

**THE VITAL FACTORS IN THE DEVELOPMENT OF RURAL ASNAF
ENTREPRENEURSHIP: A REVIEW**

Mohd Izzat Amsyar Mohd Arifi, Norazlina Mamatⁱⁱ, Raudha Md Ramliⁱⁱⁱ, Mohd Afandi Mat Rani^{iv} & Faezy Adenan^v

ⁱ (*Corresponding author*). Senior Lecturer, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam, Selangor. izzatamsyar@uitm.edu.my

ⁱⁱ Lecturer, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam. norazlinamamat@uitm.edu.my

ⁱⁱⁱ Lecturer, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam. raudha@uitm.edu.my

^{iv} Associate Profesor, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam. mohdafandi@uitm.edu.my

^v Lecturer, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam. faezyadenan@uitm.edu.my

Abstract	<p><i>A well-organized integrated development program will generate rural asnaf entrepreneurs. Authorities, especially the State Religious Council, must play an essential role in stimulating development and growth through effective entrepreneurial development strategies. This study aims to identify vital factors in the development of rural asnaf entrepreneurship. Methodology employed to accomplish this research is via desk review. According to the findings, two factors play a role in determining the performance of asnaf rural entrepreneurs: internal factors (micro) and external factors (macro). The related factors must be emphasized to transform an asnaf into a successful entrepreneur, especially in rural areas.</i></p> <p>Keywords: <i>Zakat, Factors, Entrepreneur, Asnaf, Rural.</i></p>
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INTRODUCTION

Zakat plays a vital role in assisting the poor and vulnerable groups in meeting their basic needs and improving *asnaf's* quality of life. In addition, zakat can be considered a tool for eradicating poverty through monthly fixed assistance or business capital assistance. Furthermore, *asnaf* can be independent and close the income gap between the rich and the poor.

However, according to the Rural Development Policy Plan 2019, there are several challenges faced by the rural community, namely the rural economy, which is less dynamic, the use of resources is not optimal and the poverty rate. Therefore, this study aims to identify a multidimensional model which can be adopted in the development program and aims explicitly to fit the needs of the rural *asnaf* entrepreneurs.

BACKGROUND OF STUDY

In general, many studies have been conducted to identify the factors of successful entrepreneurs. For example, Schumpeter (1951) describes the entrepreneur as a unique trader, a catalyst for innovation and creativity, and responsible for operations and economic activities. Furthermore, according to Zaharuddin Yahya (1995), entrepreneurs can see, understand, seize, and build economic benefits and profits. Therefore, Mohd & Adibah (2008) provide a more comprehensive definition of entrepreneurs. These, namely,

creative and innovative individuals, can seize opportunities and take risks in business activities by producing and developing new products (See Mohd Nor et al, 2020).

Entrepreneurs bring significant value to local economies and are recognized as essential sources of economic development, which has led to the creation of new entrepreneurship initiatives (Handerson, 2002). At the national level, nations with more entrepreneurial activity have higher Gross Domestic Product (GDP). However, the agricultural sector, subsistence economy and low productivity define rural economic activities, making the rural economy less dynamic than in urban areas. In addition, issues such as idle land, unprofitable farm size and reliance on foreigners affect the economic growth disparities and imbalances between urban and rural areas. As a result, the rural poverty rate (1.0%) is also higher than that of the urban poverty rate (0.2%) (Department of Statistics Malaysia, 2017). At the same time, poverty is also exacerbated by remote locations and limited access to essential services.

According to the Department of Statistics Malaysia 2016, the poverty rate in rural areas is 1.0 per cent higher than the 0.2 per cent rate in urban poverty. This data indicates that urban and rural poverty have different characteristics. The distinction between urban and rural can be seen from a geographical point of view or the accepted facilities. Compared to the city or town, the countryside has fewer basic amenities. Due to long distances, rural communities are deprived of basic facilities such as schools, hospitals, sanitation, and electricity (Hassan N. Khalid, 2012). In the meantime, the city's facilities and amenities are more accessible, affordable, and enjoyable because of the closer distance. Therefore, urban areas have a more significant potential for the high demand for jobs in employment opportunities.

On the other hand, the high cost of living forces people to look for more jobs. Even though the urban population has many work prospects, the pay rate is still low (Hassan N. Khalid, 2012). However, work prospects and job opportunities in rural areas are scarce, and they do not know how to exploit the existing resources. This situation is attributed to a lack of education and an inability to sell their goods and items outside the village. In addition, rural businesses face difficulties due to various product styles, product prices, and costs that they must pass on to their consumers. (Amirul et al, 2017). Therefore, entrepreneurs are also recognized as important drivers of economic growth in local communities, which has resulted in the development of new entrepreneurship initiatives and programs.

RURAL ASNAF ENTREPRENEURSHIP PROGRAMME

A well-organized integrated development program will generate rural *asnaf* entrepreneurs. To this end, authorities, especially the State Religious Council, must play an essential role in stimulating development and growth through effective entrepreneurial development strategies. Zakat instruments should be utilized as optimally as possible. If the program is successful, it will impact the *asnaf's* living standards and catalyze local economic and social growth.

Izatul and Muhammad (2017) discovered that each state's zakat centre in Malaysia had provided initiatives and strategies through various programs and courses to develop and improve *asnaf* capabilities in venturing into entrepreneurship. Table 1 shows a summary of the programs and schemes provided by zakat institutions in Malaysia:

Table 1: Programs and Schemes Provided by Zakat Institutions in Malaysia

Zakat Institution	Program/Scheme offered	Zakat Assistant
Lembaga Zakat Negeri Kedah (LZNK)	Asnaf Development Program	- Self Help Support - Tailoring - Skill Center / Agriculture Project)
Lembaga Zakat	Economic Development	-Capital Assistance

Selangor (LZS)	Program Asnaf Development Program	-Zakat Distribution Projects -Tailoring Workshop (D'Asnaf Anggun) -D'Asnaf Kraf -Mobil Entrepreneur -Pasar Rakyat Asnaf -Training Centre -Capital assistance
Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)	Business Recovery Support	- Workshop on Living Skills Program (Sewing, Embroidery and Automotive)
Majlis Agama Islam Negeri Johor (MAINJ)	Self-reliance Scheme	-Asnaf Zakat Skill center -Tunas Asnaf -Jana Asnaf Niaga -Jana Asnaf Chef -Jana Asnaf Menjahit
Majlis Agama Islam Melaka (MAIM)	Human Development Program	-Business Assistance (financial) - Business Assistance (tool)
Majlis Agama Islam Negeri Sembilan (MAINS)	Asnaf and Capital Development	- Asnaf Development Centre (Cooking and Tailoring Workshop) - Capital and Business Assistance
Majlis Agama Islam dan Adat Resam Melayu Pahang (MUIP)	Asnaf Development Unit	- Courses and training - Capital and tool assistance
Majlis Agama Islam dan Adat Melayu Perak (MAIPK)	Asnaf Empowerment Program (PROPER A)	- Capital Assistance - Courses and Training Program
Majlis Agama dan Istiadat Melayu Perlis (MAIPS)	-	-Capital Assistance - Skill Training Assistance
Zakat Pulau Pinang (ZPP)	Eradication of Poverty Entrepreneur Development	- Business Capital Assistance - Gerak Asnaf Catering - Gerak Asnaf Jahitan - Gerak Asnaf Tani - Gerak Asnaf Niaga - Gerak Asnaf Kraf - Atrium dan Café - Entrepreneurship Program - Self Development Program for Asnaf (Annual) - Asnaf entrepreneur product - Entrepreneurship training/courses

Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM)	-	-Self-Reliance Capital Assistance / Business - Entrepreneurship Courses for Asnaf
Pusat Zakat Sabah (PZS)	-	- Assistance for attending Workshops/ Courses / Entrepreneurship seminar) - Capital Business Assistance (Group/ Individual/ Retail/ agriculture/ livestock/ fishery/ restaurant and service) - Business equipment assistance - Assistance for initial rental of the premise - Incentive Assistance/ business encouragement
Tabung Baitulmal Sarawak (TBS)	Strengthening the Ummah Welfare Program	- Human Capital Development Assistance
Majlis Agama Islam Wilayah Persekutuan (MAIWP)	Entrepreneurship Assistance Scheme	- Business Assistance - Assistance for agriculture/ fishery/livestock

Source: Modification from Izzatul and Muhammad Nasri (2017)

The assistance provided by the zakat institutions, as shown in Table 1, can be summarized as follows:

- i. Financial assistance,
- ii. Training, courses, and workshops and,
- iii. Monitoring.

Financial assistance in the form of a 'one-off' or *qard Hassan* loan is provided for startup capital or the procurement of business equipment (Sanep Ahmad, 2009). In addition, cakes and pastries, beauty and midwifery therapy, electricians, food preparation, sewing and embroidery, automotive and other courses are among the training courses offered for *asnaf's* preparation in a business venture. It is conducted to improve the skills of *asnaf* participants. Furthermore, the zakat institution monitors the recipient regularly to ensure they remain committed to doing business.

However, according to this study, the designed programs are primarily short-term and not comprehensive. In other words, *asnaf* entrepreneur development programs are not designed on a long-term basis with holistic objectives. Furthermore, the program offered also is not tailored to meet the needs of the rural *asnaf*. Different localities, on the other hand, require different programs approach. Therefore, before any program can be introduced and implemented, the needs of the rural *asnaf* entrepreneurs must be identified first.

A VITAL FACTOR OF THE RURAL ASNAF ENTREPRENEURSHIP DEVELOPMENT

According to a study conducted by Muhammad and Zurinah (2021), entrepreneurial success can be identified when entrepreneurs have an optimum level of preparation. They will see and consider their environment more effectively and efficiently, allowing them to channel high potential to achieve their goals. Therefore, for rural *asnaf* entrepreneurs, the authorities' responsibility is to establish a comprehensive development program to encourage and promote them. According to Handerson (2002), there are three elements

that local authorities or the government can concentrate on when implementing entrepreneurial development programs in rural areas: (1) the development of individual skills, (2) the creation of a community environment and (3) the development of a support network. Any rural entrepreneur requires a diverse set of management skills. Various factors, such as educational level, work experience, business capacity, and others, can also affect these skills.

The factors that contribute to entrepreneurial success are divided into two categories, according to Zainurin et.al (2019), namely micro and macro factors. Micro factors include (1) financial constraints, (2) level of motivation and (3) competitiveness and productivity, while macro factors include (1) government policies and legislation and (2) local culture. Training programs can add value to the level of entrepreneurial management skills and performance. A significant impediment to producing effective and successful entrepreneurs is a lack of entrepreneurship education. Therefore, a focused approach is needed to strengthen and improve entrepreneurs' level of knowledge to boost their competitiveness (Reynolds et al., 2001).

Entrepreneurs rarely face challenges and obstacles when running their business and cannot compete if they lack management skills. Therefore, the business should be run by individuals who are not interested in business merely but are also keen to learn the ins and outs of entrepreneurial knowledge. The main objective is not only to earn income but also to maximize their potential.

Although the entrepreneurs' endeavours are the source of success, they must be backed up by a solid social support system. The availability of community resources, especially startup capital, is critical to developing high-growth entrepreneurs. *Asnaf*s who want to start a business will face challenges such as lack of money and capital, motivation, business experience and management skills in the early stages (Isma Addni, 2007; Zainurin et.al, 2019).

Business risk is something unpredictable that can derail business progress. Unmanaged risk can cost money, time, and credibility, among other things. Therefore, rural *asnaf* entrepreneurs must be continuously aware of the risks they face and devise the best solution and strategy for avoiding those risks or reducing the adverse effects. Furthermore, potential services or goods should be accelerated regularly, particularly by exposure to 4.0 technology, to reduce the threats and obstacles entrepreneurs face (Nurul Hidayah et al., 2020).

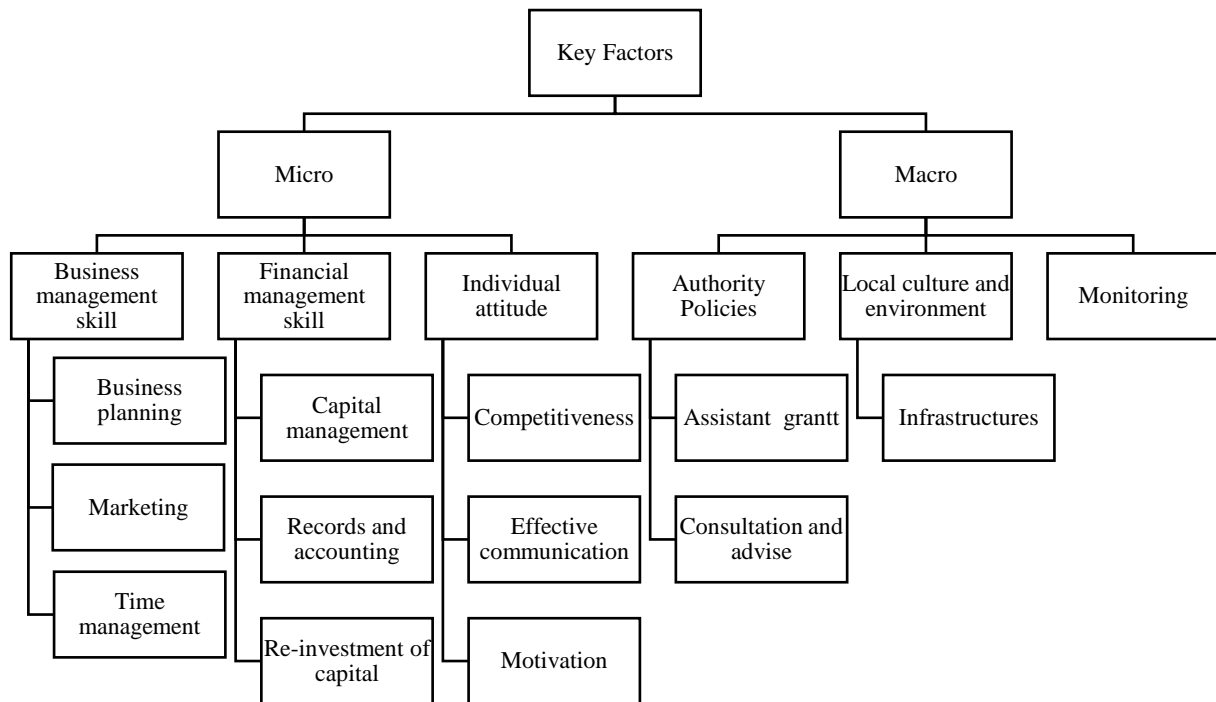
The effectiveness of support network programs is also essential to unlocking the potential of the rural *asnaf* entrepreneur community. A network system is an informal or formal organization that connects entrepreneurs with the social capital, business, and strategies they need to develop (Malecki, 2001). It covers capital assistance techniques and equipment and ongoing training and guidance (Tabung Haji, 2018). In addition, a mentoring system, especially among aid financiers, should be introduced to ensure the smooth operation of entrepreneurial activities. According to Handerson (2002), there is no guarantee that a business run by entrepreneurs can succeed without any obstacles and challenges. Therefore, a monitoring system is needed to ensure that any problems can be identified and resolved immediately.

Entrepreneurs who possess entrepreneurial skills are willing to persevere in adversity and an uncertain future (Mastura & Abdul, 2008). Muhammad Adib & Nurul Ilyana (2019) discovered that selecting participants based on the right and success criteria is crucial in ensuring the successful program in every entrepreneurship program. In this context, Hashim & Syed (2018) identified three vital characteristics of selecting suitable *asnaf* participants: *asnaf* zakat, productivity, and willingness to manage a business.

Apart from the aforementioned characteristics, *asnaf* entrepreneurs must possess distinct and unique characteristics from ordinary entrepreneurs, such as self-confidence, independence, and the ability to persevere without expecting and relying on others in the future. *Asnaf* entrepreneurs must also work hard and persevere in the face of any difficulties and life struggles that have previously troubled them (Mohd & Adibah,

2008; Nur Laily & Dewi, 2018). In addition, rural *asnaf* entrepreneurs' social skills, including verbal and non-verbal communication, should also be strengthened. This action increases the efficiency and effectiveness of two-way communication, which impacts the entrepreneurial activities that are carried out (Candida, 2008). Figure 1 depicts a summary of the vital factors influencing the development of rural *asnaf* entrepreneurship.

Figure 1: The Vital Factors Influencing the Development of Rural Asnaf Entrepreneurship



Source: Modification from Zainurin et.al (2019); Laily & Dewi (2018); Jumaat et al (2012); Tran Kieu (2016) and Isma (2007).

CONCLUSION

According to the findings of this study, two factors play a role in determining the performance of *asnaf* rural entrepreneurs: internal factors (micro) and external factors (macro). An entrepreneur must have a positive attitude and a high level of motivation to be successful. Furthermore, they will succeed in business if they have management and financial skills. Apart from internal factors, the environment plays a vital role in entrepreneurship success and performance.

Zakat funds can provide people with financial and capital assistance and set up business infrastructure. After the funds and costs have been allocated, ongoing monitoring is needed to ensure that all activities and operations run smoothly. In conclusion, the factors listed above must be emphasized to transform an *asnaf* into a successful entrepreneur, especially in rural areas. As a result, this study aims to propose a comprehensive rural *asnaf* development model.

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