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ZAKAT CAPITAL ASSISTANCE PROGRAMME FOR ASNAF ENTREPRENEURS: ISSUES AND CHALLENGES

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Abstract: Zakat Capital Assistance Programme (ZCAP) is one of the distribution methods of zakat money with the objective to improve the living quality of the recipients. It is a loan-free capital assistance where the recipients do not have to pay back the money received. Although the program is beneficial to the recipients, the number of applications for this capital assistance is lower as compared to cash out assistance given to the asnaf. The objective of this paper is to explore the success and failure of the Zakat Capital Assistance Program from the officers' and recipients' perspectives. Based on the interview session conducted with zakat officers and the selected recipients, it was found that the attitude, knowledge of financial records and structure of the program are among the determinants of the success and failure of the program. It is hoped that the discussion provided in this study may provide some insights into the improvements of ZCAP execution with the aim of producing more successful Muslim entrepreneurs.

Keywords: Zakat, zakat capital assistance programme, Asnaf entrepreneurs.

Introduction

Poverty and malnutrition are among the unresolved global issue which has caught the interest of researchers on the possible solution not to eliminate, but at least lessen the problem (Botreau & Cohen, 2020; Rivera *et al*., 2021; Ranta *et al*., 2022). Sustainable Development Goals (SDGs) which were formulated in 2015 by the United Nations with the objective is to create a future development framework by 2030 also addressed the issue. Among the important agendas in this goal is combating poverty and creating a world free from hunger which has been highlighted under SDG1: No Poverty and SDG2: Zero Hunger. Since then, humanity's works have been directed towards achieving this target. Government agencies, non-profit organizations, religious institutions, and even wealthy individuals are seen supporting these efforts to see everybody being given an opportunity to live with at least the basic necessities; food, shelter, clothes, and access to education. This issue seems to be getting worse during the outbreak of Coronavirus disease 2019 (COVID-19) from the year 2020 to early 2022 but still, the efforts to tackle this issue is ongoing.

In Islam, one of the successful tools to realise this agenda and achieve the desired goal is through zakat distribution. There are a few ways of zakat distribution approach. The most popular and commonly known are cash distribution either one off annually or monthly pocket money assistance. This approach is only able to solve short-term issues and the recipients become too dependent towards the zakat institution. Another distribution method that has hidden potential in transforming Asnaf life is through Zakat Capital Assistance Programme

(ZCAP). ZCAP aims to provide seed capital to the recipient either to launch a new business or to maintain an existing one. The effectiveness of distribution under this approach was also highlighted by Hashim and Syed Musa (2019) and Harun and Rahman (2021).

Although ZCAP has many advantages in transforming the quality of life of Asnaf, the interest of the recipients still needs to be improved. The inflow of applications for zakat assistance is more towards quick cash assistance. Thus, something to ponder on is, why is such assistance not that popular as compared to other distribution mechanisms. Why does Asnaf prefer cash assistance? This is the scope that this study aims to explore. The highs and lows of ZCAP from zakat institutions and recipients' points of view. The snapshot of the findings is that the attitude and the commitments once the money has been received have become the rejection factor of the Asnaf towards ZCAP.

This paper is organized as follows; Section 2 presents the discussion on ZCAP, followed by description of methodology used in Section 3. Section 4 discusses the results. Section 5 finally concludes the study.

Literature Review

Zakat and religion are intertwined with one another (Fadil *et al*., 2022). The phrase "zakat" refers to the obligatory distribution of a part of a Muslim's wealth to those who deserve it. Zakat is not a forced charge or a haphazard form of almsgiving. Zakat is something that Allah has commanded us to perform; thus, it is a duty rather than a manner to demonstrate kindness (Ghaderi *et al*., 2020). Each Muslim is obligated to commit to paying zakat, which is one of the five fundamental pillars of Islam, and it has been mentioned in the Quran 30 times (Al-Qardawi, 2000). According to the Surah at-Taubah (9: 60), only designated beneficiaries or those known as Asnaf were eligible to receive zakat. The designated beneficiaries are identified in eight categories of zakat recipients: "fakirs" al-Fuqara, the poor al-Masakin, the zakat administrators (amil), "muallaf" (the one who embraced Islam), slaves and captives ar-Riqab, debtors (gharimin), people who fight for God (fisabilillah), and travellers (ibnu sabil).

إِنَّمَا ٱلصَّدَقَٰتُ لِلْفُقَرَآءِ وَٱلْمَسَٰكِينِ وَٱلْعَٰمِلِينَ عَلَيْهَا وَٱلْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي ٱلرِّقَابِ وَٱلْغَٰرِمِينَ وَفِي سَبِيلِ ٱللَّهِ وَٱبْنِ ٱلسَّبِيلِۖ فَرِيضَةً مِّنَ ٱللَّهِۗ وَٱللَّهُ عَلِيمٌ حَكِيمٌ,

"The Sadaqāt (prescribed alms) are (meant) only to be given to the poor, the needy, to those employed to collect them, to those whose hearts are to be won, in the cause of the slaves and those encumbered with debt, in the way of Allah and to a wayfarer. This is an obligation prescribed by Allah. Allah is All-Knowing, Wise." -Mufti Taqi Usmani

Table 1: Category of Asnaf and the descriptions

Category	Description and Explanation
Al-Fuqara (The poor)	Muslims who either have no property or income, or who do but fall short of the 50% threshold for self-sufficiency and their dependents.
Al-Masakin (The Needy)	Muslims who do not meet the kifayah limit but have assets or income that can only meet more than half of their needs and those of their dependents.
Amil (The administrators)	The Group designated to oversee zakat, including collecting and distribution, on behalf of His Majesty the Sultan or the ruler.
Muallaf (Those whose hearts are to be reconciled)	Someone who has recently converted to Islam, someone whose heart has been softened among non-Muslims, someone who needs to be drawn to Islam, someone who must be prepared to defend Muslims, or someone who needs to be shielded from atrocities committed against Muslims.
Ar-Riqab (The slaves and captives)	Someone who faces obstacles to living a better life because they are bound by a force or circumstance.

Category	Description and Explanation
Gharimin (The debtors)	Muslims who are in debt to meet the basic needs of themselves and their dependents or the interests of the community and do not have the ability to pay.
Fisabilillah (People who fight in the way of God)	The struggles, efforts and activities aimed at upholding and defending the religion of God.
Ibnu Sabil (Travellers)	Muslims who run out of money before embarking on a journey or while on a journey that benefits them and complies with Sharia law must meet the following requirements.

Source: Zulkifli *et al*., 2021

Zakat distribution is divided into categories based on how the money is used, either for production or consumption (Mahmood *et al*., 2021). Zakat distribution for consumption or distribution through cash giving to the eligible Asnaf occurs over a considerable amount of time and is continuous. However, this type of the distribution method is viewed as not being able to solve the poverty issue and the money given to Asnaf only lasts for a short period of time. Giving zakat for subsistence is regarded as non-productive assistance because it does not produce any income and instead only stifles attempts to do so (Harun & Rahman, 2021).

Focusing on Malaysia, to date, zakat institutions have been aggressively promoting distribution under ZCAP. This method of zakat distribution assisting Asnaf to expand their small business that will generate higher income to escape from poverty, is regarded as effective financial assistance. The main objective of ZCAP is to raise Asnaf socioeconomic standards of living through providing financial aid to the poor and destitute Muslims. ZCAP is also is viewed as a substitute for microfinancing, except that this is a free loan program where the recipients do not need to repay the amount received (Adnan *et al*., 2019; Adnan *et al*., 2019; Martiana *et al*., 2022). Microfinance aid to the poor and needy has been shown in several countries to be effective in assisting them in resolving their financial issues. The beauty of ZCAP is the successful recipients, later, turn out to be zakat payers. Saripudin *et al*. (2020) portray the use of ZCAP as a useful poverty alleviation program and its ability to reduce unemployment by giving productive zakat to those who need it as business capital.

For instance, Wan Husin (2009) points out that since 2004, Baitulmal Negeri Sembilan has been the first institution in Malaysia to offer capital assistance to underprivileged Asnaf entrepreneurs utilising the zakat fund. This proved that ZCAP is not a radical construct in Malaysia, and research has been done to examine the program's history, as well as its successes and failures in helping Asnaf to kickstart their business and succeed as an entrepreneur. Since then, improvements have been made to this program. In Selangor, ZCAP are also known as Asnaf Entrepreneurial Programme me (AEP) under Lembaga Zakat Selangor (LZS) is one of the initiatives designed to encourage Asnaf participation in business and entrepreneurship. Many success stories on the transformation of Asnaf entrepreneur under this program has been published (Razali *et al*., 2021). The Asnaf entrepreneurship programme was developed by LZS to support and encourage the Asnaf to become self-sufficient. AEP and CAP are the same program that intends to help Asnaf entrepreneurs to generate more income, become self-employed, improve their financial situation by leaving behind their meagre existing income and the Asnaf have a chance to transform from having mustahiq status to having muzakki status. A Muslim person or corporate body is required to give zakat, while mustahiq is the organisation that will receive zakat (Harun & Rahman, 2021).

Based on the above discussion the term "microentrepreneurs" or "Asnaf entrepreneurs" come in place. Both terms can be best described as a small business owner that operates their business through financial assistance from a variety of organisations, in this case zakat institutions (Nadzri, Omar & Rahman, 2017; Din *et al*., 2019). The funds allocated are anticipated to meet both the Asnaf's daily expenses and is able to assist them to leave the Asnaf category (Shiyuti & Al-Habshi, 2018). Thus, being an entrepreneur may facilitate the Asnaf to have a better quality of life. Therefore, it is interesting to explore the intention of Asnaf to become an entrepreneur since the applicants of this program are not as many as cash-out assistance applications. The term "entrepreneurial intentions (EI)" refers to a person's preference to launch their own firm or work for themselves. EI is about a person's readiness to start new projects and their future plans for doing so (Ridha & Wahyu, 2017). A person's intention to engage in entrepreneurial behaviour is determined by their mental state and their own experiences. It is stated that intention refers to a person's projected attempt to engage in planned behaviour and is characterized as motivational elements that affect behaviour. As a result, the likelihood of an act being performed increases as the intention to do so grows.

Despite all assistance given to the Asnaf entrepreneur, there are also a huge number of entrepreneurial failures among Asnaf (Mahmood *et al*., 2021). According to Adnan *et al*. (2021) the high failure of Asnaf entrepreneurs in their business is due to their lack of sense of responsibility, zakat is their ultimate right and they do not have pressure to repay it. This raises another issue, the intention to grow. In order to receive the capital assistance through ZCAP, the recipients need to have a business. The intention to become entrepreneurs here might be either due to their eagerness to get the seed money or they genuinely want to have a better life through business. However, once they received the money, how they manage the business to meet the objective of the zakat institution to bring them out from the Asnaf group is not monitored.

In order to look into this matter, it is worth to look at the Theory of Planned Behavior (TPB). Under TPB, factors such as one's own attitude toward the behaviour's desirability, one's own subjective norms regarding the behaviour's attitude, and one's own sense of behavioural control all play a role in shaping the individual's intention to engage in the behaviour. These factors do have an impact on the decision-making process, although it's possible they aren't always accounted for consciously or actively (Farrukh *et al*., 2019). Entrepreneurial intention is influenced by attitudes, perceived behavioural control, and social norms. This suggests that the more strongly people believe their actions are propelling them toward the goals they wish to achieve, the more likely it is that their actions will be successful. The TPB model was suggested to be used to help form intentions for entrepreneurship (Zaremohzzabieh *et al*., 2019).

Research Methods

This study utilised a qualitative research approach through interviews with selected Asnaf entrepreneurs and zakat officers who are responsible for the ZCAP program in one of East Coast Region state. For the purpose of this study, two zakat officers and six Asnaf entrepreneurs have been interviewed to get the inputs to achieve the objective of this study. These Asnaf were selected based on the initial information filled by them which consists of detailed information regarding their business including their monthly and annual revenue. This study is preliminary in nature where the research will be continued to get the inputs from the zakat officers throughout Malaysia. The interview protocol consisted of five sections. Part 1 – General question, Part 2 – Dissemination of information, Part 3 – Selection process, and Part 4 – Management of ZCAP and Part 5 – Asnaf business performance. The questions developed serve as a guide throughout the interview session. The data collection was done by a team of researchers and all the interview sessions were recorded as triangulation purposes. Besides, observations of the premises are also being made. Supporting data was also gathered as evidence. The data was analysed manually according to the part.

Results and Discussions

General

Asnaf start their business with small capital. They agree that ZCAP is an effective tool that is being developed by the zakat institutions in helping the Asnaf to have a better quality of life. They are being given huge opportunities to uplift their business game with the seed money given by zakat institutions. From the zakat institution's point of view, managing ZCAP is not an easy task. The funds collected should be handled properly and every eligible Asnaf should be given their right to apply for ZCAP. In fact, distributing zakat money cannot be simply made based on an application from the Asnaf. The zakat institutions also need to ensure that they manage to also consider the needs of Asnaf during unprecedented events such as heavy flood, during health pandemic and massive fires that affect Asnaf. One thing that is clear is that the zakat officers say that the distribution under ZCAP are least popular due to the fact that the recipients need to put in full effort to earn their income, unlike cash distribution where sometimes the Asnaf can get assistance on a frequent basis without any effort to earn it. This can be associated with the attitude of the Asnaf that are not willing to work to earn their income and they also do not want to take up the risk of failure.

Dissemination of Information

When asked on how the Asnaf obtained the information regarding ZCAP, the Asnaf mention it is either through word-of-mouth dissemination of information from friends or relatives, explanation from zakat officers when they apply for zakat fund or through zakat institution websites. The website according to them are quite user-friendly and easy to access. Details of the programme are clearly listed on the website. Asnaf can also refer to the nearest zakat institutions branch to get the information regarding ZCAP.

Selection Process

As mentioned earlier managing zakat money should be done wisely. The officer in charge of this activity – zakat distribution is under high risk of being accused of mismanaging zakat funds if they do not adhere to the distribution procedures. Zakat officers at the headquarters are assisted by representatives in every area to handle the screening process of the applicants. This is how they manage to decide on the eligible recipients for ZCAP. They also have proper guidelines for the selection process. Among the requirements given is that the Asnaf should at least have experience, even if it's as a helper in the business that they apply for the fund. However, the zakat officers conducting the interviews realize that the Asnaf sometimes do feel that they are being rejected without valid justifications.

From the Asnaf point of view one of the Asnaf did mention that there are too many hassles when applying for ZCAP. They are requested by zakat institution to share detailed information about their potential business and how they plan to run the business. One of the harsh accusation given by the Asnaf is they need to know "someone" in the zakat institutions before they manage to get the zakat assistance.

However, this has been ruled out by other respondent of this study said that they are happy with the way the zakat management handle the selection process. They choose the participants under the ZCAP once they provide all information requested for the zakat institution.

Management of ZCAP

There is a long list of recipients under ZCAP which requires the zakat officers to spend most of their time away from the office to monitor the recipients. In the initial stage of approval, recipients will be given a short course to train them the tips and techniques to run a business from successful entrepreneurs. And this is the end of the process. The subsequent monitoring is not executed due to a lack of staff. Thus, zakat institutions do not keep track on the financial survival of the ZCAP recipients. Whether successful or failure, they might not know the real situation of how Asnaf performs in their business.

The ZCAP recipients that being interviewed strongly agree with the above revelation by zakat institutions. The owners with low business performance or those that have permanently ceased their business also mention that zakat institutions are not aware of their condition. They were motivated for a short period after the training given and had to close their business due to COVID-19. However, their name is still on the list of active business owners based on Zakat institution records. There are three successful business owners that we were able to get as respondents for this study. Although without proper guidance and monitoring from the zakat institution, they were still able to succeed in their business. They also agree that the need for close monitoring and continuous training should be provided to uplift their business management skills.

Asnaf Business Performance

Asnaf runs a small-scale of business and mostly under the food industry. One of the questions asked is how they keep track of their revenue and expenses. None of the recipients keep proper records of their income and expenses. They not even separate their personal and business expenses. They also need to learn how to calculate the proper costing to see whether they run the business in profit or loss. All recipients acknowledge their lack of skills to prepare their accounts although this information has been provided through training. The only indicator they see they succeed is when they have enough money for their daily expenses and to cover rent and their car instalment. The most successful recipients of ZCAP that was interviewed managed to expand her business by running two mini restaurants and hiring five workers with daily salaries between RM30.00 to RM50.00 per day. Asked for the recipe for her success, she said that her first intention to run the food business was to help her disabled husband to support their family, and when she was successful, she wanted to help others by hiring the villagers to work with her. She also finds ways to improve her business and asked to be removed from the Asnaf list.

Conclusions

ZCAP has great potential to assist Asnaf to be able to get out of poverty. However, a few issues might hinder the success of ZCAP in achieving the ultimate objective to produce successful Muslim entrepreneurs and transform from them from recipients to payers. Among the main problem is the attitude of recipients itself. The recipients are not willing to put extra effort to change their life and rely too much on the assistance available. The recipients should appreciate the opportunity given and concentrate on expanding their business rather than putting blame of their failure. It is well-known that having a proper financial record might be able to ensure the business owner to track their business performance. This is somewhat lacking for the recipients which need to be given proper attention. Having proper financial records will give the business owner a real understanding of their financial a position and can further convince potential investor or to ease the loan approval if they want to expand their business.

For zakat institutions, thumbs up should be given to for the efforts taken to transform Asnafs life through ZCAP. There are many hidden successes of the recipients under ZCAP who have not yet been exposed to the public. Although with the great structure of the program, ongoing monitoring is necessary to ensure that the recipients under ZCAP are able to succeed in their businesses. Efforts should now be directed to have a structured monitoring program such as continuous training to ensure the recipients keep track of the change of the business landscape. For instance, during the outbreak of COVID-19 which resulted in the digitalization of businesses in every sector. Although with the challenges elaborated above, ZCAP without a doubt is one of the powerful tools to produce more successful Muslim entrepreneurs. With the improvements of the existing loopholes and the support from the recipients themselves, the objective of ZCAP can be achieved and can further assist to combat poverty.

As explained above, this paper is a preliminary study to get some ideas on the running of ZCAP. Thus, thorough research needs to be executed to provide the exact reality of ZCAP in Malaysia. Thus, future research as mentioned earlier should expand the respondents to have representatives from each state to see the management of ZCAP from different perspectives and concepts. It is hoped that the discussion provided in this study will give some insight to the reader on the beauty of ZCAP which can be a jewel to the Muslim economy.

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