

Sustainable Mechanisms of Distributing Financial Assistance to Asnaf and B40 Entrepreneurs in Malaysia: Case Study of Bank Rakyat

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Abstract

The post COVID-19 pandemic has notably highlighted the adverse impacts on both the global and Malaysian economic landscape. This is particularly evident in Asnaf groups (zakat recipients) and individuals within the B40 category. Islamic financial institutions (IFIs) in Malaysia, more specifically, Bank Kerjasama Rakyat Malaysia Berhad, or Bank Rakyat, as a full-fledged Islamic Cooperative Bank, has played a pivotal role in providing financial aid to these vulnerable groups through zakat assistance across a spectrum of initiatives and programs. This study aims to explore Bank Rakyat's initiatives, specifically its sustainable entrepreneur's program, namely "RAKYATpreneur" and "UNIPrenneur". Employing a qualitative approach, it reviews relevant literature on Islamic microfinance and analyses the effectiveness of the RAKYATpreneur and UNIPrenneur programs. The study focuses on these initiatives as a key objective of Islamic banks, seeking to make a positive contribution to both society and economic development through the effective distribution of zakat for sustainability in the long run. Furthermore, this research provides some recommendations to revitalise Islamic social finance products by transforming the zakat mechanism from consumptive to productive distribution, thereby unlocking its full potential. It also proposes a potential structure using *Qard* contract for microfinancing purpose for ensuring sustained business cash flow for continuous feasibility.

Keywords: zakat, microfinance, Islamic banks, Malaysia

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1.0 Introduction

The COVID-19 was first detected in Wuhan, China in December 2019, and Malaysia is one of the earliest nations to be affected by such large-scale virus (Hambari, 2020). The COVID-19 pandemic has significantly impacted the global economy, especially public health and business communities. The impacts have been varied across countries and have inevitably caused social and economic distress globally. The data from the Department of Statistics Malaysia (Mahendiran, 2021) show that the pandemic has reversed the trend of decreasing absolute poverty rate, causing it to increase to 8.4% in 2020. COVID-19 has had a significant impact on citizens from all four corners of our nation over the past year and it also created a new group of Asnaf, namely the front liners, small traders, and daily wage workers as well as households who are economically affected by the Movement Control Order (MCO) (Kamrizal & Nenengsih, 2021).

The government's implementation of the MCO to prevent the spread of this virus in the community influenced daily economic activities, particularly for blue-collar and white-collar laborers and merchants. During the MCO period, they were left with no option but to restrict their economic activities for an extended period of time, resulting in employment losses, salary reductions, and the closure of business operations. (Hasbullah et al., 2022). Due to these constraints, it has affected the B40 category of low-income individuals, as well as the M40 and T20 income brackets, particularly small and medium-sized business owners in the private sector, who were compelled to cease operations and lay off employees in sectors, such as manufacturing, tourism, aviation, and minor industries (Othman & Ibrahim, 2020).

The challenges and economic consequences faced by various groups of people, particularly the most vulnerable, have intensified in the outcome of the pandemic, making it more challenging for them to rebuild their lives. This struggle is notably pronounced among the Asnaf group, who relies on zakat fund for survival. Without assistance, these individuals may find it difficult to sustain the inflow of zakat for their consumption needs, necessitating regular support. Recognizing this, Bank Negara Malaysia (BNM), the country's central bank, has proactively initiated multiple efforts in the realm of Islamic social finance to raise awareness among Islamic financial institutions, urging them to contribute in assisting those in need.

As a crucial part of the methodology, this study reviews and synthesizes the relevant literature on Islamic microfinance and highlights the initiative of Bank Rakyat in providing sustainable mechanisms for distributing financial assistance to asnaf through the RAKYATpreneurs and UNIPreneurs programs using secondary sources of literature. The content and data analysis are mostly drawn from the internal, unpublished reports produced by Bank Rakyat, as well as interviews with relevant stakeholders directly involved in the Islamic Social Finance initiative, particularly in the RAKYATpreneur and UNIPreneur programs.

Information for this study was gathered through direct interviews with key stakeholders at Bank Rakyat responsible for overseeing these programs. The gathered information was meticulously recorded and cross-validated with written reports generated by Bank Rakyat. Furthermore, the research aims to shed light on the practical implications and significance of these Islamic social finance initiatives. The discussion will encompass the potential impact of the findings on informing strategy formulations within the Islamic banking sector and their application in shaping the practices of Islamic banks at large.

2.0 Development of the Islamic Social Finance Industry in Malaysia

Abduh (2019) defines Islamic Social Finance (ISF) as social financial activities and investments that adhere to the rules and principles of Shariah (Islamic law). In addition to Islamic microfinance, Islamic finance includes distinct forms of social finance, such as *infaq* (charity), *waqf* (endowment), and zakat (almsgiving). The primary objective of ISF is to address the needs of the deprived population and alleviate their increasing levels of poverty. ISF is guided by principles of economic justice, inclusive participation, and shared prosperity, which stops from the values embedded in Islamic philanthropy. These principles uphold the notion of providing support to the less fortunate by adhering to established norms of giving, ensuring that the needs of the poor are met (Syed Azman & Engku Ali, 2019).

The rapid growth of Islamic finance in recent years directly contributes to the collection and distribution of zakat to society. Recognizing the significance of zakat in Islamic finance, the Value-Based Intermediation (VBI) concept was launched in 2017, aimed at conveying the business models of Islamic financial institutions towards achieving the objectives of Shariah in a manner that generates a more positive and sustainable impact on the economy, community, and environment. This strategic approach emphasizes the adoption of practices, processes, offerings, and conducts by industry players that are aligned with the principles of Islamic finance (Bank Negara Malaysia, 2018). These instruments are aligned with the industry's primary goal of profitability and contribute to addressing socio-economic challenges and promoting social welfare. According to the Association of Islamic Banking and Financial Institutions Malaysia's (AIBIM) 2021 and 2022 VBI report, it is reported that 62.3% of recipients of Islamic social finance have received zakat contributions amounting to over 36 million in 2021 and 97 million in 2022 showcasing the significant role of zakat in supporting various charitable causes and assisting those in need.

In view of the above, Islamic Financial Institutions in Malaysia have played a significant role in the growth of Islamic Social Finance in the country. Various initiatives of financial inclusion have been initiated by Islamic banks in assisting society and elevate the financial capability of the people. On the 27th of March 2020, the Prime Minister of Malaysia made a significant declaration introducing the Prihatin Economic Stimulus Package (PRIHATIN). This initiative is designed to encourage the B40 and Asnaf to venture into a small-scale business while providing monetary assistance to these micro-entrepreneurs who had suffered financial setbacks as a result of the COVID-19 pandemic. Following this, the iTEKAD Microfinancing Programme ("iTEKAD") is subsequently launched as a supplementary measure to address the socio-economic difficulties confronted by these individuals.¹

The iTEKAD program functions by facilitating the distribution of socio-financial contributions to micro-entrepreneurs, which are funded through contributions and supplemented with microfinancing at reasonable profit rates. In the initial phase, Bank Islam, MAIWP, and SME Corp Malaysia collaborated to provide eligible micro-entrepreneurs with comprehensive training in entrepreneurship, financial management, and guidance to help them develop their businesses².

The launch of i-TEKAD in May 2020 marked the introduction of a pilot program in social finance that integrates both financial and non-financial elements. Through the initial phase of this pilot, participating banks gained valuable insights, enabling them to develop more flexible offerings. Additionally, diverse implementation partners have emerged, providing crucial support in the areas of training, business mentorship, and impact monitoring. Subsequently, there has been a stream in the introduction of social finance solutions that align with the components of iTEKAD, aiming to assist micro-SMEs impacted by the pandemic of Covid-19. These solutions combine philanthropic funds such as grants, donations, and zakat, with affordable or benevolent microfinance, supplemented by structured financial and business training. The ultimate goal is to expand iTEKAD nationwide, empowering low-income micro-entrepreneurs and introduce similar social finance offerings through various financial institutions (BNM, 2022).³ This effort enables the group of microentrepreneurs to access the funding and sustain their business.

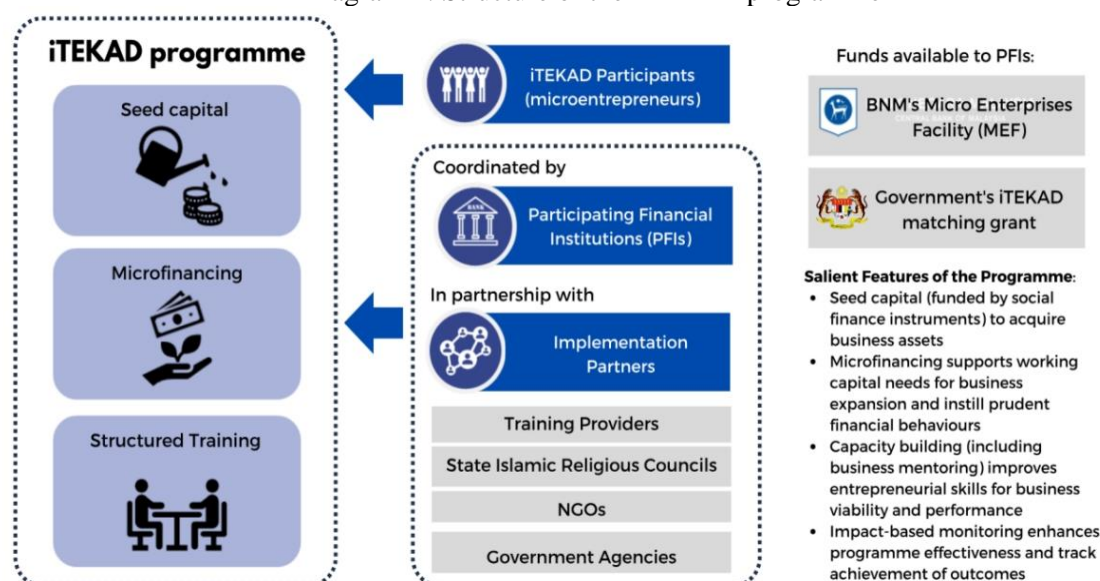
¹ <https://www.malaysia.gov.my/portal/content/31202>

² (Monday, March 30th, 2020 at Money | News by BERNAMA// pic by MUHD AMIN NAHARUL)
<https://themalaysianreserve.com/2020/03/30/bank-islam-to-launch-itekad-programme-in-may/>

³ BNM, Financial sector Blueprint 2022-2026,
https://www.bnm.gov.my/documents/20124/5915429/fsb3_en_book.pdf

The structure of iTEKAD is depicted in the following diagram:⁴

Diagram 1: Structure of the iTEKAD programme



Source: Bank Negara Malaysia Website

There are 12 participating banks for the iTEKAD program, which was first pioneered by Bank Islam Malaysia Berhad (BIMB) and later joined by Bank Muamalat and CIMB Islamic Bank Berhad. As of 2023, these 12 banks continue to participate in granting iTEKAD assistance, and the list and details of initiatives are summarised in Table 1 below.⁵

Table 1: Participating Bank in iTEKAD

No	Participating Bank	Objective	Funding features
1.	AmBank Islamic (iTEKAD Program)	Provide grant, and entrepreneurship training with the support of digital infrastructure to Asnaf entrepreneurs	Returned Zakat and access to microfinancing facilities
2	Bank Islam (iTEKAD Bangkit)	Provide benevolent loan / <i>qard</i> financing for business start-up and expansion	Donation-funded microfinancing facility
	Bank Islam (iTEKAD Maju)	Micro-financing for Working Capital and seed capital	Returned- Zakat and Microfinancing facility
3	Bank Muamalat (iTEKAD Mawaddah)	Micro-entrepreneur to undertake new business venture through Social Impact Investment, i.e Mudarabah financing	Returned Zakat and two-tier <i>Mudharabah</i> investment
	Bank Muamalat (iTEKAD Mahabbah)	Provide <i>qard</i> financing to support micro-business	Returned Zakat and microfinancing facilities
4	CIMB rider entrepreneur	Provide employment opportunities to establish stable income	CSR, cash waqf, zakat fund, and microfinancing facilities
5	Public Islamic	Provide microentrepreneurs at an early stage via training tailored to respective business centre	Returned Zakat and microfinancing facilities

⁴ <https://www.bnm.gov.my/social-finance>

⁵ <https://www.bnm.gov.my/social-finance>

6	RHB Islamic Bank	Empowerment B40 strategy	Returned Zakat and SME financing facilities
7	BSN Bank (MulaNiaga)	Facilitate the participants being bankable by providing training, coaching and funding in tranches	Returned Zakat with graduation to microfinancing facilities
8	SME Bank (iTEKAD Penjana Komuniti)	Provide training, short term coaching and seeds capital as funding support	Returned Zakat / CSR contribution and access to micro-financing facilities
	SME Bank (iTEKAD Ishraf)	Provide training, medium term coaching and seeds capital as funding support	
9	Agrobank through the Program of Hijrah Asnaf, Program Tanaman Usahawan Asnaf and etc.	Provide resources, technical and entrepreneurship training	Returned Zakat and access to micro-financing facilities
10	Maybank Islamic (Aspirasi Wanita)	Empowering the economy for women in micro-enterprises	Returned Zakat and access to micro-financing facilities
11	Bank Rakyat (Rakyatpreneur)	Support asnaf entrepreneurs through coaching, mentoring and monitoring	Zakat funded grants for business expansion
	Bank Rakyat (Unipreneur)	Support asnaf student entrepreneurs through coaching, mentoring and monitoring	
12	Hong Leong (Business Foundation Program)	Provide funding and training to marginalised towards low -income group towards venturing into entrepreneurship program	Benevolent loan funded by CSR fund
	Marginalized Asnaf Empowerment Program		Zakat funded grant and access to micro financing facilities

3.0 Background of Islamic Social Finance Initiatives of Bank Rakyat

Bank Kerjasama Rakyat Malaysia Berhad, or Bank Rakyat was established on 28 September 1954 under the Cooperative Ordinance 1948 (known as the Cooperative Societies Act 1993) and it is the biggest Islamic cooperative bank in Malaysia with assets amounting of RM117.33 billion as of end of December 2022.⁶

Bank Rakyat, under the governance of the Ministry of Entrepreneur Development and Cooperatives (MEDAC), plays a leading role in driving the integrated national entrepreneurship development of Malaysia as one of the Development Banks. MEDAC formulated and launched the National Entrepreneurship Framework (NEF) on 22 November 2018 to serve as a guide to identify the goals and initiatives for fostering entrepreneurship development in Malaysia. Currently, Bank Rakyat has 148 branches all over Malaysia, 27 branches of Ar-Rahnu Exchange, and 273 Rakyat Care outlets, which offer banking services in rural areas in a cost-effective way through the use of non-banking retail channels (Bank Rakyat, 2022).

In supporting the entrepreneurial initiatives, Bank Rakyat in its 5-year Shariah Leadership Blueprint has included the key pillar in empowering Asnaf entrepreneurs by allocating 3% of the total Zakat fund to the Zakat recipient for the purpose of helping the Asnaf to develop and grow the business. The objective of this initiative is to help Asnaf entrepreneur gain income through their efforts rather than just receive and consume the Zakat fund unproductively.⁷

Subsequently, in November 2022, Bank Rakyat recalibrated the Shariah Leadership Blueprint and decided to increase the allocation of the Zakat fund from 3% to 5% of the total distribution, specifically channeling it to the group of Asnaf entrepreneurs. These initiatives were strategically developed to align with Islamic principles and promote social and economic sustainability.

⁶ (<https://www.bankrakyat.com.my/c/about/corporate/overview-1>)

⁷ (https://www.bankrakyat.com.my/c/about/corporate/bank_rakyat_shariah_leadership-38.)

As a full-fledged Islamic Bank, Bank Rakyat has proactively contributed to various social finance initiatives through various programs, namely Jariah Al-Barakah, Asnaf Entrepreneurs, RAKYATpreneurs, living and shelter assistance, and many more.

In addition to the above, Jariah Al-Barakah was introduced in the spirit of the “cash *waqf*” initiative by the collaboration of Surau Al-Barakah, Bank Rakyat, and Bank Rakyat. The initiative established in May 2020 aimed at encouraging Bank Rakyat’s employees and the community to engage in charitable giving to those in need. The initiation of Jariah Barakah serves the purpose of broadening Bank Rakyat's social finance instruments, with a primary objective of collecting *Infaq* and *sadaqah*. This endeavor aims to promote a culture of philanthropy among employees, bank customers, and the general public, encouraging them to contribute to the well-being of those in need. It allows individuals and organizations to contribute their funds with the intention of benefiting those in need. Participating in this platform makes individuals part of a collective effort to support Islamic social finance initiatives.

The collected funds will be invested, and the profits will be channeled towards the development of the education sector, healthcare, and the economic empowerment of the community. This can include various segments of society, such as individuals facing economic challenges, small-scale entrepreneurs, and other deserving recipients. The aim is to provide them with the necessary support and resources to improve their financial well-being and enhance their livelihoods. One of the contributions made is providing full sponsorship for the tuition fees of 25 students from Sultan Idris Education University (UPSI) who lost their parents and guardians due to COVID-19, amounting to a total sponsorship cost of nearly RM86,000 (Bank Rakyat, 2022).

Through participation in Islamic social finance initiatives and the utilization of the Jariah Al Barakah platform, Bank Rakyat demonstrates its commitment to fulfilling its corporate social responsibility and contributing to the betterment of society. The profits from investments towards beneficiaries, Bank Rakyat ensures that the funds collected are utilized effectively and in line with the principles of Islamic finance, ultimately positively impacting the lives of those in need.

3.1 The RAKYATpreneur program

The RAKYATpreneur program is one of the most successful programs and comprehensive philanthropic projects and sustainable initiatives by Bank Rakyat. It aims to identify promising entrepreneurs from the Asnaf community and offer them mentoring, seed funding, capacity development, and coordinated support to enhance their business growth and advancement throughout the business value chain. The program’s objective is to provide financial aid to underprivileged Asnaf entrepreneurs, who have the potential for business expansion and development within the entrepreneurial sector. It will also improve the potential of Asnaf Micro to develop and grow its business value chains. This program also contributed to the sustainable economic progress that derives profit and sustainable development of communities. The RAKYATpreneur program also aligned with Bank Negara Malaysia (BNM) Value-Based Intermediation key drive as depicted in the diagram below.

Diagram 2: Value- Based Intermediation Key drive
Source: Association of Islamic Banking and Finance (AIBIM)



Based on diagram 2, an efficient program deemed by BNM would be the offering that caters to all aspects via VBI which are equipping the targeted community with an entrepreneurial mindset, necessary empowerment, the ability to be self-sustained, and practicing the best business conducts. This means that in order for a program to be considered sustainable, it has to work towards achieving the aforementioned key components.

Bank Rakyat started to introduce the RAKYATpreneur pilot program in December 2020 for 6 months and it involved a minimum number of 20 asnaf entrepreneurs and demonstrated a significant sales revenue and progressively and gradually increased the numbers of the potential asnaf in 2021, 2022, and 2023. The program offered provides comprehensive governance which involves the collaborative implementation partners in ensuring the success of the initiative. The details of the RAKYATpreneur program are as follows; (Bank Rakyat, 2021):

Table 2: Mechanism of RAKYATpreneur as follows:

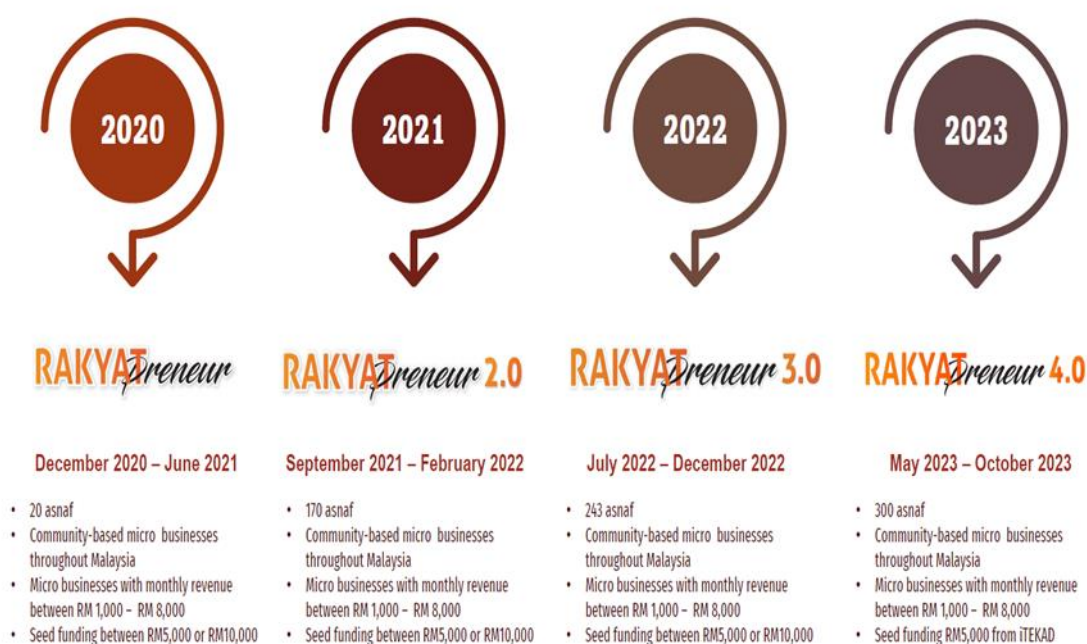
Selection	<ul style="list-style-type: none"> • Identify potential asnaf micro-entrepreneurs who need assistance to boost their current business • Collaboration with Majlis Agama Islam Negeri and Lembaga Zakat Negeri.
Coaching	<ul style="list-style-type: none"> • Development of RAKYATpreneurs module • Knowledge sharing session on entrepreneurship • Monthly webinar
Mentoring	<ul style="list-style-type: none"> • Implementation of knowledge • One-to-one guidance • Feedback on key areas and improvements • Learning specific skills and knowledge
Monitoring	<ul style="list-style-type: none"> • Inspection and evaluation of the progress • Identify key improvements. • Branch engagement to educate on the banking products
Branding	<ul style="list-style-type: none"> • Depict the ownership • Elevate the business by building customer recognition
Financing	<ul style="list-style-type: none"> • Align with the National Entrepreneurship Policy (NEP) agenda

Sources: Bank Rakyat Annual Report 2022

According to the written news on 23rd April 2022, Bank Rakyat introduced RAKYATpreneur 2.0, a program designed to assist Asnaf entrepreneurs throughout Malaysia. The program expanded on the success of its previous pilot program and aimed to select over 200 entrepreneurs to participate. The pilot program, launched in December 2020, demonstrated a significant increase in sales revenue for the 20 micro-entrepreneurs involved within a six-month period. RAKYATpreneur 2.0 received a dedicated fund of approximately RM2 million and ran from July until the end of 2021. The chosen participants benefited from extensive training, guidance, and inclusive monitoring for a duration of six months, accompanied by an enhanced preparation module. This initiative played a vital role in contributing to the socio-economic progress of the nation, specifically in supporting the Asnaf and B40 communities. Moreover, it highlighted the commitment to augmenting participants' income by a minimum of 30% and creating additional job opportunities through a range of programs and initiatives under RAKYATpreneur 2.0.

Bank Rakyat has successfully offered the 4th series of programs and will be continuing the program. The progress of the RAKYATpreneur program is depicted as per below diagram.

Diagram 3: Progress of RAKYATpreneur program since its inception until 2023



Sources: Internal Bank Rakyat Report

In view of the above, we can see that the RAKYATpreneur program is in line with Bank Negara Malaysia's (BNM) Islamic Finance vision, which aims to achieve the desired outcomes of Shariah by implementing practices, behaviors, and offerings that create a positive and sustainable impact on the economy, community, and environment. This is done while also considering the sustainable returns and long-term interests of the shareholders. These initiatives also align with the 2025 Bank Rakyat strategic plan (BR25) and its Sustainability Action Plan aspirations and contribute towards the United Nations Sustainable Development Goals (SDGs) numbers 1, 8, and 9—namely, No Poverty, Decent Work & Economic Growth, and Industry, Innovation & Infrastructure. In view of this, Islamic Social Finance directly contributes to the SDGs. (Bank Rakyat Unpublished presentation report, 2023)

3.2 The UNIPreuer programs

In addition to the RAKYATpreneur initiative, Bank Rakyat has introduced the UNIPreuer program for Asnaf students interested in entrepreneurship. This collaborative pilot initiative involves 10 higher education institutions, aiming to assist young Asnaf students by providing financial support of RM2000 as seed capital to boost their initial investment. Launched in September 2021 for a 6-month period, the program continued with its 2nd and 3rd series in July 2022 and May 2023, respectively. The program encompasses selection and screening, coaching at universities, mentoring in entrepreneurship, and monitoring participants through both physical and online means. Successful candidates will later become customers of the bank through financing facilities.

Based on the pilot entrepreneurship report and VBI implementation key strategies discussed, Bank Rakyat's UNIPreuer 1.0 and 2.0 program covers every aspect. A total of 600 students participated in both series of the program since its inception and 66% of them showed an increment in sales after the program. The students were enrolled in a series of modules, coaching, and mentoring by respective universities as a proposed to increase their entrepreneurial literacy. The training modules also help the students to expand their network while encouraging strategic collaboration. Bank Rakyat also helps monitoring the progress of the business set up by the students which helps the students to keep track of the business performance. Every business registered under UNIPreuer needs to provide a sales report so that Bank Rakyat has a full view on how to coach and advise the students on their next milestone. This paper also discovered that 48.3% of the participants are involved in the food and beverages industry which is in line with the zero-hunger goal that the nation is trying to achieve.

Diagram 3: Progress of UNIprenneur program since its inception until 2023



Source: Internal Bank Rakyat Report

4.0 Discussion and Analysis

From the above discussion on the program offered by Bank Rakyat through its RAKYATpreneur and UNIprenneur initiatives, both programs have the same objective and mission as identified in the Ministry of Entrepreneur Development and Cooperative and to empower the development of micro, Small Medium Enterprises, development program for seller as well as long as the graduate entrepreneur program. These efforts were designed to enhance the capabilities of micro-entrepreneurs from the asnaf community, as well as student entrepreneurs from the same community, in order to facilitate their advancement along their respective company value chains (Bank Rakyat Annual Report, 2022).

4.1 Key Success Factors of Bank Rakyat initiating the program

Several studies have previously investigated the critical success factors influencing the success of Asnaf entrepreneurship within the Asnaf Entrepreneurship program. Among the recognized success factors in the Asnaf entrepreneurship program are capital assistance, collaboration, and advisory programs (Khamis et al., 2022). Bank Rakyat has effectively addressed all three essential components, as outlined below based on these key determining factors:

Capital assistance has a significantly positive effect on the success of Asnaf recipients through the entrepreneurship program. The lack of capital assistance is one of the limitations they face in improving their business nature. Capital assistance does not only refer to the monetary aspect but also includes other elements, such as providing necessary equipment. Bank Rakyat provides seed funding for the Rakyat Entrepreneur program series, and the utilization of the fund benefits the grant recipients. Among other uses, it involves purchasing new equipment, renovating home bakeries, acquiring bakery equipment, and supporting business capital. This type of capital assistance is crucial to ensure the successful growth of startup business operations.

To ensure the program is impactful and successful, Bank Rakyat has collaborated with *Institut Keusahawanan Negara* (INSKEN) as the coaching and mentoring provider for participants. INSKEN assists RAKYATpreneurs with hands-on, step-by-step coaching, offering technical guidance to entrepreneurs who wish to sell their items using online platforms such as Shopee and Lazada.

A proper advisory program has also been carried out by the Bank's selected partners, including Universiti Teknologi MARA (UiTM) and 23 other local tertiary education institutions. This program consists of motivational seminars and a series of online classes designed to inject motivation and spirit into RAKYATpreneur and UNIprenneur candidates, building their confidence in business activities. This guidance includes competency upskilling workshops, advisory services, network building, and follow-

up monitoring. Therefore, the asnaf community can enhance their capabilities, recognising and capitalising on possibilities, in order to maintain their relevance in the market (Bank Rakyat Annual Report 2022). In addition to this, Bank Rakyat provides assistance in terms of creative materials, including posters, advertisements, and logo stickers, to help boost and broaden their business strategy and marketing to the public. All of these strategies and comprehensive assistance are key success factors for RAKYATpreneur and UNIPreneur candidates, aligning with the program introduced by Lembaga Zakat Selangor to develop asnaf entrepreneurs.

4.2 Sustainability Factors of the Zakat Fund

Throughout all the progressive and continuous efforts shown by the number of Islamic banks including Bank Rakyat on financial inclusion, the initiative of giving Islamic microfinance by way of loan (qard financing) also is among the serious notes to be looked into. The microfinance sector has undergone notable enhancements and ongoing progress, encompassing streamlined and simplified application processes as well as prompt responsiveness, disbursement, and approval of funds, all without requiring collateral. These improvements are particularly tailored to address the distinct financing requirements of small enterprises. (Abd Wahab et.al 2023)

The sustainability of the zakat fund is crucial to ensure that the needed and qualified asnaf receive assistance, and more people can benefit in the long run. Therefore, the classification of dividing the category of distribution is very important, as discussed by Shariah experts (Aznan Hasan, personal communication, July 14, 2023). Additionally, research by Ibrahim (2014) suggests that Zakat can be categorized based on the purpose of the funds, either in the form of consumption or production. Consumptive Zakat distribution involves providing ongoing assistance for consumption needs over an extended period. This assistance encompasses expenses related to food, housing, transportation, medicine, and education. Primarily, this type of support is directed towards non-productive groups such as the elderly, those in ill health, and the disabled. On the other hand, the group of asnaf who are capable of working, physically strong, and fit, falls into the category of productive individuals. Therefore, these groups should be assisted with seed funding to enable them to work independently rather than providing consumptive support.

Based on the above analysis, the issue of poverty can be mitigated by assisting vulnerable groups, especially Asnaf recipients, and providing them with support and a platform for business activities. The RAKYATpreneur and UNIPreneur programs, developed by Bank Rakyat, aim to conclude by offering financial assistance to program graduates, enhancing their bankability. Consequently, upon program completion, Bank Rakyat intends to provide Qard financing to these graduates, and the funding source may be derived from the Zakat Fund. The Zakat fund, traditionally allocated for consumptive purposes, can be more effectively utilized to support productivity by providing financing to successfully graduated participants through Qard financing. This initiative aims to sustain the Zakat "pool" and benefit the selected group of Asnaf entrepreneurs identified by the Bank.

The recently launched financing initiative by Alliance Islamic Bank focuses on microfinancing through Qard for 40 Asnaf, with a designated fund of RM200,000. These funds, derived from returned Zakat within the state, are intended to be utilized productively for the benefit of Asnaf entrepreneurs, as highlighted by Rizal IL-Ehzan Fadil Azim in 2023⁸. On the other hand, Bank Rakyat is in the planning stage to introduce a similar product, aiming to sustain the Zakat fund for the long term. This sustainability initiative ensures the continued availability of funds to support more healthy and fit Asnaf individuals. Bank Rakyat plans to allocate its Zakat Fund for direct distribution to graduates of the RAKYATpreneur and UNIPreneur programs.

5.0 Conclusion

The study aims to provide recommendations to enhance the existing zakat distribution mechanism provided by Bank Rakyat in order to help the B40 and Asnaf entrepreneurs community, especially after the devastating period of COVID-19. Based on the data and analysis provided, this paper examines the

⁸ Rizal IL-Ehzan Fadil Azim in 2023, Utusan Malaysia, <https://www.utusan.com.my/nasional/2023/11/alliance-islamic-bank-tawar-pembiayaan-mikro-zakat/>

ability of each initiative on providing sustainability not only to the participants but also to the stakeholders to ensure that the programs can keep running until the two sustainable development goals of zero hunger and no poverty are achieved. Following the VBI guidelines that were provided by Bank Negara Malaysia, it is concluded that Bank Rakyat's RAKYATpreneur and UNIPreneur have given a significant contribution to the national sustainability initiatives. Furthermore, Bank Rakyat has also been portrayed as a pioneer bank of two groundbreaking initiatives in 2022 which is Bank Rakyat Entrepreneur Leadership Series (BRELS), which consists of RAKYATpreneur 3.0 and the Bank Rakyat UNIPreneur 2.0 showcasing that the success of the program implemented. (AIBIM,2022).

The RAKYATpreneur 3.0 initiative witnessed the active involvement of 243 entrepreneurs who are classified as asnaf and operate micro businesses across various communities around Malaysia. The individuals involved in this study operated small-scale enterprises that generated monthly revenues ranging from RM1,000 to RM8,000. Additionally, they were successful in securing initial capital investments of either RM5,000 or RM10,000. During the six-month period, a significant improvement in the revenues of their firms was observed among 60% of participants in RAKYATpreneur 3.0. This positive outcome can be attributed to the acquisition of entrepreneurial skills, which encompassed training in areas such as business model canvas, utilisation of digital platforms, and sales and marketing techniques. In addition, recognising the unexplored capabilities inherent in the youth population, the Bank Rakyat UNIPreneur 2.0 program specifically targets university students, aiming to cultivate a climate of creativity and business acumen starting at a young age. Bank Rakyat has established partnerships with 24 carefully chosen higher education institutions in order to offer students a comprehensive platform that facilitates the transformation of their business concepts into practical companies. Each participant was provided with a seed capital of RM3,000, while the Bank engages in partnerships with higher education institutions to develop training modules tailored for aspiring entrepreneurs. Out of a sample size of 500 participants, a majority of 66% indicated a rise in sales. Additionally, these members have the ability to utilise banking services through the establishment of a current account.

Despite the analysis that has been made, the researcher recognizes the limitations in terms of focusing only on a few product offerings with many others out there that can cater to the B40 and Asnaf community. There is also limitation in acquiring sufficient data in certain areas of the study. Therefore, the researcher strongly recommends for any future studies to conduct the research from the angle of the participants of the programs to have a different view.

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