

## Mobile Entrepreneur Program by Zakat Institution: An Exploratory Study

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**Abstract:** The aim of this study is to explore about Mobile Entrepreneur Program (MEP) and to assess on the success and the effectiveness of the program. Qualitative method were employed for the study where semi-structured interviews were conducted with the administrators of the program to assess their views on the program. Five interviews were completed, recorded and transcribed verbatim for analysis. Based on the content analysis of primary and secondary data, it was found out that mobile entrepreneur program has been very successful and effective in uplifting the status of the asnaf with nearly 100% success rate. MEP have also demonstrated that mobility of the business promotes sustainability and self-reliant entrepreneurs among the asnaf. Additionally, MEP has created an 'exit door' for the asnaf from the vicious cycle of poverty and hardship.

**Key words:** Asnaf, entrepreneur, mobile business, program, poverty, success, Zakat

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### INTRODUCTION

Zakat institutions in Malaysia have initiated various economic programs for the recipients of Zakat, not only dedicated to the unproductive recipients but also for productive recipients, so that those who are productive would be able to generate their own income and subsequently become Zakat payer. One of the program dedicated to the productive recipients is a capital assistance program which was designed to assist the recipients to start their own business or expand their existing business. In so doing, Baitulmal Wilayah Persekutuan has embarked on the capital assistance program in 1995, by providing capital to the recipients for free without any obligation to payback (Rahman and Ahmad, 2011). In the state of Selangor, the capital assistance program has started in 2003 and has offered various programs for the productive recipients to finance their business needs and requirements. Since, previous research on capital assistance program only discuss the success and failures (Rahman and Ahmad, 2011; Halim *et al.*, 2012; Yaacob *et al.*, 2013; Ibrahim and Ghazali, 2014) of the programs in general, it is therefore important to explore about the program in specific as little are known about it. The intention of this study is to explore on Mobile Entrepreneur Program (MEP) and to identify the success and the effectiveness of the program. The findings of this research is expected to shed some light in Zakat and mobile business literatures which was previously neglected.

**Literature review:** There is no specific and precise definition of mobile business as over the world, mobile business has been practiced in many different ways. The most distinguished features of a mobile businesses with the brick and mortar businesses is the structure of the business. Some of the mobile business employed truck or lorry. The most common terms used is the "food truck" which generally refers to a motorized vehicle, normally customized and these trucks equipped with cooking facilities to prepare food (Linnekin *et al.*, 2011). Those operating food truck is considered as high-end mobile business. On the other hand on the low-end, street vendors or street peddling with heavy mobile stalls or carts, pushed stalls on wheels to carry merchandise or operating a stall off a cart or a tricycle or a motor vehicle, bicycles, van, push stalls on wheels, stall off a cart, wagon or even carry their own merchandise with their own body, such as shoulder, using shoulder poles (Valdez *et al.*, 2012; Lincoln, 2008) moving from one location to another are also called mobile business. A mobile business operators are normally a sole-proprietor, working part-time or full time, seasonally or occasionally.

Previous literatures on mobile business has been focusing on health, hygiene and public policy issues (Lincoln, 2008; Walsh, 2010; Turaeva, 2014; Patel *et al.*, 2014; Alva, 2014; Burt *et al.*, 2003; Rehman and Ibrahim, 2013; Basch *et al.*, 2015; Subratty *et al.*, 2004). This indicates the paucity in academic research on mobile business, especially on assessing the success of the

mobile business. Mobile operators or street vendors or peddlers often considered as part of informal economy or lower-tier of economy who engaged in low earning activities, providing goods or services at cheap prices. Nonetheless, the mobile vendors or street vendors who mostly selling food and beverages item provides customers the access to cheap and affordable food and they are available at public spaces, a location with high customer based as well as convenient to the customer (Wessel, 2012).

Mobile business which normally operated by poor vendors are ubiquitous in poor and developing countries as they trying to make a living due to high unemployment rate and also because setting-up the mobile business does not requires high capital. It is interesting to note that some of this mobile vendors are quite successful in their business and location has been found as one of the critical factors for their success (Wessel, 2012; Chi, 2002; Nirathron, 2005). However, it was also noted that the mobile businesses are not necessary effective and successful in every location but the vendors should choose locations that are profitable to them and these locations must be central enough to attract customers and traffics (Ngo, 2012).

Mobile vendors normally get the capital to start the business from a pool of fund collected from the family members or even from the neighbourhood savings group (Chi, 2002; Nirathron, 2005). Having own capital for the business is seen as an indicator of success for the mobile vendors especially for the poor vendors as to actually have capital for the business is not easy for them (Nirathron, 2005). Customer satisfaction towards the mobile vendor's services could also be an indicator for the success of the business. For instance, serving a generous portion, tasty food and with cheap and affordable prices and good behavior are strongly acknowledge by the customers who are satisfied with the vendors. Other factors that contributed to the success of the mobile business is the self-confidence, good rapport and clean, knowledge, skills and expertise which are not confined to only preparing and selling food but also in setting a good price and marketing (Muskat *et al.*, 2012).

## **MATERIALS AND METHODS**

This research employed a qualitative method to collect the data. The data collection process are conducted in two phases. The first phase involved the management team or administrator of the program. The second phase on the other hand, involved the asnaf who is the mobile vendor. Secondary data and primary data were used. Primary data sources are basically from the

semi-structured, face to face interviews conducted on the administrators of the program where five respondents were chosen based on their involvement and importance in this program. Data saturation has been achieved after the third respondent. Interviews were audio-recorded and transcribed verbatim and content analysis were used to analyze the data.

## **RESULTS AND DISCUSSION**

**Mobile entrepreneur program for asnaf:** Mobile Entrepreneur Program (MEP) was introduced in year 2007 under the management of Teraju Asnaf Sdn. Bhd. (TASB) which was formerly known as MAIS Zakat Sdn. Bhd., a subsidiary of Selangor State of Religious Council (SSRC). Nonetheless the distribution of the Zakat fund for the program are done by Lembaga Zakat Selangor (LZS), a body which is responsible to collect and distribute the Zakat fund. Therefore, the financing of the MEP will be from LZS and the management of the program will be done by TASB. The objective of this program is to develop the productive asnaf to become self-reliant entrepreneur and to transform their status from Zakat receiver to Zakat payer. This means, once they have been selected for the program, TASB will ensure that the asnaf will not only have successful business but also sustainable, capable to generate good income. The most important criteria for this program is that the asnaf must have a business, currently managing it but unable to expand the business due to financial constraints. In addition to this criteria, the eligible asnaf must be from the poor and needy category. In explaining the justification of why only the asnaf who have the business were given the priority, R1 mentioned the following.

“We must make sure that the asnaf who were chosen to be on this program know at least how to read and to count. Can you imagine if they don't know how to read and to count, how can they managed the business? we give them lorry which could cost RM40,000-50,000, equipment, working capital and the total package is quite expensive”.

R<sup>2</sup> share similar opinion when asked why the program only choose those asnaf who already had a business and the response were “first need to bear in mind that the objective of this program is to help asnaf who already in the business but failed to expand and still earn a marginal income. So for this program, we select the asnaf and we assess their background... to see if they are suitable to receive the capital assistance through this program. Because we have to invest quite a lot of money, say, per asnaf, roughly around RM70,000 (USD 17,300), so we have to be very selective. If the asnaf want to start a business, we have another capital assistance program for them”.

The SSRC's standard operation procedure for granting the capital aid for the business (Issue No. 1, MZSB-PO-SPU-P02) has described the process flow of the procedures starting with the identification of the potential asnaf from each district, followed with the written test and interviews and selection process. The selected asnaf must undergo training and seminars before they can actually receive the vehicle to start the business.

**The success and effectiveness of MEP:** The MEP has shown tremendous results in uplifting the asnaf from their Zakat receiver status. However, the cost of developing the asnaf to become entrepreneur for this program is high as compared with other capital assistance program which starts as low as RM500 (USD 124). The MEP has been considered as the most successful program in uplifting the status of the asnaf. Due to the mobility of the business the asnaf managed to generate good income but R1 shared her feedback on the success of the program as follows. "Since, the program was introduced in 2007 and till now, 2015, 65 asnaf managed to 'withdraw' themselves from their status and no longer depends on Zakat fund. Say, out of 10 asnaf participate in the program, I can say 9 of them able to uplift their status as asnaf. So far, they (asnaf) use the lorry just to bring their merchandise from one place to another. Before, they have their business but they not getting anywhere, so the lorry provides them with the mobility to move anywhere to the customers are".

R<sup>2</sup> also demonstrates the same opinion with regards to the effectiveness of the program but he shares his feedbacks as follows. "I personally think that MEP is the most effective program in uplifting the status of the asnaf. So far, we have given the assistance to 85 asnaf and out of this, 65 are no longer, asnaf and we are left with 20 asnaf which we closely monitored so that we this 20 can be declared as non-asnaf soon".

The MEP not only uplifted the status of the asnaf but the program promotes sustainability of the business but it was reported that average monthly income (after deducting all the operating expenses from sales) RM3,000 to RM7,000 (USD742-USD1,700) with the highest ever recorded was RM12,000 (USD2,900). The justification for such high income was that for mobile business, their cost structure and overheads are quite low as they only need to pay for the petrol and toll charges, stock purchases and no rental needed. The income earned by the mobile entrepreneurs in this program changed dramatically after participating the MEP which proved that the mobility of the business does contribute significantly to the increase in the income generated by the asnaf, apart from providing the sustainability of the business.

One of the important fact which described the effectiveness of the program is the commitment of the asnaf towards the program which in turn trained them to be more hardworking in doing the business. The MEP has trained the asnaf to be highly committed to the business as they need to contribute without fail to the savings plan of RM300 per month. In this program the asnaf need to pay on monthly basis a fixed amount of RM300 for the period of 3 years and will be returned it back to them towards the end of the 3 years tenure. In discussing about the commitment, R1 provides her feedbacks "We imposed RM300 for the asnaf to pay into their own savings account which is monitored by us so that they commit to this program. We give them the financial assistance, without the obligation to pay back, its free, because its Zakat fund! Anyway we tell them, every month they need to deposit RM300 to us without fail and not even a single day delay. Why we so strict? Because we want to see the commitment from them. Even if they delay for 2 or 3 days we will proceed to take back their lorry together with all the equipment"

The commitment or the forced savings method proven to be effective in monitoring the asnaf. R<sup>2</sup> in providing his feedbacks emphasized the followings "I personally think the forced savings of RM300 contributes to the success of this program. When we imposed that I can see they are also committed to their business, because they know they have the monthly commitment now".

The success of MEP demonstrates that knowing the asnaf capabilities, providing them with the right tools, guiding them and monitor them closely will ensure their success in the business.

## CONCLUSION

It was the intention of this study to explore on Mobile Entrepreneur Program (MEP) and its effectiveness since not much has been reported in the academic writing, especially in the Zakat and mobile business literatures. The fact that mobile business does contribute to the well-being of the asnaf and managed to generate a good income was not previously explored. The MEP has been proven successful in uplifting the status of the asnaf but the effectiveness of the program can be seen as early as 2-3 months after receiving the assistance. The MEP is the most effective income generating program as compared to the other capital assistance program, simply because the mobility and the flexibility of the business, creating a sustainability of business by providing good income as well as trained the asnaf to be highly committed with the business that they are in.

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