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## Do Capital Assistance Programs by Zakat Institutions

### Help the Poor?

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#### Abstract

Zakat refers to the determined share of wealth in Islam to be distributed mainly to the poor and needy. The portions they received will enable them to fulfill their basic needs and conduct economic activities. One of the distribution instruments of zakat institutions is in form of loan-free capital assistance. The objective of capital assistance programs is to increase the income of the recipients through entrepreneurship. Zakat institutions have also initiated various programs such as offering training as well as giving business and marketing guidance, so that the recipients would become self-reliant and own a formal business. Based on content analysis on secondary data as well as primary data, the discussion of this paper is divided into three sections. First, this paper identifies the capital assistance program which is the most effective in increasing the income of the recipients. Second, this paper investigates the factors that contribute to the success of the program and third, it investigates the challenges encountered by zakat institution in capital assistance program. The study was done with the cooperation from Selangor Zakat Board, one of the main zakat institutions in Malaysia. The findings of the research revealed that the mobile business program is the most effective program in transforming the recipients into entrepreneurs where the success of the business can be seen in as early as 3 months. The findings of this research also revealed that instead of requesting the recipients to repay the capital aid, forced savings method has been imposed which became one of the factors that contribute to the success of the program.

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#### 1. Introduction

The capital assistance program introduced by zakat institutions has been very popular among the poor and the needy as the capital provided carry no obligation to payback (Abd Rahman, Ahmad, & Wahid, 2008). Apart from

providing the capital without the obligation to payback, the capital assistance programs by zakat institution targeted at the poor and the needy who already had or started a business. Therefore, to apply for the capital assistance program, the recipients need to provide evidences such as business registration certificate and business licence from the local authority (Abd Rahman et al., 2008). Zakat institutions have been quite selective in choosing the eligible recipients for capital assistance program. Once the recipients have been selected, they need to undergo the entrepreneurship and basic business courses which covers area on financial operations and motivation (Md Ramli, Ahmad, Wahid, & Harun, 2011). The type of capital assistance given for capital are in the form of assets such as tools and equipment as well as infrastructure facilities such as stalls, booths, workshops, etc. (Md Ramli et al. 2011).

Selangor Zakat Board (SZB) 2013 annual report revealed that the number of recipients who received the capital assistance in year 2012 has increased to 966 as compared to 420 in 2011. The percentage of those who are no longer in the recipient category after receiving the capital assistance in 2012 was 23% or 219 recipients. The poor and the needy are the majority group for capital assistance, which constitutes 96% from the big group of recipients in 2012. The capital assistance program is expected to produce entrepreneurs among the beneficiaries and hoped to change the status of the beneficiaries within one or two years after receiving the assistance (*Laporan Pengurusan Zakat Selangor 2010*).

In the state of Selangor, the institution responsible in collecting and distributing the zakat fund is SZB which initiated the capital assistance program in 2003 under the Economic Development Program. The capital assistance amounts are ranging from RM5, 000 up to a maximum of RM50, 000 depending on the type of business. If the business shows a good performance and requires more capital, additional capital of RM5,000 will be given to the recipients. However, for businesses which requires high capital, such as bakery and laundry shops, SZB will provide capital of RM50,000 up to a maximum of RM100,000 with close monitoring from SZB for 5 years (Ab Rahman & Ahmad, 2011).

Since the introduction of the capital assistance program, every year, approximately 2% of the overall zakat fund will be distributed for the economic program. As such in year 2005, Entrepreneur Development Centre (EDC) for the recipients has been established to train and develop the recipients to become entrepreneurs and be self-reliant. The objectives of this centre are: (i) to increase the income of the recipients, (ii) to withdraw or remove the recipients from their category and (iii) to transform the recipients to zakat payer.

Based on content analysis, this paper will identify the most effective capital assistance program. In addition, this paper attempts to investigate the factors that contribute to the success of the capital assistance programs and lastly, to investigate challenges encountered by zakat institution in capital assistance program.

## 2. Literature review

W. F. Mohd Balwi, Che Abdullah, Abd Halim, & Mohamad (2008) in their research has discussed on the efforts and commitment of SZB in producing entrepreneurs among the recipients. Nonetheless, according to the authors, the capital assistance program will not be effective if the issues pertaining to the recipients or the institutions are not well-managed. The issues either encountered by the recipients or the institution itself could give negative impact on the success of the program. Apart from SZB, other states also promote the capital assistance program and among the state is the Federal Territory. In Federal Territory, its State Islamic Religious Council (SIRC) or *Majlis Agama Islam Wilayah Persekutuan* (MAIWP) has implemented various activities to reduce the poverty. In this case, assistance in the form of business equipment such as sewing machines, freezer, cooking equipment, laundry equipment and any equipment or assistance requested by the recipients will be given and with the assistance, the recipients could expand the business and generate more income (Muhammad Yamin, 2011).

Another researcher who wrote about the programs implemented by SZB is Abdul Hamid (2011) of which according to him, the economic development of the recipients has been SZB's priority. Through the entrepreneurship financing program, the recipients are given opportunity to involve themselves in the various field of entrepreneurship. SZB also provided business capital for retail, food, agriculture, livestock and services. In addition, the business capital is also provided to the recipients who wish to extend the business. On the other hand, Abd Rahman et al. (2008) found out that all forms of assistance focused on early preparation, where in the case of zakat institution, the assistance are given without monitoring as the assistance is considered as courtesy from zakat institution for the recipients. As such, the recipients have low motivation, lack of commitment and end up with

failure. The implication of this research shows that the capital assistance given to the recipients should be monitored closely as to ensure the success and effectiveness of the program. Ahmad (2009) is of the opinion that the zakat fund carries the advantage of becoming the sources for microcredit for the recipients by granting them with interest free loan or *qard hassan* or loan which imposed minimum service charge.

Another study done by R. Abdullah (2010), pertaining to the management of zakat in Brunei has pointed out that granting the capital assistance to the recipients, has served the purpose of zakat fund distribution. However, according to her the capital assistance program has more failures than successful recipients. Therefore, it was recommended that a special unit or division be formed to manage and run the important program for the recipients. It was also recommended that benevolent loans from the zakat fund be provided to those who are eligible to receive zakat assistance.

The research on capital assistance program also focused on the success of the program. Hazlina, Jamaliah, & Sharifah Norzehan (2012) in their study about the characteristics of the successful entrepreneurs under the “Entrepreneurial Asnaf Scheme” have found out that successful asnaf (recipients) possessed certain level of innovation. In order to ensure the success of the program, the zakat institution need to know the level of commitment and “entrepreneurial” features that the recipients have before granting them the capital assistance. Similar research on the success of the capital assistance program conducted by Abdul Manan, Muhamat, & Rosly (2011) found out that capital, courses or training and knowledge or know-how are important to them in helping the zakat recipients to succeed in their businesses which then translated into the better standard of living. Ab Rahman & Ahmad, (2011) in their research about capital assistance has found out that apart from capital, there are other factors such as age, gender, period of business, monitoring aspects, business nature, efficient zakat management, optimistic attitude, social skills and networking as well as risk takers which influence the success of a business. The authors further concluded that the “entrepreneurial asnaf development” strategy should not only emphasize on capital, but also on other factors mentioned above.

Based on past research, it was noted that the zakat institutions have implemented capital assistance program to help the recipients in becoming a successful entrepreneurs and change the status of the recipients. As such research made by Haron & Rahman (2010) revealed that the Islamic socio-economic justice will be achieved when the recipients receive the zakat fund in the form of capital, and subsequently give back to zakat fund by paying the zakat to help the other recipients survive. The success of the capital assistance implemented by zakat institution depends on many factors and among other is efficient management of zakat institutions. Research made on another state SIRC, the Johor SIRC, revealed that there is a huge improvement in zakat management within the five-year period of the study. Recommendations were also given to further improve the zakat management particularly for capital assistance program such as supervision, procedures, and cooperation for improving the programs in assisting the poor and needy recipients (Yaacob et al., 2013).

Hamat (2010) studied the implication of distributing the zakat fund in the form of microfinance and he founded that it demonstrates the sustainability of the fund. Furthermore, the distribution of zakat fund through microfinance does not only create a revolving fund, but a continuous zakat fund, should the collection of zakat is affected. Apart from the study on the implication of distributing the zakat fund through microfinance, Bhuiyan, Siwar, Ismail, & Islam, (2012) in their study have recommended that zakat-based Islamic mode of financing and *Qard-al-Hasan* on the basis of spiritual values would be an alternative model for poverty alleviation and ensuring sustainable livelihood.

Past researchers on zakat have also shown that zakat has the capacity in increasing the income of the recipients, if it is distributed in the productive form such as loan and aid. Mutia & Zahara (2009), Zaelani (2013) and Mila Sartika (2008) in their research revealed that zakat contributes to the significant changes in the recipients income, and the more zakat fund distributed as a loan, the more income that the recipients’ get. Therefore, the zakat institutions do not only provide loan as capital for business in Indonesia, but also guide them in detail so that the zakat fund could be utilized effectively.

### 3. Research methodology

This research employed explanatory case study method, using content analysis to analyse the data. Purposive samplings have been used in identifying the informants for this study, as using purposive sampling is a non-random technique which does not require a set of informants number or underlying theories (Tongco, 2007). Therefore, the researchers have the freedom to decide what to be known and find people who are willing to provide

information by sharing the knowledge and experience. Semi-structured, face-to-face interviews have been conducted with the respondents who involved directly with the programs.

Therefore, a total of five respondents who managed, administered and monitored the program have been interviewed to obtain the information. Though the number of informants is small, saturation concept has been used as in qualitative studies, saturation is generally used by the researchers as a guiding principle during the collection of data (Mason, 2010). As such, Morse (2008) as cited by Mason (2010) confided that the interviewer's skills give an effect on the quality of data collected and subsequently in achieving the saturation. Since the quality of the data is the measurement of its value, therefore the sample size will become irrelevant (Mason, 2010).

#### 4. Capital assistance programs by SZB

Selangor Collection Centre (PZS) was registered in year 1994 under the name of Mais Zakat Sdn. Bhd. In 2006, PZS has been upgraded to an institution, namely Selangor Zakat Board (SZB) and was incorporated under The Trustee Act (Incorporation) 1952 (Mohamed Izam Mohamed Yusof, 2013). In March 2011, SZB has set-up the *Asnaf* Entrepreneur Development Centre (PPA) with the objective to develop the recipients to become entrepreneur and also to remove or withdraw the recipients from the zakat receiver's category.

In developing the recipients to become successful entrepreneurs, SZB has developed various programs for the recipients. Through the entrepreneurship financing program, the recipients are given opportunity to involve themselves in the various field of entrepreneurship and it is the priority of zakat institution to take care of the economic development of the recipients (Abdul Hamid 2011). The capital assistance programs organized by SZB are mainly consists of programs for retail and manufacturing sectors. SZB has few solid economic programs for the recipients such as mobile entrepreneur, *asnaf* market and LPG cooking gas distributors (Mohamed Izam, 2010). Therefore, in this research, the following capital assistance programs have been identified:-

##### 4.1. Mobile entrepreneur

In this program, the eligible entrepreneur will be given small lorry (1 tonne) which has been modified to sell food from one place to another. Currently there are approximately 20 lorries operating in Selangor and SZB is in the midst of approving for another 20 lorries. The cost of one lorry is around RM40,000 complete with all the equipment and generator. In addition to the lorry, the recipients will also be given working capital of RM4,500 to operate the business. Through mobile entrepreneur, the recipients are able to increase their income and subsequently remove themselves from the poor and needy category. The average monthly income through mobile entrepreneur program is around RM8, 000 to RM10, 000 and in fact, there are also recipients who can earn as much as RM12, 000 per month.

All the respondents (PM1,E1,E2,E3 and AM1) has agreed that mobile entrepreneurs are the most effective program for the recipients and this program is able to transform the recipients from being the zakat receiver to zakat payer. PM1 has mentioned the following:-

“Out of 10 lorries that we approved and gave to the recipients, only 1 recipient is less successful. The mobile entrepreneur program is the most effective program to transform the recipients as the results can be seen in as early as 6 months. In fact, some of the recipients can earn as much as RM12,000 and within 3 months, they are out from the poor and needy category”

E1 shared similar opinion with PM1 on the success of mobile entrepreneur program, where E1 has mentioned the following:-

“The mobile entrepreneur program is the most successful program in transforming the recipients. First, this business is not static at and having mobile business offers flexibility to the recipients. If one month they feel the current place of business is not good, they can move to another place and they can operate their business from day to night. For instance, in the morning, they can go to factories and at night they can go to shopping complex area. Their income is usually high and easy to obtain license for the mobile business”

Feedback from E2 indicated that mobile entrepreneur program has been effective in assisting the recipients to

earn better income. E2's feedback is as follows:-

“The recipients who apply for the mobile entrepreneur must have business background as we already invested such a big amount to modify the lorry. So far, out of 10 lorries that has been approved for the recipients to operate, only 1 or 2 are less successful as compared to others”

In addition, AM1 has voiced out his concern on the amount invested in the mobile entrepreneur program, but did acknowledged on the effectiveness of the program. AM1 has expressed his views as follows:-

“We give them lorries costing RM50, 000 each or even more, complete with everything. So we bind them with agreement and so far this program has been successful for the recipients”.

#### 4.2. *LPG gas*

This program provides lorry to transport and distribute LPG gas in Selangor. In other words, those participating in this program become the distributor of cooking gas. In this program, the recipients will be provided with lorry and supply of LPG gas and the cost of this program for each recipient is RM50,000. The supplies of LPG gas are sourced from Shell. Apart from mobile entrepreneur, this program is also effective in removing the recipients from the poor and the needy category. The program requires physical energy as the recipients need to carry the LPG gas when distributing to the customers. Apart from mobile entrepreneur, this program is also effective in increasing the income of the recipients. PM1 confided that LPG gas programs do help the recipients in increasing their economic status. PM1 mentioned as follows:-

“This program is also effective for recipients in increasing their income. If we provide four lorries to the recipients, all four managed to remove themselves from the poor and needy category. Some even want to purchase more lorries”.

E1, E2, E3 and AM1 shares the same views with PM1, who concur that LPG gas program is also effective in transforming the recipients to zakat payer. AM1 opinion on the success of LPG gas program as follows:-

“LPG gas program assists the recipients to have their own business and we can admit that most of the programs that we have here is 100% increasing the income of the recipients”

Feedback from the respondents indicates that apart from mobile entrepreneur, LPG gas program also has been quite effective in increasing the income of the recipients and able to transform them to become zakat contributors. In addition, E1 confided that LPG gas program is very effective in increasing the income of the recipients. E1 mentioned as follows:-

“We have two effective programs for the recipients. The first one is mobile entrepreneur and the second one is LPG Gas. However, LPG gas requires someone who has physical ability because they need to drive the lorry and carry the gas cylinder”.

#### 4.3. *My Burger stall*

My Burger Stall is one of the programs under *Asnaf* Entrepreneurial Development Program, apart from Mobile Entrepreneur and LPG Gas. In this program, the recipients will be equipped with burger stall complete with equipment, raw material and also trainings prior to starting the business. The cost of each complete burger stall together with the raw material is RM9, 000 each. Starting from year 2012 up to 2013, SZB has approved approximately 30 My Burger stalls in the area of Selangor. The brand of ‘My Burger’ was developed and registered by SZB. As compared to the Mobile Entrepreneur program and LPG Gas program, My Burger stall is less successful, but there are recipients who are able to generate income through this program. With this regards, PM1 has mentioned the followings:-

“My burger is our brand developed under SZB. Currently we have approximately 30 burger stalls in the state of Selangor. In terms of the success of this program, the rate is not as encouraging as the other two programs. So, we can see for this program the success rate is just 50%”.

Similarly, E2 confided that the success of My Burger would largely depend on the location. E2 stressed as follows:-

“Currently, there are recipients who are quite ok and there are some who are not ok, because it depends on the location. I can see the area or location which is pack with people, the performance are ok. So, out of 30 my burger stalls that we gave, 20 are successful. The success of My Burger is largely depending on the location and the menu”.

The above statements are consistent with the statements by AM1 who confided as follows:-

“Normally, we gave capital assistance to those who have experience in handling small business. So, most of our programs are quite successful. As for My Burger program, the rate of success is just around 50%”.

E1, E2 and E3 also agreed that the performance of My Burger is not as impressive as Mobile Entrepreneur and LPG Gas. E3 mentioned as follows:-

“My Burger stalls depend on location. If the location is good, then the income is also good. My Burger is not as successful as mobile entrepreneur because it is not flexible and only fixed to a certain location”

Apart from mobile entrepreneur, LPG gas and My Burger, other programs handled by SZB is *Asnaf* Market, and sewing workshop. However, the sewing workshop is not aimed at withdrawing the recipients from their category, but more on providing employment opportunity for the recipients. Overall, based on the first objective of this study has identified that the capital assistance program is the most effective in withdrawing the recipients from the poor and needy category, followed with LPG gas program.

## 5. Factors contributing to the success of the programs

In analyzing the factors that contributes to the success of the programs by SZB, the following factors have been identified:-

### 5.1. Repayments in the form of savings

The capital assistance program by SZB does not require the recipients to pay back the capital provided to them. However, to instill the responsibility and also to determine the commitment among the recipients towards the program, SZB has imposed force savings system where each recipient need to contribute fixed amount of money to SZB, of which will be returned to the recipients at the end of the program. With regards to the savings contributed by the recipients, PM1 mentioned as follows:-

“We cannot give loan out of zakat fund, so what we did is that, since we pay cash to the lorry dealer, and helped them to modify the lorry, we established what we called savings concept. If you look to those who are not eligible for zakat fund, they need to buy their own lorry through loan with bank, and they have to pay RM750 for RM50,000 loan. So, the recipients in this case do not have to pay the installments for the lorry and because of this, we want them to commit like those who have to pay for the lorry. So we make an agreement with the recipients to commit only RM300 per month for 3 years so that the savings could serve as additional capital should they want to expand their business. The savings method seems to be effective for this program”.

Similarly, AM1 agreed that the forced savings concept does contribute to the success of the capital assistance program. AM1 views the forced savings concept as follows:-

“For me, the forced savings concept really helps the success of the capital assistance programs. So this savings, after the end of the program, we will change the ownership of the lorry from SZB to the recipients and we will give back their savings. We do this because we don’t want the recipient to sell the lorry”.

In addition, E2 confided that since there will be no repayments imposed, the savings concept will be very much helpful to ensure the continuity of the program. E2 views as follows:-

“We don’t ask them to payback the capital, and therefore we will ask them to contribute certain amount of savings. For instance, in My Burger program, the recipients are required to contribute RM200 per month and I believed, the forced savings method taught them to be committed to the program and ensure the program will be on-going”.

In explaining the concepts of savings among the recipients, PM1 confided as follows:-

“The concept of savings that we imposed on the recipients actually assisted them to become very successful. Here in SZB, the concept is to develop the recipients and not to feed them. So we want them to experience what those people who didn’t receive zakat had experienced. So if we don’t impose savings on the recipients, they will not save money. We make an agreement with them, if they delay the contribution of savings for 3 days, we will repossess the lorry and we are very firm on this matter”.

Though no repayments have been imposed, the forced saving concepts were used to ensure the commitment of the recipients. The above findings are consistent with the findings by Roodman and Qureshi, (2006) where forced or compulsory savings was introduced by the microfinance institution to nurture the habit and discipline of regular savings (Roodman & Qureshi, 2006). In addition, Abd Wahab and Abdul Rahman (2011) have included savings as the wealth creation mechanism. Similarly, Kashif, Durrani, Malik, and Ahmad (2011) in their study has cited the work of Gopalan in 2007 who concluded that microfinance enhance the self-assurance of the poor by making the poor capable of savings. Previous research on measuring the efficiency and the stability of the microfinance programs in Bangladesh by Hoque and Rahman (2003) revealed that more than 60% of the respondents have experienced increase in savings after enjoying the micro loans.

## 5.2. *Collaboration with external agencies*

Collaboration has been called with many names, such as partnership, alliances, network, inter-organizational relationship, partnership and few others. Collaboration plays an important role in the capital assistance program especially in providing assistance in the form of technical advices, skills, experiences, expertise to the organization which don’t have the expertise required. In SZB, particularly in capital assistance program, collaboration has been done with other government agencies to smoothen the implementation of the program. In this study, it was found that collaboration with the other government agencies has helped the program to become successful. PM1 agreed that collaboration has made the program more meaningful and assisted the recipients to become more competent. PM1 views collaboration as follows:-

“Now we have collaboration with RISDA (Rubber Institute of Smallholders Development Authority) in Ulu Langat, Selangor. RISDA have few vacant shop lots, so we contacted RISDA to rent their shop lots for our entrepreneurs who are operating from home. We make an agreement with RISDA for five years. Why five years? Because we have renovated the shop lots and invested a lot of money and let say the entrepreneur only rented for 1 year, we can always offer the shop lots to the other entrepreneurs so that we will not waste our investments in the renovation. Yes, collaboration helps the recipients to run the business, and even they are not receiving zakat fund anymore, they can always collaborate with RISDA or other agencies to expand their business”

PM1 further added that collaboration also helps the recipients to market their product more effectively and more successfully. PM1 further confided as follows:-

“In developing the product for the recipients, we have collaborated with SIRIM (Standards and Industrial Research Institute of Malaysia (SIRIM). For instance, for recipients who manufactured *bahulu*, before, we use consultants in terms of packaging the products, getting the barcode and nutritional facts, stickers and so on. Now, we wanted the entrepreneur to do on their own and therefore we arranged with SIRIM to guide them on all this matters and with the help of SIRIM, these entrepreneurs able to market their product more effectively and their product would have better chances to be accepted by the customers. Furthermore, we printed on the sticker, that this products are produced by “*Asnaf* Entrepreneur guided by SZB”

Similar view was shared by AM1 who acknowledge that the collaboration with other government agencies is needed for the success of the program. AM1 mentioned as follows:-

“The collaboration with other government agencies is very important for the capital assistance program because we don’t have the expertise. We, the staff, there are things that we don’t know and of course we have the knowledge in accounting, operations, but things like packaging, the expiry of the product, nutritional facts, barcode, that are not our expertise and we have to collaborate with other agencies to help us in developing the recipients as entrepreneurs”

Similarly, E1, E2 and E3 also acknowledge that collaboration plays important role in the success of the program. E3 mentioned collaboration helped to smooth out the operations of the business. E3 has mentioned:-

“Here SZB do collaborate with external agencies such as RISDA, SIRIM. SIRIM is more on the development of the product. As for mobile entrepreneur program, we collaborated with the Local council to arrange for the business license. Apart from the local council, we collaborated with suppliers such as KFC to supply the raw materials. Collaborations with external agencies are very important as they can offer experience and expertise that we don’t have.”

Nonetheless, E2 views collaboration as reducing the workload of the staff and saving times. E2 views collaboration as:-

“Collaboration is important in a program because there are a lot of things that we have to do. There are too many things to do. So, if we collaborate with external agencies, then it makes our works easier. Collaboration is vital for the success of a program. For instance, for my burger stall, we collaborated with Azmi Burger who is responsible to supply the burger stall, supply the raw materials and even monitor for us. So if we do not collaborate, then it would be difficult”

However, apart from agreeing that collaboration plays important role in the capital assistance program, E3 has highlighted some quality control issues with the suppliers which they have worked with. E3 has confided as follows:-

“Currently, we have collaborated with two suppliers, Supplier A and Supplier B to supply fabrics to our sewing workshops. When we have 2 suppliers, then we have issues on quality control of the fabrics which are differs between these two suppliers and therefore the recipients will received fabrics with two different qualities. However, now we have person in charge of quality control and should not have any major problem then. So, collaboration do assist us in making the program a success, but also have setback.”

As such, although collaboration did have setbacks or encounter challenges, but through collaborative relationship, knowledge and other important strategically resources are accessed and created (Baker, Kan, & Teo, 2011). In addition, systematic collaborations between zakat institutions and the government agencies will create more robust zakat system which benefits the society and the nation.



## 6. Challenges of the program

In implementing the capital assistance program, SZB need to face with a few challenges and among the challenges which has been identified are as follows:-

### 6.1. Lack of staff

Lack of staff to administer and monitor the program is one of the biggest challenges faced by SZB. PM1 agreed that currently SZB does not have enough staff to handle all the recipients for the whole state of Selangor. PM1 highlighted as follows:-

“Lack of staff is one of the challenges that SZB need to face. If we target to withdraw or remove 308 recipients from the poor and needy category, we need to develop 1500 to 2000 recipients because not everybody will become successful entrepreneurs. There are cases where when we have helped them, they still come back to us, it’s like we the one who running the business”.

Similarly, E1, E2, E3 and AM1 agreed that SZB experienced inadequate number of staff to handle the program. E1 has mentioned the following:-

“Lack of staff is the major problem in SZB as those participating the projects need continuous monitoring. So if we don’t have enough staff, it is difficult to achieve SZB’s objective, which is to transform the recipients within 6 months, as within this period, continuous period are needed. When we developed too many entrepreneurs, and we don’t have enough staff, we cannot monitor the recipients and those who are ok, it should turn out to be ok, but those who are not ok and we did not monitor, the entrepreneurs might become poor and needy again”

On the other hand, E2 feels that currently SZB have sufficient staff to handle all the programs. E2 views as follows:

“I think, since only one person to handle one program, but if we have more staff, than things would be easy and efficient. I think currently it is still manageable, but maybe SZB need more staff to handle the program efficiently”.

E3 shares similar findings where E3 mentioned as follows:-

“For the sewing workshop project, I have to handle approximately 40 recipients and out of 40 recipients, my KPI is to make sure that between 5 to 8 recipients will be no longer in the poor and needy category. So, it is such a long list and with only one person to handle one program, it is quite a challenge for us”.

### 6.2. High turnaround time for approval

Apart from lack of staff to handle the capital assistance programs, high turnaround time to obtain approval for the fund for each recipient has been identified as one of the challenges faced by SZB. PM1 stressed as follows:-

“Yes, procedure is one of the challenges. Let say, I want to get approval for 10 lorries and each lorry costing RM50,000, so roughly all together is RM500,000. So, if it’s RM500,000 and above, I have to go through the board for approval. The board meeting is once every 3 months and the turnaround time is quite long as we have to go through the board, then need to get the recipients to attend course, interview them and average turnaround time from submitting the application up to getting the lorry is around 6 months”

The other respondents such as E1, E2, E3 and AM1 concurs that approval procedures is very long and time consuming. E1 highlighted the long turnaround time for the approval could also relate to internal problem of SZB.

E1 stressed as follows:-

“For Ayamas project, the high turnaround time could be the internal problem. For lorry it involved big amount of money, so from preparing the paperwork, then approved, the process took 3 months just to get the approval from the board”.

The turnaround time differs from each program to another. The Mobile Entrepreneur took 6 months as the amount is quite substantial and has to go through the board meeting. As for My Burger program, the process to get the approval for the program is around 1 month. E2 confided as follows:-

“For My Burger program, the process would depend on the availability of the stalls from the consultant. If the stall is ready and the location has been fixed, the recipients will get the stall in one week after the approval. However, if the stall is not ready, the recipients may have to wait for the consultants until the stall is available. Normally, it is less than one month”.

Similarly, AM1 mentioned that the turnaround time for the approval is case to case basis, depending on the program. AM1 mentioned the followings:-

“In terms of turnaround time, it depends, for instance *Asnaf* Market is very fast, between 2 weeks to 1 month, because this project is based on group and if we see there is a need for the program, then we will do. However, for lorry, the turnaround time is longer because it involved big amount so, it took about 6 months to get it approved. Let say one lorry is around RM50, 000 and if 10 lorry, the total is RM500, 000. We cannot buy one lorry at one time because we worry there will be duplication of purchase, that is our procedure. So, again, the turnaround time would depend on the project or program”.

### 6.3. Attitude of the recipients

Attitude of the recipients has been identified as one of the challenges faced by SZB. According to PM1, most of the recipients failed to report the actual income of their business or has not been transparent in declaring their income to SZB. PM1 has highlighted the following:-

“Most of the entrepreneurs did not tell us their actual business income because they are not ready or scared to be declared as non-recipients of zakat. This might be due to the fact that as long as they stay in the poor and needy category, they will receive various assistance such as education for children, school fees, festive assistance, monthly allowance, so if they reported their actual income and we declare that they no longer in the poor and needy category, they will not get all those assistance anymore. They are more comfortable to stay in the poor and needy category. Maybe in Selangor, they are too comfortable. We gave them house, school fees for their children, so it's seems like feeding them, not developing them”.

Similarly, AM1 agreed with PM1 that one of the challenges faced by SZB is the attitude of the recipients. AM1 says:-

“Our problem is the attitude of the recipients. We didn't get the correct information from them. When we interviewed them, everything is ok but when they are here, different story. They have the mentality of not wanting to withdraw themselves from the poor and needy category and they gave us inaccurate report. For instance, in one day their income is RM300, and if we multiply with 10 days or 20 days or 30 days, it's a lot right? Around RM9,000? This is the information that we didn't get from them and they gave us incomplete information. But when we check, we go and visit, we observed, then it is confirmed that they gave us incorrect information”.

E1 on the other hand highlighted that some of the recipients are difficult to be developed as entrepreneurs due to narrow minded. E1 mentioned the followings:-

“...the parents are in the poor and needy category and the children also in the same category, so their

thinking is quite shallow, so difficult to develop them. If we want to groom them to become entrepreneur, it's a bit difficult and that was the challenges”

E2 also agreed that some of the recipients do have attitude problem, which caused problems to SZB. E2 stressed the followings:-

“Now, we are handling 30 My Burger stalls, but the problems are the recipients themselves. They submit the sales report late, and if they encountered problem, they refuse to settle and too dependent on us. Of course they need our help, but we expected that small problems can be settled on their own but it happened with some of the recipients, not all”.

The right attitude of the recipients is vital in achieving the program's objective. As confided by Md Ramli et al. (2011) zakat institution could identify the attitude of the recipients prior to giving out the assistance as attitude and attribute of the recipients is important to those recipients who wanted to run the business.

## 7. Conclusion

The capital assistance program, particular for retail and manufacturing sectors were seen as very effective in transforming the recipients. In this study, the mobile entrepreneur program has been identified as the most successful program for the recipients, followed by LPG gas program. These two programs has been reported as effective in increasing the income of the recipients and able to transform the status of the recipients from zakat receiver to zakat payer. Apart from mobile entrepreneur and LPG Gas program, other program such as My Burger has also been implemented by SZB as part of its entrepreneur development program. Collaboration with external agencies played an important role in ensuring various aspects of the business projects undertaken by recipients have a higher rate of success. The external agencies provide assistance and support in areas where SZB lacks. Despite having the effective capital assistance program for the recipients, there are also a few challenges faced by SZB in implementing the programs. Among the challenges are inadequate staff, high turnaround time for capital assistance application and approval as well as the attitude of the recipients itself.

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