



ISSUES AND CHALLENGES OF THE ASNAF ENTREPRENEURSHIP PROGRAM

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Abstract: *Through entrepreneurship, the Asnaf Entrepreneurship Program is a vital initiative by zakat institutions in Malaysia to improve the socio-economic conditions of the asnaf, or rightful beneficiaries of zakat. Since the program's recipients are Asnaf, the underprivileged who may or may not have had the experience of conducting business. This article examines the issues and challenges the program faces. The study highlights the significant role of zakat institutions in poverty alleviation and the promotion of social welfare, emphasising the need for effective management practices and the integration of modern accounting systems. Key challenges identified include trust deficits, management inefficiencies, the need for innovation and technological adoption and enhanced elements of social capital in the Asnaf Entrepreneurship Program. The findings suggest that addressing these challenges through strategic reforms and enhanced transparency can significantly improve the impact of the Asnaf Entrepreneurship Program, thereby contributing to sustainable economic development.*

Keywords: *Asnaf, Social Capital, Zakat, Poverty Alleviation, Innovation, Social Welfare, Socio-economy.*

Introduction

The *Asnaf* Entrepreneurship Program is a pivotal initiative in Malaysia's efforts to alleviate poverty and promote socio-economic development among the *asnaf*, the rightful beneficiaries of zakat. These beneficiaries include the poor, needy, and other specific groups identified by Islamic law. This program is managed by zakat institutions that are responsible for collecting and distributing zakat funds. Despite its noble objectives, the *Asnaf* Entrepreneurship Program faces several challenges hindering its effectiveness (Mohamed, 2020). This article explores these challenges and proposes solutions to enhance the program's impact.

Background of Zakat Institutions

Zakat institutions in Malaysia function similarly to social welfare organisations but are governed by Islamic principles. Their primary role is to collect zakat from eligible Muslims and distribute it to rightful beneficiaries, ensuring socio-economic justice and reducing poverty. Effectively managing these funds is crucial for the success of programs like the *Asnaf* Entrepreneurship Program (Mohd Khalil & Mohamed Saniff, 2023). However, several studies have highlighted significant gaps in the management practices of zakat institutions, leading to trust deficits among zakat payers and inefficiencies in fund distribution (Abu Bakar & Abdul Rashid., 2010; Yusuf, 2011; Mohamed, 2020)

Issues and Challenges

1. Trust Deficit

One of the primary challenges faced by zakat institutions is the lack of trust among zakat payers. Research indicates that many Muslims prefer to distribute zakat directly to beneficiaries rather than through formal institutions due to concerns about mismanagement and inefficiency. This trust deficit is fuelled by perceived issues in transparency and accountability within zakat institutions (Abu Bakar & Abdul Rashid, 2010; Yusuf, 2011; Mohamed, 2020; Mustaffha, 2022). As a result, the effectiveness of these institutions in collecting and distributing zakat funds is significantly hampered, necessitating improvements in management practices and transparency to restore payer confidence.

2. Management Inefficiencies

The performance of zakat institutions is often hindered by bureaucratic inefficiencies and a lack of professional management practices. This includes the inadequate use of modern management accounting systems essential for effective resource allocation and performance measurement (Yusuf, 2011). Slow decision-making processes, often due to overcautiousness, make these institutions more stringent in deciding who should receive funds for the program. Additionally, the lack of adequate performance measurement results in insufficient monitoring of the entrepreneurship program. Implementing modern Management Control Systems (MCS) using Simon's (1995) Levers of Control (LOC) framework can address these issues by enhancing strategic control and ensuring better program implementation (Mohamed et al., 2018; Mohamed, 2020).

3. Need for Innovation

Adopting innovative practices and technologies is essential for enhancing the efficiency and transparency of zakat institutions. Utilising Information and Communication Technologies (ICT) can significantly improve the management of zakat funds and the implementation of programs such as the *Asnaf* Entrepreneurship Program. This includes online zakat payment platforms and mobile applications that streamline the collection, allocation, and monitoring of zakat contributions, making the process more accessible and efficient for all stakeholders (Yusuf, 2011; Harun & Rahman, 2023; Yusuf et al., 2024). These technological advancements not only facilitate better resource management but also ensure greater transparency, thereby building trust among zakat payers and beneficiaries.

4. Insufficient Social Capital (SC) development

A significant challenge faced by the *Asnaf* Entrepreneurship Program is the lack of social capital within and between various stakeholder groups. There is a notable lack of bonding within *asnaf* communities and among family members, which is crucial for fostering mutual support and collective action (Mohamed, 2020; Joremi et al., 2023). Additionally, there is a deficiency in bridging with external stakeholders, such as local businesses, NGOs, and community organisations, which can provide essential resources and opportunities (Mohamed, 2020). Furthermore, the lack of linking with higher authorities, including governmental and financial institutions, limits the *asnaf* communities' access to broader support networks and policy advocacy (Mohamed, 2020). Addressing these gaps in social capital is essential for the success of the *Asnaf* Entrepreneurship Program, ensuring better integration and support for *asnaf* entrepreneurs.



Enhancing the *Asnaf* Entrepreneurship Program

To address these challenges and enhance the impact of the *Asnaf* Entrepreneurship Program, several strategic reforms are necessary:

1. Building Trust through Transparency

Increasing transparency in managing zakat funds is essential for building trust among zakat payers. This can be achieved through regular auditing, public disclosure of financial reports, and clear communication about how the funds are utilised Yusuf (2011). Additionally, implementing risk management practices, as suggested by Mohamed et al. (2018) and Mustaffha (2022), further enhances the credibility and reliability of zakat institutions. These measures ensure that zakat payers have confidence in managing their contributions, leading to increased participation and support for zakat programs.

2. Professionalizing Management Practices

Implementing modern management accounting systems can greatly enhance the efficiency of zakat institutions by incorporating strategic planning, performance measurement, and best practices from the private sector. As highlighted by Yusuf (2011) and Ishak et al. (2012), adopting such systems helps streamline operations, ensuring better allocation and utilisation of resources. Additionally, integrating risk management practices, as suggested by Mustaffha et al. (2020) and Mustaffha (2022), can further safeguard zakat funds and enhance institutional resilience. These improvements collectively contribute to more effective and transparent management, ultimately strengthening the impact of zakat programs on beneficiaries.

3. Leveraging Technology and Innovation

Integrating Information and Communication Technology (ICT) into the operations of zakat institutions, as emphasised by Jauhari et al. (2023) and Yusuf et al. (2024), can significantly enhance the efficiency and accessibility of zakat collection, management, and distribution. By adopting innovative solutions such as online zakat payment platforms and mobile applications, these institutions can streamline their processes, making it easier for zakat payers to contribute and for administrators to manage funds. These technological advancements facilitate more transparent and efficient operations and ensure that zakat funds reach beneficiaries more effectively, ultimately improving the socio-economic impact of zakat programs.

4. Capacity Building and Training

Training and capacity-building programs are essential for improving the human capital of zakat administrators by providing them with the necessary skills and knowledge. These programs cover technical skills like financial management and data analysis and soft skills like communication and leadership. By enhancing their knowledge of zakat principles and best practices, administrators can manage funds more efficiently and transparently, ensuring better program outcomes.

Developing social capital within zakat institutions is equally important. Training programs emphasise transparency and accountability, which build trust among zakat payers and beneficiaries. Community engagement and networking opportunities foster strong internal and external relationships, facilitating the sharing of resources and knowledge.

Studies highlight the importance of social capital in enhancing business resilience and performance. For example, Stam et al. (2014) emphasise the role of social capital in

business success, and Abdul Rahman & Ahmad (2011) discuss its importance in business resilience among *asnaf* entrepreneurs. Continuous training and development and feedback mechanisms ensure that zakat administrators are well-equipped to handle evolving challenges and improve their management practices.

Conclusion

The *Asnaf* Entrepreneurship Program has the potential to significantly improve the socioeconomic conditions of the *asnaf* in Malaysia. However, to realise this potential, addressing the existing challenges through strategic reforms, enhanced transparency, and modern management practices and technologies is crucial. By doing so, zakat institutions can build trust among zakat payers, improve their operational efficiency, and ensure the successful implementation of the *Asnaf* Entrepreneurship Program.

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Declaration

Artificial intelligence is used to help in ensuring the clarity of the sentences used.

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