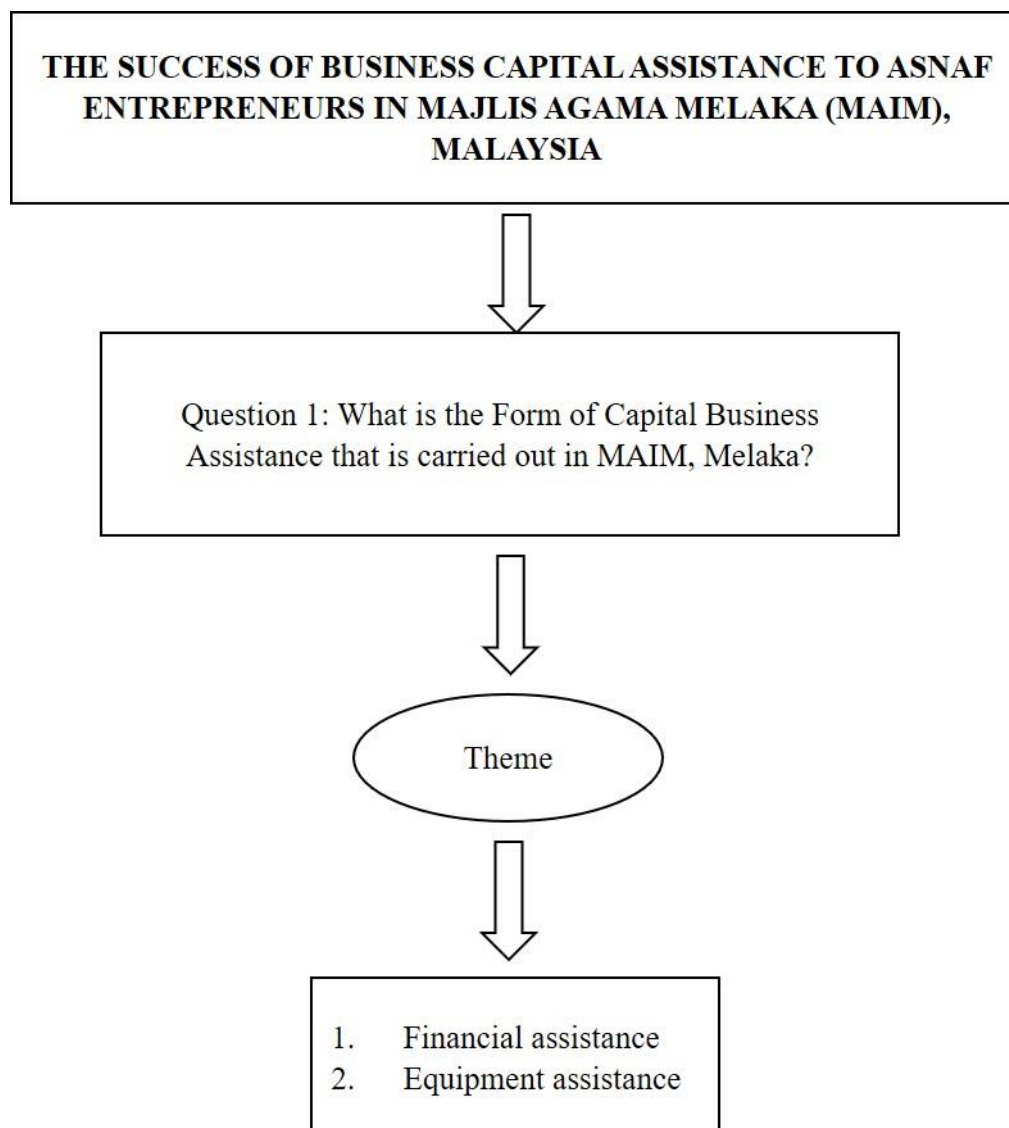


Figure 1: Summary of Study Findings

Conclusion

In conclusion, part of the property is released in the form of zakat obligations to fulfil the demands of the share. In the meantime, Islam also takes seriously the problem of poverty that plagues the lives of the community. Therefore, zakat plays an essential role in eradicating poverty. To realise the well-being of society through the distribution of zakat, Muslims must be aware of paying zakat when all the conditions have been met. It is impossible that prosperity can be realised if the party who pays obligatory zakat is unaware of his obligation to pay zakat. In addition, new strategies in zakat distribution need to be emphasised so that it is successful and helps the asnaf group to change their lives for the better. MAIM's role is to ensure that zakat collection and zakat distribution run perfectly in Malacca.

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