

Utilizing Zakat Fund to Develop Microtakaful Scheme for Enhancing Financial Well Being among Self Employed Asnaf

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ABSTRACT

The Covid-19 pandemic has triggered an adverse effect on the economy which have underscored the need to support and protect lower income groups. Poor and needy are among the low-income group who are the least ready individuals to adapt when emergency happens. Any calamities happened such as sickness, or accident can have a disastrous effect on their already low standard of living, which in turn decreases future income. As a result of this startling situation, the low-income group is recognized as at-risk population in the society due to the reality that they are plagued with various financial problems and still struggling to achieve socio-economic and health equalities (Haroun & Yusoff, 2019). We investigate the issues by evaluating the current risks encountered by Asnaf (Beneficiaries of Zakat fund). In particular, we focus on poor and needy group of people who had received financial assistance in the form of Entrepreneurship Programme organized by Lembaga Zakat Negeri Kedah. Even though Zakat collections kept rising year by year, it is still incapable to resolve the financial problems among the Asnaf especially during the time of emergency happens (Yahaya & Ahmad, 2019). The poverty issue and financial well-being are highly entangled; however, to the best knowledge of authors, there is limited studies that examine effective alternatives to channel fund to these poor and needy group who are deemed productive. Despite previous research has focused on Waqaf fund in proposing Microtakaful (see for example Mikail and Saheed 2014,), there is a scarce empirical studies on the utilization of Zakat fund as a means to channel financial assistance to the poor and needy in the form of Microtaful scheme. Thus, this Study further notes that factors influencing the needs for Microtakaful protection, coupled with intervention from Zakat will influence financial well being of these targeted group of Asnaf. Besides, focus group and content analysis approach are used to gather primary data and identify and interpret relevant secondary data and Shari'ah concepts in developing the Zakāh- and Waqf-based Microtakāful model.

Keywords: Asnaf, Microtakaful, Poor and needy, Self employed, Zakat.