



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Strategy of Business Capital Assistance to ASNAF Entrepreneurs: A Study in Maim, Melaka

Dayang Shobihah Abang Abai & Mohd Daud Awang

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v11-i17/11394> DOI:10.6007/IJARBSS/v11-i17/11394

Received: 04 August 2021, **Revised:** 06 September 2021, **Accepted:** 25 September 2021

Published Online: 20 October 2021

In-Text Citation: (Abai & Awang, 2021)

To Cite this Article: Abai, D. S. A., & Awang, M. D. (2021). Strategy of Business Capital Assistance to ASNAF Entrepreneurs: A Study in Maim, Melaka. *International Journal of Academic Research in Business and Social Sciences*, 11(17), 92–98.

Copyright: © 2021 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licences/by/4.0/legalcode>

Special Issue Title: Empowering Community and Beyond, iRandau, 2021, Pg. 92 - 98

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Strategy of Business Capital Assistance to ASNAF Entrepreneurs: A Study in Maim, Melaka

Dayang Shobihah Abang Abai¹ & Mohd Daud Awang²

¹Department of Social Science and Management, Faculty of Humanities, Management and Science, Universiti Putra Malaysia Bintulu Sarawak Campus, ²Department of National Studies and Civilization, Faculty of Human Ecology, Universiti Putra Malaysia.

Email: shobihah.abai@upm.edu.my

Abstract

In this study, researchers discuss about the reform strategy in the distribution of business capital assistance to asnaf entrepreneurs in MAIM, Melaka. One type of assistance that has been channeled by the management and administration of MAIM zakat is the assistance in the form of business capital. Providing capital can generate long term income and help transform them into entrepreneurs and subsequently change from zakat recipients to zakat payers. However, it is often claimed that the assistance provided is not economically effective. Most of the assistance recipients experienced failures and the main reason given was facing capital related problems. This study aims to identify the form of capital assistance distribution conducted in MAIM, Melaka as well as to identify strategies to improve the distribution of business capital assistance to asnaf entrepreneurs. This study uses a qualitative study design that uses interviews and documentation methods. Interviews were conducted on zakat officers and several asnaf entrepreneurs who received business capital assistance. The results of this study have produced two themes based on two questions. The themes that emerged from the first question were capital, financial and equipment capital assistance. While the second question is training strategy and gradual monitoring. It is hoped that the findings of this study can provide useful information to zakat institutions to further improve the efficiency of zakat distribution to asnaf entrepreneurs in Melaka.

Keywords: Asnaf Entrepreneurs, Business Capital Assistance, Zakat

Introduction

Zakat is one of the five pillars that form the basis of Islam apart from salah, hajj and fasting in the month of Ramadan. Apart from being the responsibility of worship that must be performed by all Muslims, zakat also serves as a medium for wealth distribution among the community and the most effective way to eradicate poverty if done transparently and sincerely. The diversity of zakat functions has placed this observance in a unique position. With this position, zakat can be considered as observance in the form of financing. Based on this position, zakat is not only mentioned by the fuqaha in the chapter on observance alone, but also stated in the chapter on property management, social, welfare, jihad and governance or politics (Rosele et al., 2017)

Most zakat institutions emphasize the aspect of collection. In fact, some states in Malaysia have set up special departments for collection purposes only, while distribution matters are handed over to the State Islamic Religious Council. The zakat distribution method still focuses on the form of periodic transfer payments which are not able to solve the poverty problem in the Muslim community. The current concept of distribution needs to be accelerated with other approaches that are more capable of producing entrepreneurs among the asnaf to be independent and able to support themselves and their families. Economic and business projects are seen as effort to produce competitive Muslim entrepreneurs and move the economy of Muslims indirectly.

Financial assistance in the form of business capital to asnaf entrepreneurs is seen as more beneficial than financial assistance for subsistence. First, business capital assistance can provide employment opportunities. The project also develops their potential in several aspects, although the average is not perfectly 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 the form of subsistence. Y.A.B. Dato 'Seri Abdullah Ahmad Badawi, former Prime Minister of Malaysia, during the opening of the 2006 International Zakat Conference, suggested that zakat funds should not only be seen as a charity or as short-term assistance to those in need, instead it should be used for long term purposes to enable they to take care of their own welfare in the future (Zakat, 2006).

The distribution of zakat, especially business capital assistance, needs to be evaluated for its effectiveness, especially in terms of its ability to produce asnaf entrepreneurs who are able to be independent and improve their socio economic status. Evaluating the effectiveness of a program that aims to improve the socio economic status of the target group is important and needs to be done (Marzuki, Zulkifli & Wahid, 2019). Effectiveness evaluation is important to determine program performance (Abidin, 1992; Pasavac, 2000), identify problems, weaknesses and improve program performance (Xavier, 2000). In evaluating the effectiveness of a development program, especially for the poor from various factors whether economic or social aspects from the Islamic perspective is difficult compared to the western perspective. Moreover, assessments based solely on income do not provide a fair assessment of human needs. Those who evaluate the effectiveness of zakat from this angle will limit the distribution of aid to recipients and thus help them in terms of financial only. However, apart from money, human beings also need other forms of assistance such as religion, knowledge, comfortable life, family and socializing.

In Melaka, zakat collection is carried out by the Melaka Zakat Centre which is a corporate company placed under the Melaka Islamic Religious Council. The Melaka zakat centre is entrusted to collect zakat. While in terms of distribution is handled by the Malacca Islamic Religious Council. Therefore, the distribution of business assistance such as financial and equipment, loans and employment assistance of MAIM volunteers is part of the new strategy that aims to generate income for zakat recipients and remove them out of poverty. Therefore, this study objective to determine the extent of the role played by the Malacca Islamic Religious Council using the new strategy of zakat distribution in developing the economy of Asnaf Entrepreneurs.

Problem Statement

The form of zakat distribution of to the poor in MAIM is by providing opportunities for the poor to improve their living standards such as financial business assistance and equipment purchase. Therefore, there are several problems related to the present study, for instance first what type of assistance provided by MAIM to asnaf entrepreneurs and the second, are the strategies to improve business capital assistance to asnaf entrepreneurs. Hence, the researcher hopes that this study will be a guide for those involved in running the zakat distribution system effectively and efficiently. There are several problems with the issue of business capital assistance among asnaf entrepreneurs as well as the issue of the implementation of zakat distribution that occurs in all zakat areas in Malaysia based on several writings such as:

Based on the Rahman (2009) findings, found that there are a handful of poor and asnaf who follow this program by taking advantage of the grants channelled to them by abusing the capital assistance that has been given including machines and business equipment provided by zakat institutions for their business purposes. In addition, some of them do not appreciate the assistance given to them and even sell business assistance equipment to other parties at a much cheaper price than the market price to get cash. Briefly, in the study of Ab. Rahman (2009), there is an issue of abusing the equipment assistance given to asnaf entrepreneurs.

According to a study by Ahmad (2012), the failure of asnaf entrepreneurs has caused the community to lose faith in the zakat institution because it is considered as failure in implement the distribution of zakat money. Zakat institutions are said to have failed to fulfill their responsibilities simply because there is still poverty in society. This negative perception causes the Zakat Institution to experience problems and needs to be improved from time to time. Based on the study study shows that there is a failure issue on asnaf entrepreneurs because the zakat institution does not distribute zakat funds properly.

Based on previous studies, there are many issues related to capital problems, namely lack of capital, poor management strategies, abusing the capital assistance provided. All these problems greatly affect the achievement of business capital assistance to asnaf entrepreneurs. This causes researchers want to examine, what extent zakat institution's role in helping asnaf entrepreneurs in their business.

Literature Reviews

Abdul Halim (2006) has made a study related to the efficiency of collection management and distribution of zakat collection in several selected states including Malacca. Nonetheless, his study focuses on the efficiency of the organization in the collection and distribution of zakat. Hairunnizam et al. (2009) have made a study related to the distribution of zakat to eight asnaf. Their study is based on the efficiency of the distribution of zakat 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 the zakat payer with the assumption that the zakat distribution institution is not effective in distributing zakat to those who are entitled.

The effectiveness of zakat distribution to the asnaf should not be seen based on income only, it should be evaluated in a broader context covering the extent to which zakat can help the asnaf achieve the needs outlined in the Maqasid Syariah which is to maintain religious purity, ensure safety of life, ensure the dignity of reason and mind, guaranteeing self-respect and dignity and guaranteeing property 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 (Abai et al., 2020). The study proposed by the author is in the form of the effectiveness of zakat distribution in Melaka based on the ability of recipients to get out of poverty and be able to generate their own income.

The distribution of zakat is not only in the form of money to the asnaf, but it is also in the form of programs such as training, health and education that will increase the economic capacity of the asnaf. Giving money without solid monitoring program will make asnaf poor, especially dependent on zakat money and remain as zakat recipient (Abd Halim et al., 2006).

Methodology

Based on the proposed research title, the researcher has chosen a qualitative study design in which it uses the interview method. Research methodology focuses on the following methods: Documentation Method, this method means a way of collecting data by conducting a study of documents that are related to the problem researched and studied that covers previous studies. This includes reviewing printed materials such as books, journals, working papers, reports, previous research results, magazines, newspapers and any written material related to the topic of study. Interview Method, this method is data collection by conducting semi-structured interviews with officers of zakat institutions and the asnaf group, namely asnaf entrepreneurs.

The qualitative approach was chosen because the researcher is able to interpret the data by giving meaning, translating, and turning the results of that interpretation into data (Neumann, 1997). Therefore, researchers have the freedom to interpret the data obtained descriptively to answer the problems in this study.

Results

The findings of the study indicate that there are several themes generated from the interviews with informants and data from the documentation. The results of the first study found that the forms of assistance given to asnaf entrepreneurs such as yellow noodle processing machines, sewing machines and financial capital assistance. The themes that emerged from the first question were equipment assistance and financial assistance. The second question is the strategy to improve the distribution of business capital assistance. The theme that resulted from the findings of the study was training and monitoring in stages. **Figure 1** below shows a summary of the findings of the study conducted by the researchers in MAIM, Malacca.

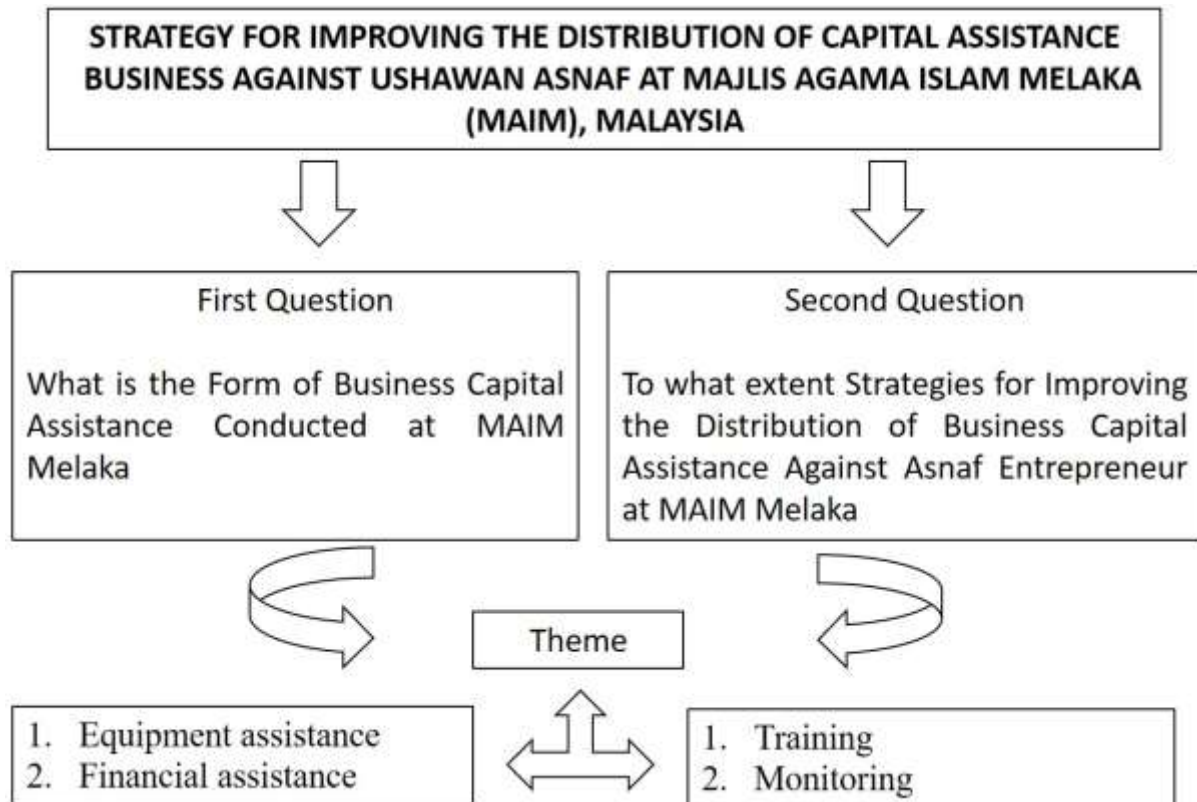


Figure 1: Summary of Study Findings

Conclusion

In conclusion, part of the property is issued in the form of zakat obligation to meet the requirements of syara'. In the meantime, Islam also takes seriously the problem of poverty that plagues people's lives. Therefore, zakat plays an important role in eradicating poverty among asnaf, especially asnaf entrepreneurs. To realize the well-being of the community through the distribution of zakat, it is necessary for the awareness of Muslims to issue their zakat when all the conditions have been met. In addition, new strategies in the distribution of zakat need to be emphasized so that it is successful and helps the asnaf to change their lives for the better, for example from zakat recipients to zakat payer.

References

- Abai, D. S. A., Awang, M. D., Yusoff, A. N. M., Majid, A. A., & Hamli, H. (2020). Bentuk Bantuan Modal Agihan Zakat Asnaf dan Pencapaian Usahawan Asnaf di Malaysia: Kajian Empirikal. *Malaysian Journal of Social Sciences and Humanities (MJSSH)*, 5(1), 93-99.
- Ahmad, S., & dan Pengurusan, F. E. (2012). Membangun Keusahawanan Asnaf: Analisis Konsep Model Pemindahan Teknologi. *Prosiding, Persidangan Kebangsaan Kebangsaan Ekonomi Malaysia ke-7*.
- Ab Rahman, A., Alias, M. H., & Omar, S. M. N. S. (2012). Zakat institution in Malaysia: Problems and issues. *Global Journal Al-Thaqafah*.
- Johari, F. (2004). *Keberkesanan zakat dalam mengatasi masalah kemiskinan di negeri Melaka* (Doctoral dissertation, University of Malaya).
- Mesyuarat Jawatankuasa Fatwa Negeri Melaka. (2011). Fatwa Berkaitan Agihan Zakat MAIM : Isu Skim Bantuan Perkahwinan Dan Pinjaman Perniagaan. [http:// www. e-fatwa. gov](http://www.e-fatwa.gov).

- my/ fatwa-negeri/ fatwa-berkaitan-agihan-zakat-maim-isu-skim-bantuan-perkahwinan-dan-pinjaman-perniagaan.[10 September 2012].
- Zuhdi, M. (2003). *Pengurusan Zakat*. Kuala Lumpur: Dewan Bahasa dan Pustaka
- Marzuki, N., Zulkifli, S., & Wahid, H. (2019) The Measurement of Asnaf Business Capital Assistance in the Context of Maqāsid al-Sharī 'ah: A Study at Kuala Terengganu and Kuala Nerus, Terengganu. *Jurnal Syariah*, 27(2), 201-232.
- Neuman, W. L. (1997) *Social Research Methods: Qualitative and Quantitative Approaches*. 3rd Edition, Allyn and Bacon, Boston.
- Othman, A., & Noor, A. H. M. (2012). Role of zakat in minimizing economic inequalities among Muslim: A preliminary study on non-recipients of zakat fund (NRZF). In *3rd International Conference on Business and Economic Research (3rd ICBER 2012) Proceeding* (pp. 12-13).
- Rosbi, A. R., Sanep, A., & Hailani, M. T. (2009). Keberkesanan agihan zakat mengikut perspektif Maqasid al-Syariah. In *Seminar Antara bangsa Muamalat Kewangan Ekonomi Islam*.
- Rosele, M. I., Abdullah, L., Ariffin, M. F. M., & Ismail, M. Z. (2017). Konflik hukum zakat pendapatan: satu penilaian. *Labuan e-Journal of Muamalat and Society (LJMS)*.
- Rossi, P. H., Lipsey, M. W., & Freeman, H. E. (2004). *Evaluation A Systematic Approach*. Seventh edition. California: Sage Publishers, Inc
- Sharif, D. (2003). *Sistem pungutan dan agihan zakat fitrah: kajian di Baitulmal Negeri Sembilan* (Doctoral dissertation, Universiti Malaya).
- Wahid, H., Ahmad, S., & Kader, R. A. (2010). Pengagihan zakat oleh institusi zakat kepada lapan asnaf: Kajian di Malaysia. *Jurnal Pengurusan JAWHAR*, 4(1), 141-170.
- Xavier, J. A. (2000). *Effective Evaluation: A Practical Guide*. Kuala Lumpur: National Institute of Public Administration (INTAN).
- Arshad, Z. A. H. (1992). *Kemiskinan: Kajian Keberkesanan Program-program Kerajaan di Perlis*. Tesis Sarjana Ekonomi, Fakulti Ekonomi dan Perniagaan, Universiti Kebangsaan Malaysia.