

**THE RELATIONSHIP BETWEEN POVERTY  
ELIMINATION AND ASNAF ENTREPRENEURIAL  
SCHEME**

**YUSRINADINI ZAHIRAH BT MD ISA @ YUSUFF**

**UNIVERSITI UTARA MALAYSIA**

**2011**



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## **ABSTRACT**

This study investigates the relationship between poverty elimination and asnaf entrepreneurial scheme. It attempts to examine the economic role of zakah through asnaf entrepreneurial scheme to reduce income inequalities or poverty. A research model was developed based on previous study and observation. The target population of this study is the participants of asnaf entrepreneurial scheme in Kedah. A structured questionnaire was constructed to collect necessary data to answer the research questions. The problem in conducting this study was the limited resources from the previous study. The other problem is the number of participant in asnaf entrepreneurship scheme is quite small and it is difficult to reach them as they reside in different district. The objectives of this study are to examine the relationship on how asnaf entrepreneurial scheme towards poverty elimination. This study used the quantitative method involving 60 participants of asnaf entrepreneurial scheme conducted by Jabatan Zakat Negeri Kedah. The study revealed that the three approaches (Poverty Elimination, Asnaf's Quality of Life and Human Capital) did not truly have a positive relationship with asnaf entrepreneurial scheme. The study found that asnaf entrepreneurial scheme reduces poverty. However, the analyses revealed that asnaf entrepreneurial scheme did not really help asnaf's quality of life and their personal awareness (human capital).

## ABSTRAK

Kajian ini bertujuan untuk menyelidik hubungan antara penghapusan kemiskinan dan skim keusahawanan asraf. Ia bertujuan untuk menganalisis peranan institusi zakat melalui skim keusahawanan asraf dalam mengurangkan ketidakseimbangan agihan pendapatan dan mengatasi kemiskinan. Model kajian telah dibangunkan berdasarkan kajian terdahulu dan pemerhatian. Populasi sasaran kajian terdiri daripada peserta-peserta skim keusahawanan asraf negeri Kedah. Soalan kaji selidik telah dibentuk untuk mendapatkan data bagi menjawab soalan-soalan penyelidikan. Masalah yang dihadapi semasa menjalankan kajian ini adalah sumber kajian terdahulu yang sangat terhad. Selain itu, masalah lainnya ialah bilangan peserta skim keusahawanan asraf yang agak sedikit dan kesukaran untuk menghubungi peserta ini kerana perbezaan daerah tempat tinggal. Objektif kajian ini adalah untuk menentukan hubungan bagaimana skim keusahawanan asraf terhadap penghapusan kemiskinan. Kajian ini menggunakan kaedah kuantitatif melibatkan 60 orang peserta skim keusahawanan asraf dibawah kelolaan Jabatan Zakat Negeri Kedah. Hasil kajian mendapati bahawa tiga kaedah yang digunakan (Penghapusan Kemiskinan, Peningkatan Kualiti Hidup Asraf dan Modal Insan) tidak memberi hubungan yang positif dalam skim keusahawanan asraf. Kajian mendapati skim keusahawanan asraf dapat menghapuskan kemiskinan. Akan tetapi, dapatan kajian menunjukkan skim keusahawanan asraf seakan tidak membantu peningkatan kualiti hidup asraf dan kesedaran diri atau modal insan mereka.

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Together we are the greatest, May Allah consecrates us...

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## **List of Abbreviations**

### **Abbreviations**

ADP	: Annual Development Program
DEB	: Dasar Ekonomi Baru
DV	: Dependent Variable
HIPC	: Highly Indebted Poor Countries
IIUM	: International Islamic University Malaysia
JZNK	: Jabatan Zakat Negeri Kedah
KUIN	: Kolej Universiti Insaniah
LDC	: Least Developed Countries
LZS	: Lembaga Zakat Selangor
MAINS	: Majlis Agama Islam Negeri Sembilan
MAIWP	: Majlis Agama Islam Wilayah Persekutuan
MARA	: Majlis Amanah Rakyat
MECD	: Ministry of Entrepreneur and Co-operative Development
NEP	: New Economic Policy
PSZ	: Lembaga Zakat Selangor
PUSBA	: Pusat Bimbingan Dan Latihan Saudara Baru
PUZ	: Pusat Urus Zakat
SAW	: Sallallahu 'Alaihi Wasallam
SPSS	: Statistical Package for Social Sciences
SWT	: Subhanahu Wa Ta'ala
TEKUN	: Tabung Ekonomi Kumpulan Usaha Niaga
UM	: Universiti Malaya
UUM	: Universiti Utara Malaysia

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter discusses on the overview of research background and field of study. The problem statement is focusing on the areas of *zakah* as a main feature to eliminate poverty through business. Moreover, this chapter also draw attention on the research questions, research objectives, scope of study and significant of the research. On the other hand, this research aims to review the concept of *zakah*, *asnaf* and entrepreneurial development using *zakah* funds in Malaysia.

#### **1.2 Background of Study**

Azhar Nadeem (2010) expressed that *zakah* is the “right” of poor in wealth of rich. Payers of *zakah* do not oblige poor by giving *zakah* rather they just give them due “right”. Islam has compulsory this obligation as one of the five pillars of Islam. Someone who does not believe on any of these five pillars should not claim themselves as Muslim. It has been proof that *zakah* is really important in Islam as Allah has emphasized it several times in his Holy Quran:

*“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom.”* (Translation of at-Taubah : 60)

*“Of their goods, take alms, that so thou mightiest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who heareth and knoweth.”* (Translation of at-Taubah : 103)

*“And remember We took a covenant from the Children of Israel (to this effect): Worship none but Allah. Treat with kindness your parents and kindred, and orphans and those in need; speak fair to the people; be steadfast in prayer; and practise regular charity. Then did ye turn back, except a few among you, and ye backslide (even now).”* (Translation of al-Baqarah : 83)

*“So establish regular Prayer and give regular Charity; and obey the Messenger. That ye may receive mercy.”* (Translation of al-Nuur : 56)

Nowadays, *zakah* management authorities of several states in Malaysia decided to provide capital assistance to the poor (Nor Ghani Md . Nor *et al*, 2002). The increase in the amount of *zakah* in recent years should be more commonly utilized as a source of capital or as a business opportunity for the poor and needy. *Zakah* ought to be aimed as a benchmark to alleviate poverty by providing small amount of money to the needy to generate their income and lead them to the higher quality of life also become the payer of *zakah* in the future. The idea of this *zakah* fund is similarly to microfinance or microcredit programme which has been pioneered by Bangladeshi, Prof. Muhammad Yunus in 1976. Nowadays, several state religious authorities in Malaysia have taken the initiative to set up *zakah* administration bodies which are entrusted with

the management of *zakah* collection in their respective state. Over the years, the function of *zakah* administration bodies has evolved from *zakah* collection to all aspects of *zakah* administration, including distribution, *asnaf* development and poverty eradication activities (Abd Wahab and Adibah Hasanah, 2008).

*Konsep usahawan asnaf* or *asnaf* entrepreneurial scheme has been created by some *zakah* state authorities such as MAIWP, *Lembaga Zakat Selangor* (LZS), *Jabatan Zakat Negeri Kedah*, *Majlis Agama Islam Negeri Sembilan* (MAINS) and *Pusat Urus Zakat Pulau Pinang* (PUZ). This scheme or concept is paralleled to The Prophet (SAW - PBUH) in a *Hadith*, stated that 9/10 of livelihood comes from business, and Muslims were urged to strive and work hard for worldly success as if they were to live forever, though they were similarly urged to strive hard for their Hereafter with the mindset as if they were to die tomorrow. Therefore, the recipients of *zakah* or *asnaf* should be given *zakah* fund to start a business so that they are not depending to their monthly *zakah* allowance. By helping the poor and needy to start up a business would be a more effective way to counter poverty. *Zakah* fund can replace the microfinance scheme as provision of financial services to those people who are denied access to the financial market. It empowers people who can carry out projects with their own resources but lack adequate funds. Besides, it provides financial services to those, who are traditionally non bankable, mainly because they lack guarantees against risk.

The research will be done on distribution of *zakah* fund using the concept of entrepreneurial scheme. One of *the zakah*'s missions is to close the economic gap in society to the minimum

standard. The main purpose is to have equitable economic differences in our society in order not to make the rich become richer and the poor become poorer. *Zakah* authorities such as *Baitulmal* and *zakah* state authorities have allocated some percentage for business assistance scheme or *asnaf* entrepreneurial scheme. *Zakah* which is paid to please God will encourage people to use the fund to get more property and to pay *zakah* and then to get the pleasure of Allah is greater.

It also will be focused on the allocation of *zakah* fund and how it benefits the recipients or *asnaf* in order to increase their income as well as improve their quality of life. The data collection will be based on interviewing *zakah* officer and questionnaires given to the recipients' of *asnaf* entrepreneurial scheme in Kedah or known as *Bantuan Jaya Diri* by *Jabatan Zakat Negeri Kedah*.

### **1.3 Problem Statement**

Mohd Abd Wahab and Adibah Hasanah (2008), highlighted that entrepreneurial world is a challenging field and have many challenges. Individual who wish to join this field should prepare them physically, mentally and materially. For instance, they should prepare themselves with the knowledge, skills and business capital (materials). Unfortunately, it is seem to be impossible for *asnaf* if they will not be guided. Hence, in order to produce entrepreneurs, Islam has stated some financial guidelines in creating fund for the benefit of Muslim. There are a lot of Islamic financial instrument which can give high contribution for the Muslim benefit. The best

example is *zakah* institutions which carried out *amanah* or responsibilities in solving the financial burden among the poor and needy also try to lead them to be entrepreneurs which guide them to a better life.

*Asnaf* or recipients of *zakah* will be given a small amount of cash money, minimum is RM 500 and the maximum is RM 5, 000. Basically, the procedure for *asnaf* applying this fund is quite easy as they only need to show or to prove their business license without any additional requirements such as guarantor, their business improvement record or business plan. While the fund is 100% free as it is not a loan and they do not need to pay it back. This scheme is really helping the poor and needy to be independent which mean not to depend on their *zakah* monthly allowances to continue their living and at the same time the scheme can improve them to better life.

However, there are some problems that arise. First, the number of recipients is still in a small number and the fund allocation also quite small. Rosbi Abd Rahman *et al* (2008) quoted from *Laporan Tahunan Zakat 2005*, *zakah* allocation for this entrepreneur scheme in 2000 is only RM 405, 710 for 143 *asnaf* and it increased to RM 439, 461 in 2004 for 139 *asnaf* while RM 436,150 for 141 *asnaf* in 2005. From the data, the amount of fund allocated for this scheme is not even 1% from the total of *zakah* allocation for each year. The total of Malaysia's *zakah* collection in 2009 was RM 1.03 billion and it is a huge amount compare to 2007 which was RM 830 million. On the other hand, *Jabatan Zakat Negeri Kedah* presented that *zakah* collection in Kedah had increased from RM 5.7 billion to RM7.1 billion. It seems that, the awareness of paying *zakah* is

increasing and *zakah* institutions or authorities should use the *zakah* collection in effective way in order to eliminate poverty.

Second, the allocation of *zakah* fund under *asnaf* entrepreneurial scheme is only in term of material and money. The recipients or *asnaf* are not guided in term of training and consultation to be a successful entrepreneur. They are only exposed to the basic concept or knowledge of entrepreneur skills. There are five phases which the *asnaf* need to go through to make sure that they are able and deserve to be an entrepreneur. The five phases are exposure, education, implementation, marketing and monitoring. However, all the phases are just the “requirement” and not implemented as a whole.

Third, generally the officers in the institutions that manage this entrepreneurship scheme are from religious background and they don't have the real knowledge or expertise in dealing with entrepreneurship. As a result, they cannot guide the *asnaf* in managing their business. It is best if the *zakah* institution could have some expertise in entrepreneurship field that can help and guide the *asnaf* in solving the problems.

#### **1.4 Research Questions**

The research questions for this research are:

- i. How can *asnaf* entrepreneurial scheme eliminate poverty?
- ii. Does this entrepreneurial scheme help the *asnaf* to be independent?

## 1.5 Research Objectives

Based on the research questions, the following research objectives were framed:

- 1.5.1 To identify how the *asnaf* entrepreneurial scheme could lead to poverty elimination.
- 1.5.2 To know the impacts of *asnaf* entrepreneurial scheme towards *asnaf*'s quality of life.
- 1.4.3 To investigate how *asnaf* entrepreneurial scheme could improve *asnaf*'s human capital.

## 1.6 Significant of Research

Several researches have been done regarding implementation of *zakah* as a source of capital for *asnaf* to start business. It is clear that Malaysia's economic objective is to increase our economic growth as well as to counter poverty. Hence, in this case *zakah* is seemed to be an important role or one of the indicators in implement this objective. Nasim Shah & Md. Fouad (2006) quoted from Ahmed Habib (2008), although macroeconomics policies play pivotal role in alleviating poverty, yet it cannot be eliminated without use of *zakah* in an effective way. He is of the view that *zakah* can make an impact on poverty provided that it is complemented by robust macroeconomics policies that increase growth and redistribute income and when larger portion of *zakah* is used for productive purposes.

*Zakah* as an internal part of Islamic belief also is an economic concept and has socio economic implications. If all Islamic countries implement it, starvation would be eliminated from this

world. “There is a need to seek credible programs and strategies that can effectively mitigate poverty. In this regard, one of the important pillars of combating poverty in Muslim societies is the institution of *zakah*. *Zakah* along with other charitable institutions emerged as a result of specific emphasis of Islam on meeting the needs of less privileged members of the society. Early Islamic history demonstrates this charitable institution to be very effective in taking care of the needy sections of the population in Muslim societies. Narrations from the time of Umar bin al-Khattab (13-22H) and Umar bin Abdul Aziz (99-101H) indicate that poverty was eliminated during the time of these two rulers, as *zakah* collected in some regions could not be disbursed due to lack of poor recipients” ( Ahmed Habib, 2004).

As the world changing, *zakah* institutions try to make the distribution of *zakah* more effective or distribute it into various ways. It is also for the purpose of the recipients of *zakah* or *asnaf* to not 100% depending on the *zakah* allowance to support their entire life. Consequently, *asnaf* entrepreneurial scheme has been created by giving small amount of money for *asnaf* to form a small business or to enable them to purchase the equipment and materials they need to lift them out of poverty. The core objective of this scheme is to eradicate poverty as well as to raise income levels and to broaden financial markets by providing financial or non financial to the financially excluded people. It also targets the *asnaf* and the economically active poor in the society to assist them create wealth, accumulate assets and raise income to smooth consumption.

## 1.7 Term Definition

The research used some definition of the term and concepts which will be applied throughout this research. The concepts have been applied to maintain the consistency and flows of the research. The definitions of the term and concept used are as follows:

### 1.7.1 *Zakah*

*Zakah* is one of the main pillars in Islam. It is religious obligatory for Muslims as a contribution or to share their income with the poor and needy. Abdul Aziz (1993), defined *zakah* literally as ‘growth’ or ‘increase’ and also purity. It is compulsory for Muslim who possesses over a prescribe limit of wealth to pay a certain amount to poor. *Zakah* plays an important role in eliminating poverty. Although macroeconomic policies also are the main factor in reducing poverty, *zakah* still be the effective way or the main contributor for poverty alleviation in Bangladesh. However, the impact on poverty will only be significant when a large percentage of *zakah* proceeds are used for productive purposes (Habib Ahmed, 2008).

Abdul Aziz Muhammad (1993) elaborated *zakah* literally as “growth” or “increase” (as in the phrase *zakat al zar*, the crop grew) and also “purity” (as in the Qur’anic phrase *qad aflaha man tazakka* (al-A’laa:14) which means ‘verily the pure one prospered’). As such, this religious obligation which is also an important instrument for social justice, has been named *zakah* “with respect to the first meaning of the word because its giving leads to increase of prosperity in this

world, and growth of religious merit, (*thawab*) in the next; and with respect to the second meaning, because its payment purifies from sins". The Qur'an states:

*"Take from their property alms (sadaqah) in order thus to purify them. i.e. from their sins" (translation of al-Taubah:104)*

Abdul Aziz Muhammad (1993) added, in fact the words *zakah* and *sadaqah* are used interchangeably in the Qur'an, some jurists particularly al-Shafi'I and al-Mawardi held that there is no difference in meaning between these two terms. Technically, however, most jurists have used the former for 'compulsory due' the latter for 'voluntary charity'. In other words, while every *zakah* is *sadaqah*, only the *sadaqah* which is fard (obligatory) is 'trustworthiness'. The denoted that '*sadaqah*' or '*zakah*' when practiced, create the necessary bond or trust between the haves and have-nots. The Qur'an categorically states:

*"And those in whose wealth is a recognized right (haqq ma'lum) for the needy who asks and him who is prevented (for some reason from asking)" (translation of al-Ma'aarij)*

### **1.7.2 Microfinance**

Nasrin Shahinpoor (2009) defined microfinance as the giving of small loans to people who need capital to start a small business and become self-employed to help them and build a sustainable future. With microfinance, poor people are given an opportunity to change their lives with capital and sweat equity.

On the other hand, Grameen Bank has defined microfinance or microcredit as a small amount of money given to the poor as a loan to start up small business. The concept of microfinance which has been pioneered by Professor Muhammad Yunus is by formation of groups and centres, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers. Grameen Bank brought credit to the poor, women, the illiterate and the people who pleaded that they did not know how to invest money and earn an income. It created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable term enabling the poor to build on their existing skill to earn a better income in each cycle of loans (Grameen Bank's website, 2010).

Hartarska and Holtman (2009) quoted from Armendariz de Agion and Morduch (2005), that microfinance started as a collection of banking practices built around providing small loans typically without collateral and accepting tiny savings deposits. Microfinance programs seek to reduce poverty by promoting self-employment and entrepreneurship as well as by alleviating liquidity constraints and contributing to consumption and income-smoothing. It pursues the double bottom-line objective of outreach (serving the poor) and self-sustainability (cost coverage).

### **1.7.3 *Awqaf***

Hisham Dafterdar (2010) highlighted *awqaf* as an Islamic concept of transferring ownership of assets by a person to be held in trust for the purpose of using it or its usufruct for a general or a

specific charitable purpose. Charitable purposes are not limited to a finite list and may include the relief of poverty, the relief of the needs of the aged, the relief of sickness or distress, the advancement of religion, education and other purposes that enhance the quality of life.

Whereas, Kahf (1998) stated that Islamic *Awqaf* properties make up a considerable proportion of the societal wealth in several Muslim countries. The idea of *Waqf* itself is also a principle that entails generous applications in the direction of developing the non-profit, non-governmental sector and increasing the quantity of welfare services that aim at improving the socio-economic welfare of a society. From *Shari'ah* point of view, *Waqf* could be defined as holding a *Maal* (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness/philanthropy. For this reason, *Waqf* is a constantly usufruct-giving asset as long as its principal is preserved. Preservation of principal may result from its own nature as in land or from arrangements and conditions prescribed by the *Waqf* founder.

#### **1.7.4 Entrepreneur**

Kuratko D.F. (2009) defined entrepreneurs as individuals who recognize opportunities where others see chaos or confusion. “Entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts these opportunities into workable/marketable ideas; adds value

through time, effort, money, or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts”.

#### **1.7.5 Entrepreneurship**

Robert, D.Hisrich. *et al* (2008) described entrepreneurship as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence.

#### **1.7.6 Entrepreneurial Scheme**

Entrepreneurial scheme is a programme designed by *zakah* authorities such as *Pusat Zakat Selangor* (PSZ) and *Jabatan Zakat Negeri Kedah* to aid and support *asnaf* who wish to conduct business. The selected *asnaf* or *zakah*’s recipients in this scheme will gain access to *zakah* authorities who have specified technical knowledge as well as receiving funding towards the cost of their business idea.

### 1.7.7 *Asnaf*

*Asnaf* is the group of people who deserve to receive *zakah* fund. The eight group of *asnaf* will be explained further in the next chapter.

## 1.8 Chapter Summary

In conclusion, this chapter discussed the research background, problem statement, research questions, research objectives, significance of research and term definitions. The next chapter will elaborate on literature review, concept of *zakah* and its relationship to eliminate poverty also theoretical framework in carrying out on this research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discussed and explained the concept that been be used in this research. There are concept and sources of *zakah* which could be used in *asnaf* entrepreneurial scheme. The relationship between *zakah* and poverty elimination will also be explained in detail.

#### **2.2 Concept of Zakah**

Mohamad Uda Kasim (2005) mentioned that *zakah* has it specific regulation and resources, then it will distributed to specific group and limited to focusing on humanitarian and Islamic. Therefore *zakah* has been placed under as one specific institution and not be joined with government structure and it has widen effects from a range of programme organized to it recipients.

Islam emphasized *zakah* obligation to it ummah is not only for the purposes of collection of property or to help the needy, but the main purpose is to make people have high moral value rather than their property and to remind them not be a slave to their own property or ease.

Therefore, the important of *zakah* in Islam play an important role both to the payer of *zakah* and the recipients. Mohamad Uda Kasim (2005) categorized the benefit (*hikmah*) of *zakah* into ten as follows:

- i. *Zakah* clean soul from being stingy

*“But those who before them, had homes (in Medina) and had adopted the Faith,- show their affection to such as came to them for refuge, and entertain no desire in their hearts for things given to the (latter), but give them preference over themselves, even though poverty was their (own lot). And those saved from the covetousness of their own souls,- they are the ones that achieve prosperity.”* (translation of al-Hasyr : 9)

- ii. *Zakah* to educate, to *infak* and to give

*“Aliff Lam Minn.. This is the Book; in it is guidance sure, without doubt, to those who fear Allah.. Who believe in the Unseen, are steadfast in prayer, and spend out of what We have provided for them;”* (translation of al-Imran : 1-3)

- iii. Character with the character of Allah

- iv. *Zakah* is the manifestation of thanks to the gift of Allah

- v. *Zakah* cure heart from the disease of loving worldly enjoyment

*“Believe in Allah and His apostle, and spend (in charity) out of the (substance) whereof He has made you heirs. For, those of you who believe and spend (in charity),- for them is a great Reward.”* (translation of al-Hadid : 7)

- vi. *Zakah* develop spiritual wealth
- vii. *Zakah* attract charity and love
- viii. *Zakah* purifies wealth
- ix. *Zakah* does not clean illegal property
- x. *Zakah* expand the property

*"That which ye lay out for increase through the property of (other) people, will have no increase with Allah. but that which ye lay out for charity, seeking the Countenance of Allah, (will increase): it is these who will get a recompense multiplied." (translation of al-Ruum : 39)*

Mohd Abd Wahab Fatoni and Adibah Hasanah (2008) defined *asnaf* or recipients of *zakah* as group of people of those determined by Allah and are entitled to receive *zakah* and alms. *Zakah* cannot be distributed by authorities' by own discretion but the determined of Allah as stated in the Qur'an. In addition, in general *asnaf* entrepreneurial scheme is a group of *asnaf* that has been trained to be entrepreneurs. This group will be given full attention and assistance by the relevant authorities during the scheme. This is because they are not able to start their business due to lack of funds. Thus, in order to fulfill the worldly need and in order to expand Muslim economy, several *zakah* institutions had shown their concern in generating entrepreneurs among the *asnaf*. Among the characteristics to be an *asnaf* entrepreneur is the same as to be an entrepreneur. However, there are some additional characters to *asnaf* entrepreneur which are:

- i. Wish to be independent
- ii. Not easy to give up
- iii. Wish to change themselves and life

iv. Have high aim

Ahmed Habib (2004) saw *zakah* as a tool for poverty alleviation in Muslim countries. *Zakah* can be integrated into two which are integrating *zakah* into the overall development strategy and aspects relate to institutional development that will enable to enhance the use of *zakah* in poverty alleviation. The disbursement of *zakah* funds to the right target group with the appropriate impact determines whether the social objectives of the organization are reached. It is assumed that most of *zakah* proceeds most likely go for income support purposes and does not solve the problem of poverty in the long run. The result from Ahmed Habib's research indicated that in order to solve the problem of poverty, the focus of the *zakah* disbursements should be on capacity building and wealth creation instead of income support.

“Furthermore, to empower people and build capacity, there may be a need to coordinate with other welfare oriented organizations and also establish institutions that can facilitate this. *Zakah* funds can be disbursed by the public *zakah* agency to different institutions that are involved in serving the poor. One option of using *zakah* proceeds productively is to use it in financing microenterprises. Ahmed (2002) & Kahf (2004) maintain that *zakah* and *awqaf* can be used to provide microfinancing to the poor. The returns from *awqaf* and funds from *sadaqat* can be used to finance productive microenterprise at subsidized rates. In addition, *zakah* can be given out to the poor for both investment and consumption support will help avoid divergence of funds from productive heads. The combination of microfinancing and *zakah* funds will make it easier for the poor to break out the poverty cycle” (Ahmed Habib, 2004).

Patmawati Ibrahim (2007) explained that *zakah* play an important role in Islamic economic system in order to solve poverty. The idea of *asnaf* entrepreneurial scheme under *zakah* fund is seemed as an effective in eliminating poverty. The recipients of *zakah* should depend on it as a life time allowance. They should find the other ways in improving their life. Consequently, *zakah* fund should be the main source as the capital assistance for *asnaf* to start their business.

Mohd Parid (2001) described that there are eight concepts in distributing *zakah* fund from Islamic perspective. The eight concepts are the distribution of *zakah* should use eliminating poverty approach which will defend the weak group, disable or oppressed by creating self-reliance and strengthen the position of Islam. So, *asnaf* entrepreneurial scheme could be one of the ways in eliminating poverty.

### **2.3 Types of *Zakah***

During the Prophet's time, *zakah* was levied on *al-Mashiyah* (animal properties), *al-'Ayn* (gold, silver and coins), *al-Harth* (agricultural produce) and *al-Rikaz* (buried treasure). Besides the mentioned types of *zakah*, the other two types of *zakah* are *zakah al-Fitr* (*zakat fitrah*) and *zakah al-Mal* (*zakat harta*).

*Zakah al-Fitr* was introduced during Prophet's time and it is obligatory on every well-to-do Muslim to provide one day's food for a number of his poor brothers in faith, equivalent to the number of the members of his family including domestic servants and slaves on the occasion of the *Eid* day. The amount fixed for this was equal to one *Sa'* (classical Arabic measurement for

oat or dates) per member in the household. One of the main objectives of this *zakah* was that everyone should be able to celebrate and participate in the festive atmosphere of *Eid* (Abdul Aziz Muhammad, 1993).

*Zakah al-Mal* is *zakah* which is based on property. *Zakah* on income is one of the *zakah al-Mal*. The rule of *zakah* on income is obligatory. Kamil Md Idris *et al* (2006) referred to Qardawi (1973/1988), there are three different opinions from *sahabah* and *tabiin*. First opinion based on Ibn. Abbas's, Ibn. Mas'ud's and Mu'awiah's view. Second is supported from Ali's, Ibn. Umar's, Anas's and 'Aisyah's view. Third is carried from *tabiin*'s generation based on their belief in Umar Ibn. Abdul Aziz's, al-Hasan al-Basri's, az-Zuhri's and al-Auza'i's view. The three group of opinions or views are different in the aspect of *haul* or *nisbah* but they were agreed that *zakah* on income is obligatory.

Table 2.1 and Table 2.2 described the two methods in calculating *zakah* on income :

**Table 2.1 : Method 1 in Calculating Zakah on Income**

2.5% from the total income without any deduction .

**Example :**

RM 1,500.00 X 12 months = RM 18,000.00

**Amount of zakah to be paid:**

RM 18,000.00 X 2.5% = RM 450.00 per year.  
RM 450.00 per year divide by 12 months = RM 37.50 per month.

Source : Portal Lembaga Zakat Selangor 2010

**Table 2.2 : Method 2 in Calculating Zakah on Income**

Sum of the total income deducted by the allowable. Example :	
<b>A married person:</b>	
Income RM 1,500.00 per month X 12 months = RM 18,000.00 per year.	
Deduction of allowable expenses:	
- Self (per year)	RM 8,000.00
- Wife (per year)	RM 3,000.00
- Children (per person)	RM 800.00
<b>Total</b>	<b>RM 11,800.00</b>
Balance	RM 6,200.00 per year (deduction from annual income).
<b>Amount to be paid :</b>	
RM 6,200.00 X 2.5%	= RM 155.00 per year
RM 155.00 per year divided by 12 months	= RM 12.91 per month.

**Source : Portal Lembaga Zakat Selangor 2010**

Gold and silver are compulsory to pay out *zakah*. Mohamad Uda Kasim (2005) explained that there are three opinions of *ulama'* regarding *zakah* on gold and silver. The first opinion from Imam Malik, Imam Syafi'e, Imam Hanafi, Imam Hanbali and his followers agreed that gold *nisab* is 20 *dinar* or 80 grams of gold should pay *zakah*. Second opinion from others *ulama'* including Hasan al-Basri and part of Dawud bin Khalaf al-Isfahani's group decided that gold should be pay *zakah* if it reached to 40 *dinar*. Whereas others opinion is *zakah* should be paid when the price of gold equal to 200 dirham or reach to 20 *dinar* or less than that. *Zakah* on gold is 2.5% on the value of the gold that is store for a year if the value is equivalent or exceeding the *nisbah*. While *zakah* on silver is calculated for 200 dirham or 595 dirham and the *zakah* rate is alike to gold.

Most of *ulama'* agreed that camel, cow/buffalo and goat are obligatory to pay out *zakah*. Abdul Aziz Muhammad (1993) explained, five or more camels and forty or more sheep/goat were subject to *zakah*. As a number and age of camel were important criteria for justly determining the *zakah* due, a rather complex arrangement had to be devised. The rate for sheep however was somewhat lower compared to camel or *al-'Ayn* or *al-Harth*. This was because though lambs or younger animals were counted in the assessment for the purpose of *zakah*, they could not be accepted for payment of *zakah* by the collector. Only an animal of average age was legally accepted.

On the other hand, Abdul Aziz Muhammad (1993) mentioned that the nisab for *al-'Ayn* and *al-Rikaz* were quite different. Five *uwaq* (equal to 40 dirham) for silver and twenty dinar for gold were the minimum limit beyond which *zakah* became obligatory. The *zakah* rate for *al-'Ayn* was two and one half per cent paid annually. *Zakah* levied on agricultural produce ('*ushr*) was 10 per cent or 5 per cent depending on whether the land was irrigated or unirrigated. '*Ushr* had to be paid at the time of the harvest.

## 2.4 The Beneficiaries of *Zakah*

Asnaf is the group of people who deserve to receive *zakah* fund. In Surah al-Taubah, ayah 60, Allah said that *zakah* is mandatory not optional charity but it is Muslim's obligation. In this ayah, it is pertinent to note that at least two of the eight categories above specifically refer to the needy (*masakin*) and the poor (*fuqara'*). It should also be noted that beside the *zakah* collectors (*al-Amilin*), most of the other categories mentioned above in one way or other include all those

in need of what in the contemporary context is called ‘welfare assistance’. Azhar Nadeem (2010) describes the eight group of *asnaf* which are:

i. *Masakin* (The Needy)

A person is considered needy if he has to depend on others for his sustenance. In general sense, there is no distinction between the word ‘*faqir*’ and the word ‘*miskin*’. However, Abu Hanifah differentiates the needy as people who are in a worse position than the poor because they are rendered quite helpless for lack of money. This will include all such helpless people who stand in need of monetary help and co-operation of others, temporarily or permanently. Thus, *zakah* can be spent to help the invalids, orphans, widows, the aged and the jobless people and those who have been afflicted by unforeseen calamities. They may be given temporary help or granted pensions permanently.

ii. *Fuqara*’ (The poor or indigent)

The poor is people who have means of livelihood but insufficient to meet their basic needs. They are the people who are self-respected. They would neither beg nor ask others for help. They are struggling for their livelihood but due to insufficient resources they cannot make ends meet. In the Hanafi school, the term *faqir* is defined as someone who posses something, but less than the *nisab* even though he is healthy and productive. It appears that the Hanafi school lays more stress on ownership than on needs. According to *Hadith*, an indigent person is one :

*“Who does not get enough to satisfy his needs; who is neither recognized to be poor so that people may render him necessary help, nor he stands up to beg.” (Bukhari, Muslim)*

iii. *Al-Gharimin* (The In-Debtors)

These are the people who are heavily under debt and cannot generate enough to pay off their debts. They can be jobless or earning a little, or those who may be left with nothing if they pay off all their debts, or those who have been reduced to poverty due to unforeseen calamities like paying heavy penalties and fines, failure of business etc.

Abdul Aziz Muhammad (1993), referred to the collective view of the Muslim jurists is that the debtors who are qualified to be considered under this heading can be classified into two main categories:

- i. those who incurred their debts as a result of fulfilling one of the basic necessities of life and are neither rich nor do they possess wealth over the prescribed *nisab*
- ii. those who incurred debts in assisting people

Thus, under the first category, those who incurred debts as a result of buying properties to enrich themselves or due to indulgence in luxuries, drinking, gambling or speculation are not entitled to receive any *zakah* fund. In the second category, those who incurred debts as a result of helping people, for instance, by becoming guarantor etc., are entitled to receive *zakah* if they are not in a position to settle the debt. This provision is also strengthened by the *Hadith* of the Prophet:

*“Whoever leaves property, it is for his inheritors and whoever leaves any debt it is for us (refer to the State)”.*

iv. *Ibnu Sabil* (The Wayfarers)

The wayfarers, whether he is well off and rich at home but is stranded having no access to his property by being away from his home on a journey is entitled to a portion of the *zakah* fund. Islam enjoins its adherents to travel and migrate with good motives such as to earn living, or to seek knowledge, or to perform Hajj, or for any other reasons for the sake of seeking God's pleasure. Many verses of the Qur'an stress this. For example:

*“That have passed away before you: travel through the earth, and see what was the end of those who rejected Truth”* (translation of al-‘Imran : 137)

v. *Riqab* (Ransoming of Slaves)

*Al-Qur'an* has set aside a separate allocation from the *zakah* proceeds to be used for the ransoming of slaves is the greatest testimony of all to the commitment of Islam to the abolition of slavery. Under the allocation, slaves could be paid a sufficient sum of money to purchase their freedom, or they could be purchased directly and then freed from the bondage of their masters.

Abdul Aziz Muhammad (1993) illustrated, even though slavery in a rigid level sense might not exist today, it has undoubtedly taken different forms. In its crudest form it has manifested itself on the individual level in the form of ‘indentured labourer’ (often called ‘modern slavery’) in

many of the capitalist plantation economies of the 'Third World'. On a societal level, it can be found when a country is subjected to foreign occupation, colonialism, or a political system that robs an individual of all his rights and freedoms. In this category we could also include political prisoners who have been imprisoned unjustly, or women who have been forced into prostitution. Many contemporary Muslim jurists agree that *zakah* fund could definitely be used to assist or free these people.

vi. *Al-Mu'allaf al-Qulub* (Those whose hearts are to be Inclined)

People whose hearts are to be reconciled to Islam and in the interest of the Islamic State. They can be non-Muslims, or even the newly converted Muslims whose faith in Islam is not yet firm and strong enough to motivate them to serve the interests of Islam and the Islamic State. It is the duty of the *ummah* to ensure that the welfare of the new convert is taken care of. If for instance, the Muslims in a particular country or locality are not allowed to preach and practice their religion and are tyrannized and oppressed in any land, this allocation of the *zakah* fund could be utilized, in whatever manner deemed legitimate and necessary, in removing or alleviating those restrictions and oppressions.

vii. *Fisabilillah* (People In the Cause of Allah)

The word *fisabilillah* is one of the most comprehensive terms in the Islamic religious terminology. Literally it means any action that is done, purely for the sake of seeking God's pleasure. *Zakah* money can also be spent to people whose action that is done, purely for the sake of seeking Allah's pleasure. This can include many things, basically any project that helps Muslims or Islamic causes. However, it should be stressed that according to al-Shafi'i, this particular allocation given to the qualified individuals should not in any way be more than the amount allocated to the poor and the needy.

viii. *Al-Amilin* (The *Zakah* Collectors)

The *Imam* or Ruler of the State is responsible for the appointment of the '*amil*'. Those whose job it is to collect and re-distribute *zakah* money get their salary from the *zakah* money. During the Prophet's time, he personally appointed the '*amilin*'. So did all the Pious Caliphs. Based on this tradition, all the Muslim jurists are unanimous in their views that the '*amilin*' must be appointed by the Rulers of the states. Abdul Aziz Muhammad (1993) quoted from a contemporary jurist, Yusuf al-Qardawi, in summarizing the views of the previous jurists states that an '*amil*' must have the following characteristics:

- i. a Muslim
- ii. a *Mukallaf* (a sane adult)
- iii. a trustworthy person

- iv. well-versed in all aspects of *zakah*
- v. have the physical and the mental capacities to execute his duties in a responsible manner

## **2.5 Distribution of *Zakah***

Patmawati Ibrahim (2007) clarified, *asnaf* also can be classified into two categories which is productive recipients and unproductive recipients. The recipients of *zakah* who have effort or able to work is considered productive recipients while those who are unable to work such as having health problem, senior citizen, disability and so on are categorized as unproductive recipients. The assistance given to them depend on their necessity and based on the investigation of *zakah* authorities from time to time.

There are various number of assistance scheme given by *zakah* authorities in Malaysia. In general, all Malaysia's *zakah* agencies split *zakah* assistance scheme is split into six main categories which are basic need, medical, education, entrepreneurial, religious and emergency assistance.

**Table 2.3 : Statistics of Distribution of Zakat from Jabatan Zakat Negeri Kedah for 3 years**

No	Asnaf	2007	2008	2009
1	Fakir	1,391,200.00	1,778,374.00	2,360,790.10
2	Miskin	16,234,184.00	17,218,378.00	20,820,130.85
3	Amil	7,424,140.00	7,188,834.00	8,891,190.86
4	Muallaf	821,330.00	1,009,111.00	1,156,380.00
5	Al-Riqab	-	-	-
6	Al-Gharimin	18,389.00	1,800.00	1,588.49
7	Fisabilillah	9,909,903.00	15,207,225.00	22,555,240.60
8	Ibnu Sabil	262,900.00	218,013.00	215,475.00
	<b>TOTAL</b>	<b>36,062,046.00</b>	<b>42,621,735.00</b>	<b>56,000,795.90</b>

**Source : Laporan Tahunan Zakat Negeri Kedah 2009**

In general, the assistances given by *Jabatan Zakat Kedah* to *asnaf* are as follow:

*Asnaf fakir* is a Muslim with income less than 50% of their basic need. The types of assistance for this category are monthly financial assistance, monthly food assistance, monthly food assistance to old folks' centre, construction of old folks' centre and other *fakir* assistance.

*Asnaf miskin* is a Muslim with income more than 50% of their basic need but still did not achieve all their basic need. The assistance under this category are monthly financial assistance, monthly medical assistance, assistance to Maktab Mahmud's poor students, build house assistance, *Asnaf* Entrepreneurial Scheme (*Bantuan Jaya Diri*), natural disaster assistance and other *miskin* assistance.

*Asnaf amil* is a Muslim who is appointed by the Sultan to carry out the work of collection and distribution of *zakah*. The assistances given such as *amil*'s gift, officer's salaries or employees at *Zakah* Department and allowance for members of *zakah* meeting.

*Asnaf muallaf* is a person those whose hearts are to be inclined. The assistances given for them are money assistance to new *Muallaf*, *khatan*'s assistance, *Muallaf* marriage's assistance, financing of *Pusat Bimbingan Dan Latihan Saudara Baru* (PUSBA) and other assistance.

*Asnaf ar-Riqab* is the expenses for ransoming of slaves. 25% of *zakah* allocations were assigning to pay “*hasil pintu*”, “*hasil tanah*”, printing and others.

*Asnaf al-Gharim* is the people in the debtors. The assistances for them are assistance to *Sekolah Agama Rakyat* for paying teacher’s salaries, assistance to overseas students who owing ticket fees to return home, assistance to guardian who owe in managing funerals and assistance to those who are in debt.

*Asnaf fisabilillah* are people in the cause of Allah. The assistances allocated for this category are early school assistance, grant for excellent student, education development program, mosque management assistance and others related assistance.

*Asnaf Ibnu Sabil* is the wayfarers. The assistances consist of fare and pocket money assistance, fare assistance to al-Azhar University’s graduate to return home and *musafir* assistance.

## 2.6 ***Zakah and Poverty Elimination***

Patmawati Ibrahim (2007) stressed Islam emphasizes the establishment of a society that is fair, humane and united society. It protects people from starvation also to ensure social security and dignity which are the compulsory elements that should be followed in our community.

Rasulullah S.A.W said, starvation is the most pressure in society. Hence, Islam proposed *zakah* institution as one of the mechanism to save people from starvation, ensure socio-economic justice in society and provide an environment that people can respect each other and execute their duties towards Allah.

M. Kabir Hassan and Juanyed Marur Khan (2007) suggested the institution of *zakah* as a national strategy for poverty alleviation. In their study of Bangladesh case as Least Developed Countries (LDCs) or Highly Indebted Poor Countries (HIPC), *zakah* funds can increase the taxation potential of the government through the improvement productivity, employment and output. Islam clarified *zakah* as one of the most powerful poverty alleviating instruments available. However, westerners ignored it and has been claimed that mainstream economics has changed the poverty scenario in the name of micro credit. Unfortunately, the strategy does not satisfy the social needs that ultimately could attack the inequality of a society. While *zakah* funds, can be used for the other social needs.

Monowar Hossain (2006) agreed that it is surprising that *zakah*, an expressly designed poverty eradication tool, clearly prescribed in the Holy Quran and Sunnah, has been completely ignored in all poverty alleviation plans and programmes in Bangladesh, where more than 85 per cent of the population are Allah-fearing Muslims. Also, there is confusion and ignorance about true practices of *zakah* in the mind of these people, which resulted in lasting benefits not accruing to the traditional *zakah* receivers.

Generally, not only Bangladesh but most of Islamic countries including Malaysia, has there been any systematic consideration given to any Islamic strategy, such as *zakah* or *waqf*. It is definitely surprising that in any Islamic country where majority of the populations are Muslims, has been entirely left out a well-designed structured of poverty eradication which has been recommended by the Holy Quran and Sunnah. The importance of *zakah* in Islam, has been prove as it be gauged firstly by the number of times it is mentioned in the Holy Quran and making it clear that without *zakah*, *salat* is not established. The Prophet Muhammad (SAW) also further emphasized its importance by referring to it as one of the five pillars of Islam as it is a religious obligation of the rich to give and a right of the poor to receive but it is not a voluntary act of charity (Monowar Hossain, 2006).

Nasim Shah Shirazi and Md.Fouad Amin (2006) quoted from Ahmed (2008), although macroeconomic policies play pivotal role in alleviating poverty, yet it cannot be eliminated without the use of *zakah* in an effective way. He is of the view that *zakah* can make an impact on poverty provided that it is complemented by robust macroeconomic policies that increase growth and redistribute income and when larger portion of *zakah* is used for productive purposes.

“*Zakah* funds can largely facilitate the government budgetary expenditure and support the poor through transfer of payment in Bangladesh. By allocating funds into eight groups of *zakah* recipient, it is possible to increase the income and employment with the improvement of safety net programs. *Zakah* funds can increase the tax potential of the government through the improvement of productivity, employment and output. *Zakah* funds also can replace the

goverment budgetary expenditures ranging from 21 percent of ADP (annual development program) in 1983-84 to 43 percent of ADP in 2004-2005. These funds can be used for other developmental and social expenditures. It is suggested that *zakah* should be included, for Bangladesh and rest of the Muslim countries as poverty alleviation instrument in their PRSP" (Hassan & Khan, 2007).

In short, Nasim Shah Shirazi and Md.Fouad Amin (2006) concluded, different policies and strategies, both at the micro and macro level including safety-nets programs, have been adopted in different countries in the past to reduce the poverty, but the fact remains that poverty still persists especially in developing countries. The Muslim countries have a very strong institution-*zakah* and *sadaqat* which has never been practiced in its true spirit. They firmly believe that if this institution is revived and fully implemented then absolute poverty can be eliminated from these Muslim countries.

## **2.7 *Asnaf* Entrepreneurial Scheme**

Mohd Abd Wahab Fatoni Mohd Balwi & Adibah Hasanah Abd Halim (2008) stated that, entrepreneur term came from France's word, *entreprene* which means to carry on duties or to undertake. The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. In *Bahasa Malaysia*, the phrase of entrepreneur draws closer to the word effort. *Kamus Dewan* interprets effort as the initiative including idea, activities, action and others to achieve, implement or to accomplish something. While entrepreneur is define as people who run the business.

Kuratko (2009) labeled entrepreneurs as individuals who recognize opportunities where other sees chaos or confusion. On the other hand, Kealy Ho (1985) defined, entrepreneurs is one who can transform an idea into action. In doing so, entrepreneur commits their time and money into something that he really believes in. Part of their involvement naturally means taking some risk, as in business there are no absolute certainties.

Akhtar Sahari (2007) highlighted, business or entrepreneurship is the mover of the nation development. Since the New Economic Policy (NEP) or *Dasar Ekonomi Baru (DEB)* introduced, many successful Malay entrepreneurs are born. Inspired by the spirit and the voice of economic jihad with Allah willing, Malay can be the respected trader group in future. As stated above, development planning in Malaysia was aimed at achieving high rates of economic growth.

*Jabatan Zakat Negeri Kedah* introduced *asnaf* entrepreneurial scheme or *Bantuan Jaya Diri* in 1986 as one of the solution to counter the poverty problem in Kedah. In Islam, entrepreneurship is not a new thing as it also suggested by Rasullullah S.A.W to his *sahabah*, to collect money or property and in the history of the spread of Islam during ignorant time, the strength of Islam mostly has been built based on sahabahs' property and wealth. It is also parallel to Allah command as stated in Surah al-Nisa': 29 :

*"O you who believe! Do not eat up your property among yourselves unjustly except it be a trade amongst you, by mutual consent."*

Allah (SWT) commands the Muslims to respect other's life, family, property and honor and that they should not acquire each others property by means which are against the *Shari'ah*. Instead they should benefit from the opportunities of business and trade that Allah (SWT) has allowed for them such as transactions, trade and industry. In Islam, the importance of the development of entrepreneurship has been proved as there are 370 *ayah* in Al-Qur'an which touched about entrepreneurship and business as one of the livelihood's sources.

All the way through entrepreneurial field, Islam educates its *ummah* not to ask for something by begging but teach them to be self-reliance and work hard. Thus, *Jabatan Zakat Negeri Kedah* concerned to create new *asnaf*'s identities that are self-independence, work hard and honest with *zakah* fund. Moreover, these programs are implemented in line with the objectives of the *Jabatan Zakat Negeri Kedah* in order to eradicate Kedahan's poverty through the lump sum distribution given as a business capital then it will take them out from the list of *zakah* recipients. Certainly, this program is seen as one of *zakah* funds distribution mechanism to the poor and needy. In addition, it is hoped that the program could be the best way to eliminate poverty among *asnaf* which are the hard-core poor, the poor and *mualaf* (converts) in Kedah. Most of *asnaf* entrepreneurial scheme's participants are those who have potential to become successful businessman or businesswoman. The program has been outlined for long-term assistance to help them free from their hardship life and from then on develop their standard of living and human capital.

*Jabatan Zakat Negeri Kedah* (JZNK) works with many agencies such as MARA and state government in carrying out various entrepreneurial development activities. Each year, JZNK allocate more than one hundred thousand to make this program success. In 2008, JZNK has spent RM 155,748 to 112 *asnaf* for all its 12 districts. The amount has increased to RM 197,867.00 given to 114 *asnaf* in 2009. The assistance given to them are not only in term of money (business capital) but also equipments, training and also motivation. The amounts of capital injection are around RM 200 to RM 2,000 while for equipments the ranges are between RM 350 to RM 5,000. The funds given are not a mortgage which the *asnaf* do not need to settle up. However, there are some conditions that need to fulfill by the *asnaf* before they receive the fund or this entrepreneurial scheme. Table 4 below show the prerequisite criteria for the participants of *asnaf* entrepreneurial scheme.

**Table 2.4 : Requirements for *asnaf* entrepreneurial scheme and types of assistance**

<b>Qualified <i>asnaf</i></b>	<b>Types of assistance</b>	<b>Requirements and compulsory documents</b>	<b>Assistance given by JZNK</b>
Poor (applicant should provide a letter/ application form)	Two types of capital assistances : Equipment Rolling capital (The assistance will be given to the poor <i>asnaf</i> who have high spirit and skills in the respected field with the purpose of giving them income to support their life.)	Applicant should be among zakah's recipients in poor <i>asnaf</i> category. Applicant should present photocopy of identity card and other related documents (e.g : business license) Applicant should have experiences/ potential to run the applied business. The applied business is legal from <i>syarak</i> and law. Applicant need to sign	Provide needed equipment to start up the applied business. Provide infrastructure such as paddy site, stall site, workshop and so on. Funding money as rolling capital

		the <i>asnaf</i> entrepreneurial scheme's agreement of acceptance.	
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**Source : Jabatan Zakat Negeri Kedah (W.D)**

## 2.8 Relationship Between *Asnaf* Entrepreneurial Scheme and Poverty Elimination

Nik Mustapha Nik Hassan (2001) explained the eight recipients of *zakah* could receive its benefits directly or indirectly, either immediately or planned through distribution schemes or *zakah* distribution projects. The distribution could not be equal to each recipient as their levels of difficulties are not matching. Generally, nowadays basic needs are food, clothes, shelter and other necessities such as medical treatment, education and transportation.

In Kedah, since 2007 it is recorded that *zakah* collection exceeds RM 4 billion. It is calculated if *zakah* collection used to be distributed RM150 per month to each poor *asnaf* family, the poverty problem could not be settled as it is not enough to cater their basic need and they will be depend on the fund to accommodate their low income. Hence it is targeted that the number of poor *asnaf* could be reduced every year and in order to implement the objective, the amount of fund given to them should be parallel to realize it.

Bangladesh has pioneered the microcredit program which is now a well-established poverty alleviating program across the world. The scheme also provides welfare, moral, and ethical services also business training program to rural people of the country. According to M.Mizanur Rahman and Fariduddin Ahmad (2010), "The beneficiaries of are mainly rural poor having very

limited access to education, institutional credit having low command over productive resources. Because of failing meeting the collateral requirement, the rural poor cannot start up productive activities even though they may have the adequate skills for pursuing income-generating activities. They cannot even fulfill their consumption needs properly due to lack of sufficient income and ultimately they have to lead a lower quality of life. Under these circumstances, microcredit program may support the poor in reducing their poverty by creating both direct and indirect benefits.”

Entrepreneurship training and development program organized by *Jabatan Zakat Negeri Kedah* in collaboration with TEKUN and other agencies is designed to teach the *asnaf* the skills and knowledge that they need to know before embarking on a new business venture. Shane & Venkataraman (2000), described identification of business opportunities as a fundamental skill. It is supported by Carrier (2002), an idea for product or service is not sufficient of itself to launch a business; the challenge is to determine its operational potential and be able to make it pay. The lack of attention given to the initial idea in entrepreneurship training programmes is therefore somewhat surprising, because exploring that idea is clearly the first step towards the identification of an opportunity.

*Zakah* fund is look forward to increase *asnaf* financial ability to invest more into income generating activities. In consequence, *asnaf* entrepreneurial scheme is expected to provide opportunity to generate employment for the poor *asnaf* and can earn more money from this programme. Consequently, with this extra earnings ultimately increase their purchasing ability

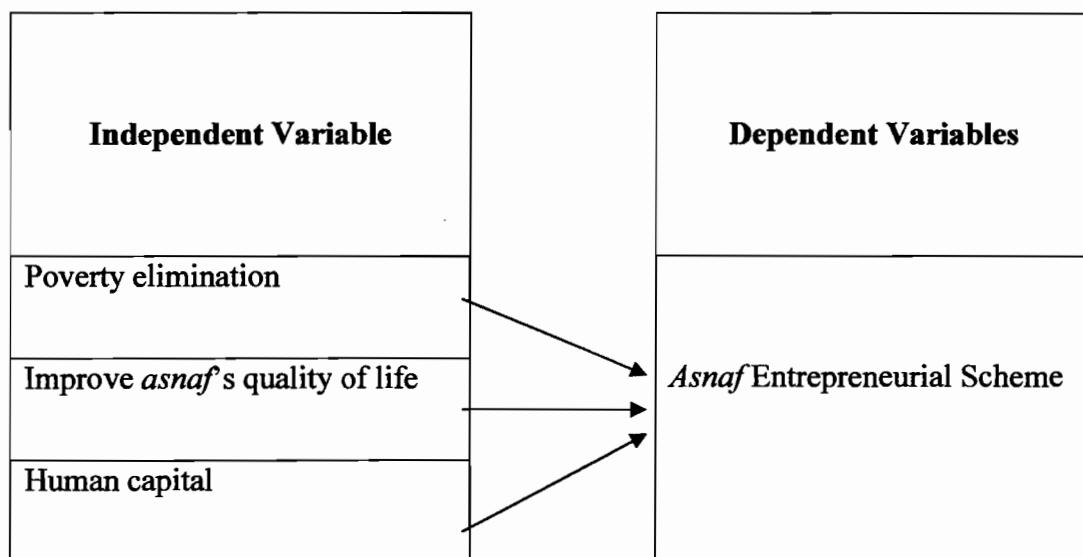
and to spend more on their necessities such as food and education, thus leading them to high quality of living.

*Asnaf* entrepreneurial scheme also enhances human capital of the *asnaf* as it is deeply related to their well-being. The training and programme provided will develop their hidden skills in performing income-generated activities. This scheme also creates the opportunity to utilize manpower for productive purposes. Inadequacy of self-confidence and self-independent are the massive obstacles in *asnaf* personality. In cater this problem, this scheme will build up their personality through ethics and moral development also motivational programme that can enlarge their human capital which is deeply related to the well-being of the business conducted. Moreover, with the self-independent and self-confident would directly help them to face our society and believe in themselves.

## **2.9 Theoretical Framework**

The researcher conceptual framework has planned that *asnaf* entrepreneurial scheme could lead to poverty elimination by generate income to *asnaf*, improve *asnaf*'s quality of life and increase *asnaf* human capital. The three outcomes are independent variables while *asnaf* entrepreneurial scheme stand as dependent variable. The study conceptual framework is demonstrated in Figure 2.1 as follows:

**Figure 2.1: Theoretical Framework**



The entire dimension consists of three elements as follows:

**Poverty elimination.** In this dimension this study will focus various elements on how the respondent (*asnaf*) interacted and went through their daily life by managing the business in order to eliminate poverty.

**Improve quality of life.** This dimension are hearting on how *asnaf* entrepreneurial scheme can lead the *asnaf* to not relying on the monthly assistance but try to improve their quality of life by doing business.

Human capital. The element that has been focused in this dimension is how *asnaf* entrepreneurial scheme really help the respondent concentrate on the elements of personal awareness and to cultivate the self independent and self confident.

The dependent variable (DV) is *asnaf* entrepreneurial scheme which focusing on eliminating poverty as well as to improve their quality of life and built their personal awareness (human capital).

## **2.10 Research Hypothesis**

A hypothesis can be defined as a logically conjectured relationship between two or more variables expressed in the form of a testable statement. Relationships are conjectured on the basis of the network of relations established in the theoretical framework formulated for the research study. By testing the hypothesis and confirming the conjectured relationships, it is expected that solutions can be found to correct the problem encountered (Sekaran, 2005). In this particular study, independent variables are measured to see if it has any relationship with the dependent variable. Thus, researchers hypothesized of the study are as follows.

## Hypothesis 1

Ha1: There is a positive and significant relationship between poverty eliminating through asnaf entrepreneurial scheme.

Ho2: There is negative and significant relationship between poverty eliminating through asnaf entrepreneurial scheme.

## Hypothesis 2

Ha2: There is a positive and significant relationship between improving the quality of life and asnaf entrepreneurial scheme.

Ho2: There is a negative and significant relationship between improving the quality of life and asnaf entrepreneurial scheme.

## Hypothesis 3

Ha3: There is a positive and significant relationship between enhance human capital and asnaf entrepreneurial scheme.

Ho3: There is no relationship between enhance human capital and asnaf entrepreneurial scheme.

## **2.11 Chapter Summary**

In short, this chapter discussed the outcomes for *asnaf* entrepreneurial scheme in eliminating poverty. The next chapter will focus more on methodology used in this study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter illustrates the research framework, research design, population and sampling, data collection and data analysis. The carried out research method will be explained in detail. The purpose of this research design is to provide a clear and completed description of the specific steps employed in this research. Three hypotheses were drawn from the model based on analysis of the literature.

#### **3.2 Research Design**

The aim of this study is to explore the relationship of the *asnaf* entrepreneurial scheme and poverty elimination. This study developed quantitative method in collecting data. Data were collected from 20 participants of *asnaf* entrepreneurial scheme throughout Kedah. U. Sekaran (1992) clarified, questionnaire is an efficient data collection instrument which easily collected in a short time. From the data collection, several hypotheses has came out as suggested by U. Sekaran (1992) which hypotheses is the expectation of the decision problem.

### **3.3 Research Site, Population and Sampling**

Essentially, this research will be a case study of *asnaf* entrepreneurial scheme with specific reference to officers, personnel and *asnaf* in Kedah. The samples of this research are *zakah* recipients or *asnaf* in Kedah state. According to U. Seakaran (2000), sampling is the process of understanding the properties or the characteristics of the sample subject and selecting them adequately. The criteria of respondents are *asnaf* whom involve in *asnaf* entrepreneurial scheme in 2010. Roscoe (1975) suggested some simple rules of thumb for selecting appropriate sample sizes which recommended at least 30 and not larger than 500. Further, within this range of 30 to 500, it is appropriate to sample 10 percent of a parent population (Alreck and Settle, 1995). As the total population for *asnaf* entrepreneurial scheme in Kedah is 94 people, it would be acceptable to conduct a criterion-related validation study on sample of 10. Thus, researcher decided targeted 60 respondents to get accurate findings and results.

### **3.4 Research Instrument**

Research Instrument was developed based on questions and the objectives of the research. A structured questionnaire was constructed to collect the necessary data to answer the research questions as being framed on the variables. In carrying out this study, questionnaires were answered by 60 participants of *asnaf* entrepreneurial scheme in Kubang Pasu and Alor Setar district. Mohd Majid (1994) cited researcher must ensure that the device can collect data effectively to achieve the research objectives. The main purpose of researchers was put on the elements restrained in the variable that were taken into consideration.

This questionnaire has three Sections which are A, B and C. Questions related have been separated to several sections which are Part A for respondent background. This section asked the background of participants of *asnaf* entrepreneurial scheme such as gender, age and other related matters. Part B (I) for *asnaf* entrepreneurial scheme and poverty elimination. In this section, researcher focused on the effects of *asnaf* entrepreneurial scheme which help them in counter their poverty. Part B (II) for *asnaf* entrepreneurial scheme and *asnaf* quality of life. In this part, the implication of *asnaf* entrepreneurial scheme towards *asnaf* life has been asked to the participants. The answer given could support the hypotheses of the study. While for part B (III), questioned about *asnaf* entrepreneurial scheme and human capital. In this section, researcher highlighted the question on how this scheme could build *asnaf* personal awareness and how it could help them in managing their business. The last section is part C, about *asnaf* perspective towards *asnaf* entrepreneurial scheme. This is the last section in the questionnaire and this part asks about the perspective and suggestion toward this scheme.

### **3.5 Pilot Study**

A pilot test has been conducted to test the reliability of the questionnaire. For this purpose 30 respondents has been selected from Alor Setar, Pendang and Kubang Pasu districts' and the pilot test respondents has be given the questionnaires two weeks before the actual research. The completed questionnaires have been analyzed to test the reliability of studied variables using a Statistical Package for Social Sciences (SPSS) version 12.0. The testing was conducted to check the consistency of all related factors in the study based on Cronbach's Alpha value.

*Sekaran (2005)* stated that the closer Cronbach's Alpha to 1, the higher would be the consistency of the reliability factor. For a research, any reliability coefficient (Alpha) less than 0.6 are regarded as poor and those in the range of 0.7 are acceptable and those with coefficient value of 0.8 and over are considered good. For this pilot test the result are 0.886 which is acceptable and considered good. The results are shown as follows:

**Table 3.1 : Pilot Test**

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.886	.895	15

**Descriptive Statistics**

	N	Mean	Std. Deviation
B1A	30	3.7000	1.26355
B1B	30	4.5667	.50401
B1C	30	4.0000	.94686
B1D	30	3.3000	.53498
B1E	30	4.2000	.80516
B2A	30	3.8000	.80516
B2B	30	3.3667	.99943
B2C	30	3.9667	.55605
B2D	30	4.1333	.73030
B2E	30	4.1667	.79148
B3A	30	1.3667	.85029
B3B	30	3.8000	.96132
B3C	30	3.1000	.95953
B3D	30	3.2333	1.00630

B3E	30	4.2000	.61026
Valid N (listwise)	30		

### Descriptives

asnaf

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
13	1	22.0000					22.00	22.00
15	1	23.0000					23.00	23.00
16	2	22.5000	3.53553	2.50000	-9.2655	54.2655	20.00	25.00
17	3	18.6667	2.08167	1.20185	13.4955	23.8378	17.00	21.00
18	3	20.0000	2.00000	1.15470	15.0317	24.9683	18.00	22.00
19	2	21.0000	2.82843	2.00000	-4.4124	46.4124	19.00	23.00
20	5	19.2000	1.48324	.66332	17.3583	21.0417	17.00	21.00
21	3	22.0000	2.00000	1.15470	17.0317	26.9683	20.00	24.00
22	5	21.4000	1.94936	.87178	18.9796	23.8204	19.00	24.00
23	4	20.7500	2.62996	1.31498	16.5652	24.9348	18.00	23.00
25	1	21.0000					21.00	21.00
Total	30	20.7000	2.16795	.39581	19.8905	21.5095	17.00	25.00

Source : Data from SPSS

### 3.6 Data Collection Procedures

In order to get the data collection, the main sources of data were using questionnaires. The purpose of the study and the mechanisms were explained briefly in the cover letter in order to maintain confidentiality. The surveys were conducted primarily through face to face and telephone interview. The other methods of collecting data that has been taken were by

conducting research in library/documentation at UUM, KUIN, IIUM, UM, Alor Setar Public Library and reviewing books, journals, *zakah* authorities' documentation, annual report and articles related to *zakah*. The researcher also collected manual data by taking notes and conducting interview with the *asnaf* and *zakah* officers from *Jabatan Zakat Negeri Kedah*.

### **3.7 Measurement Scale and Method of data analysis**

In this study, measurement has been conducted based on Likert scale. Likert scale is used as a method of scales of measurement and this method was developed by Rensis Likert. This method is very popular because it is easy to analyze through five options as well as give freedom to the respondents to answer the questions. In this particular study, the five options are given; Strongly Disagree (SD), Disagree (DA), Natural (N), Agree (A), and Strongly Agree (SA). Furthermore, a question integrated positive and negative choice to make sure the respondents answered the question seriously. In the analysis, to give explanation to a positive statement as answers, respondents can answer based on the accordance to the Likert scale.

While data were analyzed using Statistical Package for the Social Science (SPSS) version 12.0. For the purposes of answering all the research's objectives, descriptive statistics analysis were carried out to find the frequencies and percentages which used to process the scores obtained from the respondents.

Cohen (1988) suggested the strength of correlation 'r' value to be use in order to identify and to determine the strength between two variables. The level of correlations or 'r' value; *0.10*

to 0.29 or -0.10 to -0.29 is small/weak, 0.30 to 0.49 or -0.30 to -0.49 is medium/moderate and 0.50 to 1.0 or -0.50 to -1.0 is large/strong.

### **3.7 Chapter Summary**

The study griped some methods of data collection which are primary and secondary data. 70 questionnaires have been answered by selected *asnaf* from all districts in Kedah. The result will be presented in the following chapter.

## **CHAPTER FOUR**

### **DATA ANALYSIS**

#### **4.1 Introduction**

This chapter gives details on the findings on descriptive analysis on the demographic profile and the pattern of the study items for every variable. The next points discussed in this chapter are reliability analysis, regression analysis and summary of hypothesis testing also will be presented.

#### **4.2 Response Rate**

The stratified random sampling technique was used and a total of 60 samples size were selected out of 94 populations. 60 questionnaires were distributed and answer which representing 63.8% of response rate. The sample size was reasonable and beyond the proposed target number of Roscoe (1975) in order to allow precise analysis' result.

#### **4.3 Descriptive Demographic Profile**

The demographic profile presents the background information of the respondents who had participated in the survey. The descriptive analyses of the studies are presented as follows:

**Table 4.1 : Frequency and Percentage of Respondent by Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	30	50.0	50.0	50.0
	Female	30	50.0	50.0	100.0
	Total	60	100.0	100.0	

**Source : Data from questionnaire's question No 1**

Table 4.1 shows the distributions of respondents are 50% male and 50% female. It means that there were equal number of respondents from the both gender, 30 male and 30 female.

**Table 4.2 : Frequency and Percentage of Respondent by Age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	24 years and below	1	1.7	1.7	1.7
	25 - 34 years	8	13.3	13.3	15.0
	35- 44 years	25	41.7	41.7	56.7
	45 years above	26	43.3	43.3	100.0
	Total	60	100.0	100.0	

**Source : Data from questionnaire's question No 2**

Table 4.2 describes that the age of respondents were 1.7% from 24 years and below, 13.3% from the range of 25 to 34 years, 41.7% from the range of 35 to 44 years, and 43.3% from the range of 45 years and above.

**Table 4.3 : Frequency and Percentage of Respondent by Marital Status**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	45	75.0	75.0	75.0
	Divorced	3	5.0	5.0	80.0
	Widow	9	15.0	15.0	95.0
	Widower	3	5.0	5.0	100.0
	Total	60	100.0	100.0	

**Source : Data from questionnaire's question No 3**

While for marital status, Table 4.3 interprets 75% of the respondents were already married, 5% were divorced, 15% are widow and 5% are widower.

**Table 4.4 : Frequency and Percentage of Respondent by Number of Household**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	4	6.7	6.7	6.7
	3	25	41.7	41.7	48.3
	4	15	25.0	25.0	73.3
	5 and above	16	26.7	26.7	100.0
	Total	60	100.0	100.0	

**Source : Data from questionnaire's question No 4**

Based on Table 4.2.4 ,for the number of household member, 6.7% of the respondents have 2 members, 41.7% of the respondents have 3 members, 25% have 4 members and 26.7% of the

respondents have 5 and above members in their house. The data clearly shows that most of the respondents have 3 household members.

**Table 4.5 : Frequency and Percentage of Respondent by Monthly Income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid no fixed income	22	36.7	36.7	36.7
RM100-RM250	1	1.7	1.7	38.3
RM251-RM350	5	8.3	8.3	46.7
RM351 and above	32	53.3	53.3	100.0
Total	60	100.0	100.0	

**Source : Data from questionnaire's question No 5**

Refer to Table 4.5 interprets that respondents' monthly income which are 36.7% of the respondents have no fixed income, 1.7% earns RM100 – RM250, 8.3% correspond to earning RM251-RM350 per month and 53.3% of the respondents earn RM350 and above. The information shows that most of the respondents earn more than RM350.

#### **4.4 Inferential Analysis**

Sekaran (2003), explained inferential tests was purposely to test in examining the relationship between two variables whether there are differences in a variables among different subgroups and interpret how several independent variables might explain the variance in a dependent

variable. Some of the statistical tests that belong in this category are correlations, t-test, ANOVA and multiple regression analysis.

#### **4.5 Reliability Analysis**

Reliability test is conducted to measure the reliability of the measurement instrument used in the research. According to Hilton (2004), proposed four cut-off points for steadiness, which includes outstanding reliability (0.90 and above), high reliability (0.70-0.90), moderate reliability (0.50-0.70) and low reliability (0.50 and below). On the other hand, Sekaran (2003) explained reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable, and those over 0.80 good. Researcher applied Sekaran theory of reliabilities in order to the result using Cronbach's Alpha coefficients.

Reliability analysis was run on three main measures, poverty elimination, quality of life and human capital. Table 4.4 highlights the reliability coefficients were determined by 15 items and the reliability coefficient (Cronbach's Alpha) of measures was 0.891. The high Cronbach's Alpha values shown that the measures were reliable and the findings can be accepted.

**Table 4.6 : Reliability Test**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.891	15

**Item Statistics**

	Mean	Std. Deviation	N
B1A	4.0333	1.10418	60
B1B	4.5167	.56723	60
B1C	4.0167	.91117	60
B1D	3.3833	.66617	60
B1E	4.1667	.78474	60
B2A	3.9833	.74769	60
B2B	3.7667	.92730	60
B2C	4.0833	.64550	60
B2D	4.1667	.69298	60
B2E	4.0500	1.09583	60
B3A	1.6000	.96023	60
B3B	3.8167	.87317	60
B3C	3.3833	1.02662	60
B3D	3.4667	.89190	60
B3E	3.9333	1.00620	60

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
B1A	52.3333	56.938	.617	.883
B1B	51.8500	63.519	.509	.888
B1C	52.3500	57.926	.698	.879
B1D	52.9833	64.695	.308	.893
B1E	52.2000	59.519	.686	.880
B2A	52.3833	60.512	.633	.882
B2B	52.6000	58.142	.667	.880
B2C	52.2833	60.308	.769	.879
B2D	52.2000	60.434	.698	.881

B2E	52.3167	57.847	.563	.885
B3A	54.7667	60.589	.464	.889
B3B	52.5500	59.743	.588	.883
B3C	52.9833	57.678	.623	.882
B3D	52.9000	60.227	.536	.886
B3E	52.4333	63.131	.269	.898

**Source : Data from questionnaire's questions Part B**

#### 4.6 Correlation Matrix

Correlation analysis is used to determine bivariate relationships between two variables measured on at least an interval scale. Toward this end, Pearson correlation test was used to identify whether asnaf entrepreneurial scheme and poverty elimination are related to each other. For finding the relation, significant level, \* $p<0.05$  and \*\* $p<0.01$  were chosen. Table 4.5 present the correlation matrix results.

**Table 4.7 : Correlation between Poverty Elimination and Asnaf Entrepreneurial Scheme**

		poverty	asnaf
poverty	Pearson Correlation	1	.350**
	Sig. (2-tailed)		.006
	N	60	60
asnaf	Pearson Correlation	.350**	1
	Sig. (2-tailed)	.006	
	N	60	60

\*\*. Correlation is significant at the 0.01 level (2-tailed).

**Source : Data from questionnaire's questions Part B (I) and Part C**

As shown in the Table 4.7, there is a significant relationship between *asnaf* entrepreneurial scheme and poverty elimination ( $r = 0.350$ ,  $p < 0.01$ ). The value of this relationship is quite weak but can be accepted that there are significant relationship between poverty elimination and *asnaf* entrepreneurial scheme.

**Table 4.8 : Correlation between *Asnaf*'s Quality of Life and *Asnaf* Entrepreneurial Scheme**

		asnaf	Quality
asnaf	Pearson Correlation	1	.280*
	Sig. (2-tailed)		.030
	N	60	60
quality	Pearson Correlation	.280*	1
	Sig. (2-tailed)	.030	
	N	60	60

\*. Correlation is significant at the 0.05 level (2-tailed).

**Source : Data from questionnaire's questions Part B (II) and Part C**

Table 4.8 shows the relationship between *asnaf*'s quality of life and *asnaf* entrepreneurial scheme. Correlation analysis shows that there is no relationship between *asnaf*'s quality of life and *asnaf* entrepreneurial scheme ( $r=0.280$ ,  $p<0.05$ ). The relationship between *asnaf*'s quality of life and *asnaf* entrepreneurial scheme is very weak.

**Table 4.9 : Correlation between Human Capital and *Asnaf* Entrepreneurial Scheme**

		asnaf	humancapital
asnaf	Pearson Correlation	1	.280*
	Sig. (2-tailed)		.030
	N	60	60
humancapital	Pearson Correlation	.280*	1
	Sig. (2-tailed)	.030	
	N	60	60

\*. Correlation is significant at the 0.05 level (2-tailed).

**Source : Data from questionnaire's questions Part B (III) and Part C**

Table 4.9 shows the relationship between human capital and *asnaf* entrepreneurial scheme. The result shows that there is a significant relationship ( $r=0.280$ ,  $p<0.05$ ). That means the *asnaf* entrepreneurial scheme do not increase *asnaf*'s human capital. It shows the relationship between human capital and *asnaf* entrepreneurial scheme is very weak.

#### **4.7 Regression Analysis**

In this study, multiple regression analysis was applied. Each variable from factor scores were used in the analysis. As said by Sekaran (2003), multiple regression analysis enables us to measure how much of the variance in the dependent variable will be explained when several independent variables are theorized to simultaneously influence it or in the other word, how well the independent variables predict the dependent variable. The table 4.10 below shows the results of multiple regression analysis of the research.

**Table 4.10 : Regression Analysis**

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1 (Constant)	13.775	2.255			6.109	.000
poverty	.313	.110	.350		2.842	.006

a. Dependent Variable: asnaf

**Source : Data from questionnaire's questions Part B (I) and Part C**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1 (Constant)	15.356	2.168			7.083	.000
quality	.234	.106	.280		2.222	.030

a. Dependent Variable: asnaf

**Source : Data from questionnaire's questions Part B (II) and Part C**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1 (Constant)	15.356	2.168			7.083	.000
humancapital	.234	.106	.280		2.222	.030

a. Dependent Variable: asnaf

**Source : Data from questionnaire's questions Part B (III) and Part C**

The findings showed that poverty elimination and *asnaf* entrepreneurial scheme were not significant. Beta coefficient interpreted that, the poverty elimination has the highest ( $\beta = 0.313$ ), followed by human capital and *asnaf*'s quality of life which both are ( $\beta = 0.234$ ).

**Table 4.11 : Summary of Hypothesis Testing**

Hypothesis	Description	Result
Ho <sub>1</sub>	There is negative and significant relationship between poverty eliminating and <i>asnaf</i> entrepreneurial scheme	Rejected
Ha <sub>1</sub>	There is positive and significant relationship between poverty eliminating and <i>asnaf</i> entrepreneurial scheme	Accepted
Ho <sub>2</sub>	There is negative and significant relationship between <i>asnaf</i> 's quality of life and <i>asnaf</i> entrepreneurial scheme	Accepted
Ha <sub>2</sub>	There is positive and significant relationship between <i>asnaf</i> 's quality of life and <i>asnaf</i> entrepreneurial scheme	Rejected
Ho <sub>3</sub>	There is a relationship and significant relationship between human capital and <i>asnaf</i> entrepreneurial scheme	Accepted
Ha <sub>3</sub>	There is no relationship and significant relationship between human capital and <i>asnaf</i> entrepreneurial scheme	Rejected

**Sources : Data from research conducted**

#### **4.8 Chapter Summary**

This chapter has reported the findings of the research conducted. The results found that poverty elimination has a positive relationship toward *asnaf* entrepreneurial scheme while *asnaf*'s quality of life and human capital were not supported too much by *asnaf* entrepreneurial scheme.

## **CHAPTER FIVE**

### **DISCUSSION AND CONCLUSION**

#### **5.1 Introduction**

This chapter aims to discuss the finding presented in the previous chapter by comparing them with the objectives set at the beginning of the study. On the whole, not all objectives have been fulfilled by the study. In addition, limitations of the research and recommendations for future research and practice are presented in this chapter.

#### **5.2 Discussion of Findings**

The study emphasized that *zakah* play an important role in reducing poverty, poverty cannot be eliminated without using *zakah* in an effective way. Habib Ahmed (2004) highlighted in his Bangladeshi study, given the important role of *zakah* in poverty alleviation, there is a need for countries to integrate this vital-faith-based institution in the development strategy and programs of Muslim countries, including Bangladesh. It is suggested that *zakah* institutions to operate its structures effectively which can build faith, reputation and trust among ordinary citizens.

Jaafar Ahmad (2006) explained that *Majlis Agama Islam Negeri-Negeri* (MAIN) ability in helping the poor and needy is totally depend on yearly *zakah* collection. From the statistics, the number of *zakah* collection is increasing drastically every year. It has been proved with the

additional of RM 228.4 billion in 8 years (1997 to 2001). Wilayah Persekutuan, Selangor, Johor and Terengganu were the largest *zakah* collection. However, generally the distribution of *zakah* to the poor and needy is in a small amount while the need for the fund is really huge. Furthermore, most of *zakah* state authorities do not distribute even the half of their *zakah* fund. From the research conducted, the researcher found that the amount of *zakah* (fund) given to *asnaf* entrepreneurial scheme in Kedah state is really small. The minimum amount that the *asnaf* received was RM500 while the maximum amount was RM2, 500. However it really helps the *asnaf* who is the starter in business activity. They agreed and believe that *asnaf* entrepreneurial scheme could lead them to counter their poverty line. From the first hypothesis, Ha1 is accepted that there is relationship between poverty elimination and *asnaf* entrepreneurial scheme.

The result revealed that hypothesis Ha2 is rejected due to no relationship between improving quality of life. The reason is because of the amount given is too small and the respondents cannot roll that money for their business. Most of the respondents mentioned that money is the main obstacle they faced in their business. Due to insufficient capital for buying materials, the participants of this scheme often faced problems maintaining their businesses. A sufficient cash flow is very important for the survival and success of a small business. The small amount of cash capital received can easily run out especially for the participants who often get just enough for their daily needs only. As a result, the insufficient of capital cannot help them to maintain their business well which lead to unstable financial and could not acquire them to have a better quality of life.

While for the last hypothesis,  $H_03$  is accepted, there is no relationship between human capital or increasing *asnaf*'s personal awareness and *asnaf* entrepreneurial scheme. The result revealed that most of the respondents were not provided with the motivational programme of training to improve their skills and personality. The majority of the respondents admitted that they had never been given any consultancy, motivation, guide or advice in any form after receiving the fund or assistance. Only the minority had some form of training especially tailoring and attended motivational talk by UUM'S lecturer. The *Jabatan Zakat Kedah*'s officer confessed that there was no consultancy or specific monitoring program provided to the recipients due to the lack of skilled manpower among the staff. Consequently, the *asnaf* entrepreneurial scheme's participants could not improve their personal awareness or human capital. It is prove that  $H_a3$  is rejected, there is no relationship between human capital and *asnaf* entrepreneurial scheme.

### **5.3 Limitations of Research**

It is essential to take a number of caveats into account when interpreting any empirical study. Firstly, the findings of the study are limited to the sample selected from one *zakah* state authorities in Malaysia. Thus, the findings may not be generalized and used to predict the extent of satisfaction for all participants of *asnaf* entrepreneurial scheme in Malaysia. The results might be different with the respondents from other state with different nature and demographics.

Secondly, the study was conducted within the limitations of time, i.e., one semester (3 months) and time and resources constraints only enabled the survey to be conducted only on participants

of *asnaf* entrepreneurial scheme living in Kubang Pasu, Alor Setar and Yan area through convenience sampling. The findings also might be different when similar studies are conducted in the future.

Thirdly, this study was limited to the participants of *asnaf* entrepreneurial scheme in Kedah only. Besides, there are inadequate resources to get the information due to a limited number of researchers discussing this topic.

#### **5.4 Suggestions for Future Research**

The further research and exchange of ideas are needed to the development of operational models of *zakah* organizations that can effectively be used to combat poverty during contemporary times. From this study, researcher recommends a few approaches and suggestions for *zakah* authorities that could be taken into consideration to improve *asnaf* entrepreneurial scheme by focusing on the following aspects:

- i. Better and deeper scope of study involving the whole participant of *asnaf* entrepreneurial scheme. This is to identify the most dominant aspect in *asnaf* entrepreneurial scheme.
- ii. In order to implement an efficient *asnaf* entrepreneurial scheme, further study should be done to identify how the element in *asnaf* entrepreneurial scheme leads to poverty elimination.
- iii. Further research needs to include other variable such as business field in the future research.

- iv. *Zakah* authorities need to collaborate with MECD or TEKUN in order to guide the recipients of *zakah* fund to run their business.
- v. *Zakah* authorities should have Research and Development Division which responsible to do research on all aspects of *zakah* in this country and find ways to improve the management.
- vi. *Zakah* authorities should assist the *asnaf* in term of capital and the training should be conducted by MECD or TEKUN. The Capital Assistance and Monitoring Division should be set up to look after the use of *zakah* fund in assisting the poor and needy in the form of capital for small businesses so that the poor and needy can have their own economic activities to generate income. It is also important to monitor the progress of the capital recipients, provide trainings, guides and consultancies.
- vii. The proportion of *zakah* fund distribution for *asnaf* entrepreneurial scheme should be increased.
- viii. Training and motivational programme should be widely implemented to build *asnaf*'s personal awareness or human capital. The assistances programme should be a comprehensive and holistic package which includes training, consultancy, guidance and monitoring as well as to the extent of solving their personal problems such as education, housing, debts and others.
- ix. It should have guidance from the expert in order to make sure the *asnaf* keep being in their business and can be a successful entrepreneur. To avoid mismanagement of working capital, the assistance can be released stage by stage. The participants need to be guided and educated to manage their finance to ensure the survival of the project.

## 5.5 Conclusion

The *zakah* institution is the most important elements in Islamic socio-economics. The increasing number of *zakah* collections but the small numbers of *zakah* fund recipients are among the evidences that the *zakah* management in Malaysia needs improvement. The agency which manages the *zakah* fund needs to be empowered to be able to not only handle the large numbers of applicants but also to reach out those who really need help in the society. Rose (2010) suggested, empowerment needed in the organizational structure, establishing better cooperation and coordination with other agencies and organizations, more trained and experienced staff involving volunteers, non government organizations and other government or private organizations, implementation of computerize system, and publicity and awareness creation activities.

The accumulated amount of *zakah* collections should not be kept if the *asnaf* are still exist in the society. However, *zakah* state authorities have to make sure the receivers are really eligible persons according to the *Shariah*. It is the duty of *zakah* state authorities to ensure that every ringgit of *zakah* collection is well spent. The capital assistance given from the *zakah* fund should fulfill the purpose of *zakah*'s disbursement. *Asnaf* entrepreneurial scheme's assistance should be increased as it was taught by the Prophet SAW that 9/10 of the income come from business activities. Insufficient assistance could lead to the failure of *asnaf* entrepreneurial scheme and as the same time increase the number of applications reapplying for the *asnaf* entrepreneurial scheme.

In addition, *zakah* state needs to understand what the applicants' (*asnaf*) real needs. The *zakah* authorities should continue assist the *asnaf* even after the assistance is given. They should hire more staff and the staff needs suitable training to enable them to render the best services. The lack of experienced staff in entrepreneurial scheme can be circumnavigated by involving volunteers, non government organizations and other government or private organizations. *Asnaf* entrepreneurial scheme should provide consultancy services and financial management advices which is really important. Lastly, it is also applicable to understand the nature of businesses involved or suggested by the applicants of *asnaf* entrepreneurial scheme so that the amount of capital or fund given would be sufficient, the recipients' interest and needs would be well pleased.

In short, the participants of *asnaf* entrepreneurial scheme need to give courses on management, consultancy, advice, guidance and finally, monitor management of finances. After some times, it is expected that the recipients of *zakah* will turn to be the contributor of *zakah* (*zakah* payer). Finally, it is imagined that Malaysia could be a country that free from the poor and needy as happen in the time of Umar bin al-Khattab (13-22H) and Umar bin Abdul Aziz (99-101H) indicate that poverty was eliminated during the time of these two rulers, as *zakah* collected in some regions could not be disbursed due to lack of poor recipients" (Habib Ahmed, 2004).

## **5.6 Chapter Summary**

This final chapter concludes the findings of the study conducted. This study focuses on the three implication of *asnaf* entrepreneurial scheme. In this study, it was assumed that respondents appropriately understood the concept of *asnaf* entrepreneurial scheme and totally agreed that it can help them to counter their poverty line. At the end, the researcher proposed some suggestion for the improvement of *asnaf* entrepreneurial scheme.

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## **COLLEGE OF BUSINESS**

### **QUESSTIONNAIRE**

#### **THE RELATIONSHIP BETWEEN ASNAF ENTREPRENEURIAL SCHEME AND POVERTY ELIMINATION : A STUDY OF JABATAN ZAKAT NEGERI KEDAH**

Dear participants,

This questionnaire is designed to study on The Relationship Between Asnaf Entrepreneurial Scheme and Poverty Elimination: A Study of Jabatan Zakat Negeri Kedah. Your participant is highly appreciated.

Being supervised by Dr. Azizi Abu Bakar, this study is done as a partial fulfillment for my Master of Science Management (Msc Mgt.). The information you provide for the purpose of this study will be kept STRICTLY CONFIDENTIAL and for the academic purposes only.

Your input is highly valued. Thank you very much for your time and cooperation.

Yours sincerely,

Yusrinadini Zahirah Bt Md Isa @ Yusuff  
Master of Science Management

## PART A : RESPONDENT BACKGROUND

**Instruction : Please circle only one in the space provided and answer all question.**

### BAHAGIAN A : MAKLUMAT PERIBADI

*Arahan : Sila bulatkan pada satu tempat sahaja yang disediakan dan jawab semua soalan.*

1.	Gender <i>Jantina</i>	1	Male / <i>Lelaki</i>
		2	Female / <i>Perempuan</i>
2.	Age <i>Umur</i>	1	24 years and below
		2	25-34 years
		3	35-44 years
		4	45 years and above
3.	Marital Status <i>Taraf Perkahwinan</i>	1	Married / <i>Berkahwin</i>
		2	Divorced / <i>Bercerai</i>
		3	Widow / <i>Balu</i>
		4	Widower / <i>Duda</i>
4	Number of household member <i>Bilangan isi rumah</i>	1	2
		2	3
		3	4
		4	5 and above
5.	Monthly income <i>Pendapatan Bulanan</i>	1	No fixed income
		2	RM 100 – RM 250
		3	RM 251 - RM 350
		4	RM 350 and above

**PART B (I) : ASNAF ENTREPRENEURIAL SCHEME AND POVERTY ELIMINATION**

**Instruction : Please circle only one in the space provided and answer all question.**

**BAHAGIAN B (I) : SKIM KEUSAHAWANAN ASNAF (BANTUAN JAYA DIRI) DAN MENGHAPUSKAN KEMISKINAN**

*Arahan : Sila bulatkan pada satu tempat sahaja yang disediakan dan jawab semua soalan.*

Strongly Disagree <i>Sangat Tidak Bersetuju</i>	Disagree <i>Tidak Bersetuju</i>	Neutral <i>Neutral</i>	Agree <i>Setuju</i>	Strongly Agree <i>Sangat Bersetuju</i>
1	2	3	4	5

1	The assistance/fund given is enough. <i>Sumbangan/dana yang diberikan mencukupi.</i>	1	2	3	4	5
2	I agree that business is the best way for asnaf to have a better life. <i>Saya setuju perniagaan adalah cara terbaik untuk asnaf mendapatkan kehidupan yang lebih baik.</i>	1	2	3	4	5
3	My income has been increased through this scheme. <i>Pendapatan saya telah bertambah melalui skim ini.</i>	1	2	3	4	5
4	In this scheme, I have been list out from the recipients of zakah. <i>Melalui skim ini, saya tidak lagi menjadi penerima zakat.</i>	1	2	3	4	5
5	I believe that this scheme really help me to counter poverty. <i>Saya percaya skim ini sangat membantu saya untuk mengatasi kemiskinan</i>	1	2	3	4	5

## PART B (II) : ASNAF ENTREPRENEURIAL SCHEME AND ASNAF QUALITY OF LIFE

**Instruction : Please circle only one in the space provided and answer all question.**

### *BAHAGIAN B (II) : SKIM KEUSAHAWANAN ASNAF (BANTUAN JAYA DIRI) DAN PENINGKATAN KUALITI HIDUP ASNAF*

*Arahan : Sila bulatkan pada satu tempat sahaja yang disediakan dan jawab semua soalan.*

1	In this scheme, most of my basic need has been fulfilled.  <i>Melalui skim ini, kebanyakkan keperluan asas saya telah dipenuhi.</i>	1	2	3	4	5
2	In this scheme, I never ask for any financial assistance from others any more.  <i>Melalui skim ini, saya tidak lagi meminta bantuan kewangan dari pihak lain.</i>	1	2	3	4	5
3	In this scheme, I could provide better education to my children.  <i>Melalui skim ini, saya dapat menyediakan pendidikan yang lebih baik kepada anak-anak saya.</i>	1	2	3	4	5
4	In this scheme, I believe I could provide a bright future for my family.  <i>Melalui skim ini, saya percaya saya mampu menyediakan masa depan yang cerah untuk keluarga saya.</i>	1	2	3	4	5
5	All in all, my standard of living has been improved.  <i>Secara keseluruhannya, taraf kehidupan saya menjadi lebih baik.</i>	1	2	3	4	5

## PART B (III) : ASNAF ENTREPRENEURIAL SCHEME AND HUMAN CAPITAL

Instruction : Please circle only one in the space provided and answer all question.

### BAHAGIAN B(III) : SKIM KEUSAHAWANAN ASNAF (BANTUAN JAYA DIRI) DAN MODAL INSAN

Arahan : Sila bulatkan pada satu tempat sahaja yang disediakan dan jawab semua soalan.

1	I get special advice and guideline to start the business.  <i>Saya mendapat nasihat dan tunjuk ajar untuk memulakan perniagaan.</i>	1	2	3	4	5
2	In this scheme, it helps me to be more independent and not depend on the monthly financial assistance.  <i>Melalui skim ini, ia membantu saya menjadi lebih berdikari dan tidak bergantung kepada wang bantuan bulanan.</i>	1	2	3	4	5
3	Training and self- development provided program really help me to build self -confidence and self-independent.  <i>Program latihan dan kemajuan diri yang disediakan sangat membantu saya untuk membina keyakinan diri dan bergantung kepada diri sendiri.</i>	1	2	3	4	5
4	Generally, the programme self-development conducted improves my personal awareness and inferior in myself.  <i>Secara umumnya, program kemajuan diri yang di anjurkan meningkatkan kesedaran dalam diri dan rasa rendah diri dalam diri saya.</i>	1	2	3	4	5
5	Overall, asnaf entrepreneurial scheme help me to be a better person in life.  <i>Keseluruhannya, skim keusahawanan asnaf membantu saya menjadi insan yang lebih baik dalam hidup.</i>	1	2	3	4	5

## PART C : ASNAF PERSPECTIVE TOWARDS ASNAF ENTREPRENEURIAL SCHEME

**Instruction : Please circle only one in the space provided and answer all question.**

### BAHAGIAN C : PERSEPSI ASNAF TERHADAP SKIM KEUSAHAWANAN ASNAF (BANTUAN JAYA DIRI)

*Arahan : Sila bulatkan pada satu tempat sahaja yang disediakan dan jawab semua soalan.*

1	I would like to suggest this scheme for other asnaf.  <i>Saya ingin mencadangkan skim ini kepada asnaf lain.</i>	1	2	3	4	5
2	I suggest this scheme should be implemented widely.  <i>Saya mencadangkan skim ini perlu diperluaskan lagi.</i>	1	2	3	4	5
3	I think that there is a need for continuously training and courses for entrepreneurial asnaf scheme.  <i>Saya rasa perlu diadakan latihan dan kursus berterusan untuk skim keusahawanan asnaf.</i>	1	2	3	4	5
4	I think zakah authorities should cooperate with entrepreneurial agencies in giving training to asnaf.  <i>Saya rasa pihak berkuasa zakat perlu bekerjasama dengan agensi keusahawan dalam memberi latihan kepada asnaf.</i>	1	2	3	4	5
5	I believe that zakah officers should assist the asnaf until they success in their business.  <i>Saya percaya pegawai zakat perlu membantu asnaf sehingga mereka berjaya dalam perniagaan.</i>	1	2	3	4	5