



Empowering Islamic Social Finance to Reduce the Burden of COVID-19 Destitute: Evidence from Malaysia

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ABSTRACT

This study intends to explore the role of Islamic social finance initiatives to support COVID-19 destitute in Malaysia. Like everywhere in the world, COVID-19 has left adverse impacts on businesses and individuals in Malaysia. This study explores the role of zakat, waqf, government policies, fintech, Takaful, Sukuk, micro-financing, and Islamic banking to strengthen the impact of Islamic social finance. This is an explorative study, and data are collected from research articles, online newspapers, websites, and other relevant sources. The study found that various stakeholders in Malaysia, including government, zakat agencies, and non-governmental organizations, made substantial contributions by empowering Islamic social finance to reduce the burden of the current pandemic. Besides, by exploring the sources, the study discovered that Islamic banks played a significant role in supporting COVID-19 destitute through Islamic social finance. The study concludes that various components of Islamic social finance have a great potential to combat any emergency like a pandemic in Malaysia and elsewhere. It recommends Islamic social finance can be further enhanced with the help of diverse applications of fintech, such as blockchain technology, e-wallet, digital platform, and so forth.

Keywords: COVID-19, Islamic social finance, Malaysia, Zakat, Waqf

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1. INTRODUCTION

The World Health Organization (WHO) named COVID-19 for corona virus disease. CO means corona, VI for virus and D for 'disease'. Then placed a hyphen (-) and 19, which refers to 2019. As of Feb 11, COVID-19 was referred to as a coronavirus novel, novel meaning new. The virus is called severe acute respiratory syndrome corona virus 2 (SARS-CoV-2) The first case of COVID-19 occurred in Wuhan China, in late December 2019. The WHO defined it as an outbreak due to the increase in the number of the diseases higher than before. On March 11, 2020, the WHO declared COVID-19 a pandemic meaning "an epidemic of a disease that has spread so widely across borders, even to the rest of the world". This at once confirms the contagion and the state of the epidemic which is very alarming (Ab Rahman, et al., 2020).

COVID-19 have given its impact towards the world and the people. COVID-19 impact is not only in healthcare service, but it also gives the impact on the economy of the nation. The source of economy impact is the tax from the business, if the tax of business is negative then economy of the nation will be affected. The solution on this problem must be done to prosper the progress of the nation and its people. Here, the importance of Islamic finance especially Islamic social finance should be discussed to face these difficulties. The

problem that the paper wants to address is strengthening Islamic Social Finance practices to Support COVID-19 Destitute in the case of Malaysia to ease the burden of business and individual during COVID-19 pandemic. Besides, the objective is elaborating the components of Islamic social finance and discussing policy and practices by different stake holders that play their role in facing the pandemic COVID-19. The research question in this paper, what is the components of Islamic social finance? and what the policy and practices by different stake holders that play their role in facing the pandemic COVID-19? This question will be the direction this research paper and fill the research gap. The contribution of this paper is the people will know the significant of Islamic social finance towards the business and people that affected. The scope of this research is focusing on Islamic social finance component in Malaysia that will benefits the business and people.

2. LITERATURE REVIEW

2.1 Islamic Social Finance

At the birth of Islam, Islamic finance is designed to ensure that wealth in society is fair and avoid economic exploitation. Islamic finance can be known as shariah-compliant in finance and economics transactions. The wealth distribution and equal financial agreement will improve social justice by Islamic finance. Islamic finance does not tolerate any

exploitive practice while it focuses on good conduct. There are three major prohibitions in Islamic finance namely *riba* (interest) where selling money with high price more than its worth, *gharar* (uncertainty) where the exploitation in contract towards the smallest parties in financial transactions, and *maysir* (gambling) which is investing in risky transaction and hope for the profit in the future in financial transaction. Islamic finance is rooted equally in commercial and social dimensions. Commercial and social dimensions equality is based on Islamic finance. The global assets of Islamic banking and finance have reached globally around at \$3 trillion by 2020, and the contribution of zakat is between \$200 and \$1 per year (Islamic Relief Worldwide, n.d.; ICD-REFINITIV, 2020). The components of Islamic social finance comprise of zakat (obligatory charity), sadaqah (voluntary charity) and waqf (endowment), qard (loan), takaful (insurance), and so forth. Also, Islamic social finance includes socially responsible investment like SRI Sukuk to finance the project as well as qardul hasan to reduce poverty in the society.

2.2 Components of Islamic Social Finance

Zakat

Muslim individuals need to spend a part of their incomes for the charitable causes. They need to spend it when their wealth reaches minimum percentage to make them pay zakat. The percentage of zakat 2.5% for every Muslim that can pay for it (Liberto, 2021).

Zakat is used to help the low-income group such as the poor and needy. Empowering zakat means empowering man and that is the great meaning of zakat on the Islamic side. It is done through the distribution of zakat to the low-income group especially the category of poor and needy. It increases their purchasing power and increases consumption spending on aggregate. With this, the wealth of the country will be able to distributed among the community fairly and effectively so that not a single Muslim being in poverty and hunger. This statement can be proved in table below about marginal propensity to consume (MPC) value (Kadri, Ahmad & Noor, 2012).

		Rich people MPC	Poor people MPC
Before zakat distribution		0.608	1.018
After zakat distribution		0.623	0.630

Table 1: The marginal propensity to consume (MPC) value (Kadri, et al., 2012).

Based on table 1, before zakat distribution, MPC value poor people higher than rich people. It means that marginal usage by poor people higher than rich people. For poor people, income of additional rm 1 will be used about rm1.018, then rich people where rm 1 used only about rm 0.608 and the balance will be kept or invest. It means here that, zakat distribution from rich people to poor people will stimulate the economy progress. The economy progress will prosper with zakat, because the poor people have zakat money to use with high consumption than the money in the hand of rich people.

Besides, MPC value of poor people will reduce from 1.108 to 0.630. It means here that the consumption of poor people

changes and almost same with rich people. It means here that the poor people become more richer than rich people after distribution of zakat. This table also show that zakat distribution can increase the aggregate demand MPC because the poor people MPC higher than rich people MPC. It can stimulate the economy progress and change the status from poor to rich people. Then, it shows to us that zakat can be a role economic growth and help Malaysia to achieve high-income status (Kadri, et al., 2012).

Sadaqah

Charity giving towards the other people by voluntary give our wealth to others. It differs from Zakat that *sadaqah* can be contributed voluntarily and zakat is compulsory when comes its time. (Hasan, 2018). Also, the difference between zakat and *sadaqah* is there not limit in helping the poor and the needy in *sadaqah*. *Sadaqah* can help the poor and needy by giving fund to invest in several non-profit sectors that need lots of contribution like education and social development. Even zakat is paid by every year by affordable Muslims, but zakat distribution only depends on zakat collection that based on certain rate required. In *sadaqah*, it is more practical in helping poor and needy because the rich people can give unlimited fund to help poor and needy to change their lives. There are a lot of foundations that have been established to manage funds for the unfortunate people and change their lives in better situation. The management of *sadaqah* does not need government interference, so it will give freedom to private foundation to manage their fund collectively in older to help poor and needy people (Mohamad, 2009).

Waqf

Waqf is donating the fixed assets where the ownership goes to Allah swt and the benefit goes to the nominated beneficiaries who can be public or family members, such as land, building, etc. (Islamic Relief Worldwide, n.d). Waqf asset can be used to develop the project that give the impact to development of poor and needy society. Waqf asset is not only monetary fund like zakat, but it covers other form of valuable assets like land, house, and buildings. Waqf asset can use these valuable assets for social charity programs like free housing for the poor and needy. The role of Waqf can help the poor and needy to change their socio-economy in better life. Besides, commercial building can be used as Waqf assets to give a base for the poor and the needy to start their business. The poor and needy can create own career and earn income to upgrade their life for better future. Waqf also can be made in non-profit sectors like education, which will provide free education to the poor and needy and create social mobilization among them to change their life (Ab Rahman, 2009).

Qardul Hasan

It is a loan in Islam that created for the charity purpose, where there will be no interest added to the principal amount of loan (Islamic Relief Worldwide, n.d.). Qardul hasan helps the poor population to invest in their spending. With a qardul hasan fund they can manage the cost of service and goods which contributes to increase the size of the real economy. The poor people can involve in any small, medium and large-scale business to produce goods and services that they want. Poor people can use that fund for creating the wealth when they involve profitable activities. It will help them to earn their own income and they can create own

employment. It will change their socio-economic when they will not depend on others money like zakat and sadaqah. It will also help a country to achieve full employment among their people including poor and needy. None will be left behind in economic planning if qardul hasan is being operated (Selim, 2018).

Takaful

The aim of takaful is to reduce the risk that will faced by the contributors. Takaful is a way of making little contributions in a fund and use it in a case of loss. It is also called as cooperative system of reimbursement or repayment (Islamic Relief Worldwide, n.d.). Takaful can be used as a tool to cover the loss of health if something happens. Here, takaful can be used to help the poor and needy when they need money to cover the cost of medical expenses. It is known that takaful is based on Islamic principles that does not involve *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). The government through State Islamic Religious Council can create takaful scheme for poor and needy ensuring their social benefits (Bernama, 2017).

Sukuk to Certain Social Programs

It is a shariah compliant bond in Islamic finance, and it involves direct assets ownership interest. Sukuk cannot involve in speculative activities because they are not allowed in shariah. It needs investor to finance its project like commercial activities (Ganti, 2020). Government can issue sukuk in their policy to get financing in certain social programs. Sukuk can get fund from the investor, then the government will use that fund to finance certain industries that need fund especially non-profit sector like healthcare service and education. It will also help the poor and needy, to ensure that they will not be left behind in development of a country. For example, Malaysia government launched digital sukuk during COVID-19 pandemic. It will give extra fund for the government to help small and medium enterprise and healthcare service and digitalization of education sector. Here, the role of sukuk has been seen to help the society through social programs (Berita, 2020).

Islamic microfinance

Microfinance in Islamic version uses principles of interest-free credit (qard hassan), credit sales (murabaha) and investments (mudaraba). The microfinance aims to create opportunities, protect poor people, and make saving together. It will develop socio-economic status of the underprivileged category of the society (Islamic Relief Worldwide, n.d.).

Islamic microfinance uses the application of qardul hasan to help the poor and needy. Islamic microfinance helps the poor and needy by financing their business. Islamic microfinance provides a small loan for each of receiver and financing repayment on weekly basis. The purpose of Islamic microfinancing is to create social capital joining together with receiver in their business. Here, Islamic microfinance does not only just give financing, but gives guidance to the receiver on how to manage their business and make it success. When the business is success, then the mission of Islamic microfinance to help poor and needy achieved (Amran, et al., 2014).

Crowdfunding

The use of small sums of money from a large number of people to finance a new business venture is known as

crowdfunding. Crowdfunding uses social media and crowdfunding platforms to link investors and entrepreneurs, with the potential to increase entrepreneurship by widening the pool of investors beyond the conventional circle of founders, families, and venture capitalists. (Smith, 2021). Crowdfunding from Islamic perspective is conducting any commercial and business deal with shariah-compliant rules. For example, it must avoid interest and other fundamental prohibitions in Islam. Islamic crowdfunding can be used to give fund to the small and medium business especially for poor and needy. Then, it can also be used for donation purpose to help the unfortunate people. It will create a new step for the small and needy to change their lives. For example, Islamic crowdfunding can use *mudarabah* contract where it has profit-sharing ratio agreement between investors and owner of the business (Baddou, 2017).

3. METHODOLOGY

This study intends to explore the role of Islamic social finance initiatives to support Covid-19 destitute in Malaysia. Like everywhere in the world, Covid-19 has left adverse impacts on businesses and individuals in Malaysia. This study explores the role of zakat, waqf, government policies, fintech, Takaful, Sukuk, micro-financing, and Islamic banking to strengthen the impact of Islamic social finance. This is an explorative study, and data are collected from research articles, online newspapers, websites, and other relevant sources.

4. FINDINGS AND DISCUSSION

The study found that various stakeholders in Malaysia, including government, zakat agencies, and non-governmental organizations, made substantial contributions by empowering Islamic social finance to reduce the burden of the current pandemic. Besides, by exploring the sources, the study discovered that Islamic banks played a significant role in supporting Covid-19 destitute through Islamic social finance.

4.1 Islamic Social Finance Initiatives by Different Stake Holders in Malaysia During COVID-19

Islamic social finance instruments, like zakat, waqf and sadaqah, etc., can be used to support the growth of Malaysia towards the high-income nation. Islamic banking which is a part of Islamic finance also put the initiative to be part of the strategic goal of the country and are plotting its implementation of social finance before this pandemic spread (Mohd Muazzam, CEO of Bank Islam). As the world struggles with the economic impact of COVID-19, this epidemic has accelerated social finance mission of Islamic banking because of its necessity which requires the exploration of all possibilities to reduce the impact on society, economy and nation as a whole (Editor Prebiu.com, 2020).

During COVID-19 pandemic, many stake holders that have interest in the society have been playing their role. It is very important to help the society that affected during the pandemic to ease their burden. The practices and operations of Islamic social finance instruments would be instrumental to reduce the difficulties of businesses and individuals affected.

Throughout the states of Malaysia, almost two hundred million of zakat funds have been distributed towards the

society that need the help. Thus, lots of people have been helped by the zakat authorities like Pulau Pinang, Selangor, Federal territories and so forth.

No.	Zakat Institutions	Zakat Distribution (RM Millions) in
1	Federal Territory Islamic Council (MAIWP) & Center for Zakat Collection (PPZ)	34.41
2	Zakat Pulau Pinang	14.52
3	Pahang Islamic Council and Malay Heritage & Center for Zakat Collection of Pahang	12.2
4	Kelantan Islamic Council	12.6
5	Perak Islamic Council and Malay Heritage	14.35
6	Terengganu Islamic Council and Malay Heritage	20.2
7	Selangor Zakat Board (LZS)	15
8	Johor Islamic Council	7.4
9	Kedah Zakat Board	16.7
10	Negeri Sembilan Islamic Council (MAINS)	4.3
11	Zakat Melaka & Melaka Islamic Council	4.26
12	Perlis Islamic Council and Malay Heritage	3.98
13	Sabah Islamic Council	6
14	Baitulmal Sarawak	6
	Total	171.92

Table 2: Zakat Distribution by States during Pandemic COVID-19 (Hambari, Arif, & Zaim, 2020).

Zakat Pulau Pinang:

Zakat Pulau Pinang has played a proactive role to give assistance towards the people during COVID-19 pandemic. There are about 27,532 people received the help from Zakat Pulau Pinang from 22 March until 31 December 2020 (Othman, 2021).

Assistances to asnaf	Amount (RM)
Small entrepreneur and hawkers	2.6 Million
Shortage of supply	1.1 Million
Monthly living allowance	2.6 Million
Monthly Food	328, 844
Disarming mosques and suraus	252,400

Table 3: Zakat Pulau Pinang assistance during COVID-19 (Sinar Harian, n.d.).

In Malaysia, there are numerous zakat programs that has been done by the State Islamic religious council (SIRC) like Zakat Pulau Pinang (ZPP), Lembaga Zakat Selangor And State Islamic Religious Council of Federal Territory.

Lembaga Zakat Selangor:

Lembaga zakat Selangor has taken great initiative by giving COVID-19 special assistance and credited it in bank account of receiver. The Chief Executive Officer of Lembaga Zakat Selangor said the zakat distributions are made that worth RM14.0 million among the 29,000 *asnaf* receivers. Among them, 9,000 are from the poor, needy and muallaf categories, while each family of them received

RM500, with a total distribution of RM4.5 million. The other 20,000 receivers are from B40 families, small businessmen, and hawkers who also get the benefits from the zakat assistance with maximum RM500 for each that worth totally RM9.5 million. They are categorized as *fi-sabilillah asnaf*.

Lembaga Zakat Selangor also distributed zakat assistance that worth RM 1 million among government hospitals, district health centers, front liners of COVID-19 and university students in Selangor. It also distributed Personal Protection Equipment (PPE) among the hospitals and health centers and provided food assistance for front liners and university students. All these forms of assistance by Lembaga Zakat Selangor that worth about RM15 Million were very helpful to cover the charity and medical needs towards the affected people in COVID-19 pandemic.

Lembaga Zakat Selangor has given monthly special package to the registered *asnaf* including poor, needy, *muallaf* and *gharimin* that worth RM30.5 million. This distribution of zakat has been made in the form of finance, house rent, dialyses treatment and medical assistances. There were also 14,909 *asnaf* among the poor and needy categories who received food assistance. This assistance helped them not to become out of food and eased their burden during COVID-19 (Lembaga Zakat Selangor, 2020).

State Islamic Religious Council of Federal Territories

In the pandemic of COVID-19, during the Movement Control Order (MCO), the State Islamic Religious Council of federal territories provided the packages about RM12.1 million of zakat fund. For this distribution, the recipients must stay in federal territory of Kuala Lumpur, Labuan, and Putrajaya, who shall not be the receiver of Baitulmal finance assistance. There are 24,196 *asnaf* in Kuala Lumpur, Labuan, and Putrajaya federal territories along with seven hospitals have been benefited by this distribution (Ismail, 2020).

Besides, the State Islamic Religious Council of federal territories provided the emergency aid that worth RM500 per package towards the people that affected by COVID-19 during Movement Control Order (MCO). The State Islamic religious council of federal territories has also given attention towards the taxi driver or e-hailing, security guard, small businessman and others who lost their jobs during the pandemic of COVID-19. The allocation of budget is about RM10 million, and it has benefited 23,340 people (Parzi, 2020).

Musa'adah COVID-19 Waqf Fund

Several government agencies in Malaysia made cash waqf (endowment) to ease the burden of people that affected by COVID -19. Musa'adah COVID-19 Waqf Fund is one of such initiatives. The objective of this fund is to help the people that are affected by COVID-19. People who received benefit from this fund are public workers work in hospitals when movement control order is implemented. It also helps the public workers work at quarantine centers and others who have been affected directly by COVID-19 such as mortuary management team, mortician, mortuary van driver and grave digger from the Ministry of Health Malaysia (MOH) and family members of the victims. This fund is disbursed not only from the zakat fund of State Islamic Religious Council, it also disbursed from the cash waqf fund made for the public (Ab Rahman, et al., 2020).

National Disaster Management Agency (NADMA) COVID-19 Fund

The government of Malaysia made initiatives to implement National Disaster Management Agency (NADMA) COVID-19 Fund. It has benefited unemployed workers and people affected by quarantine during COVID 19. National Disaster Management Agency (NADMA) has raised this fund amounted at RM125,000 in March 2020.

Mercy Malaysia launched Respiratory Assistance for Intensive Care Unit

Public hospitals are used to receive a lot of COVID-19 patients during the pandemic. Consequently, these hospitals need additional fund to purchase respiratory assistance equipment for the intensive care unit in combating this epidemic. It is an emergency call towards the people to make endowment funds for public well-being. Mercy Malaysia has made COVID-19 pandemic fund on 18 Mac 2020, to support the healthcare system. Healthcare service needs much more support due to COVID-19 pandemic.

MyCARE launched the COVID-19 Emergency Relief Fund

Humanitarian Care Malaysia (MyCARE) launched COVID-19 emergency fund. It is to ensure the welfare of front liners is being guaranteed including their family members (Ab Rahman, et al., 2020).

Sukuk 'Prihatin'

The launch of Sukuk is effort of the government of Malaysia through ministry of finance under National Economic Recovery Plan (PENJANA). This effort is based on the Government's 6R strategy, which features 6 stages, Resolve, Resilience, Restart, Recovery, Revitalize and Reform. The innovative of this sukuk is it is in line with securities commission Malaysia (SC) to help Islamic Capital Market by creating access to all these instruments to the societies from corporate to retail investors. This Sukuk can be structured as Commodity Murabaha or Tawarruq and help direct injection fiscal injections to the government effort to fight COVID-19 pandemic (Newsletter, 2020).

The government made a step to launch RM500 million Sukuk 'Prihatin' that want to collect the funds from the public and corporates to tackle COVID-19 effect. The fund that raised from sukuk prihatin will develop telecommunications network in the rural area. It will help students get access to education through digital channel. Besides, it will give further assistance to the micro, small and medium enterprises, and healthcare sector research on infectious research. It will also help the nations towards recovery of the economy and combating the pandemic.

Sukuk Prihatin is shariah-compliant fund that are open to the public and corporate through banking channels like JomPAY and DuitNow. Minimum subscription for the first investment is RM500 with a return of two per cent per annum for a tenure of two years. Return will be credited to subscribers or investors account every quarter for the period of the tenure. After the tenure ends, subscribers or investors can choose whether to fully donate the return to COVID-19 Fund and will be given a tax relief depending on the size of the donation (Adilla and Chan, 2020).

4.2 Islamic Social Finance Practices by Islamic Banks in Malaysia During COVID-19

There are several initiatives taken by Islamic Banking to help the people and businesses during COVID-19 pandemic as follows:

COVID-19 Financial Relief Scheme by Maybank Islamic:

Maybank has made Targeted Repayment Assistance (TRA) packages for B40 & micro-SMEs to follow the government moratorium policy. For SMEs financing, the customers are given about two options whether they can defer monthly instalment for three months only or can defer monthly instalment for three months and pay fifty percent monthly instalment for next six months. The customer also can choose second option by paying fifty percent monthly instalment for 6 months. For personal financing, the customer can get 2 options whether to defer monthly instalment for 3 months; or pay fifty percent monthly instalment for the next six months. Besides, Maybank also made Repayment Assistance (RA) packages for all Maybank individual and SME customers who are facing financial difficulties as a result of the pandemic. It is including not only B40 customers but M40 customers who have lost their jobs or suffered a reduction in income (Maybank, 2020).

New product of Islamic Fixed Deposit account (IFD-i) by Maybank Islamic:

Maybank also made proactive step in creating their first product which is called as Islamic Fixed Deposit account (IFD-i) under Social Impact Deposit. The customer will be given to make fixed-deposit and at the same time will support the assistance towards the people that their income affected by COVID-19. The people who are taking part in this social initiative can do minimum deposit RM1000 in Islamic Fixed Deposit account (IFD-i) about six months. When the customer gets their return that achievable with current rate fixed-deposit, Maybank Islamic will contribute 0.3 percent per year to special account which is Social Impact Assistance Account. The chief executive officer of Maybank said Social Impact Assistance Account made for supporting the identified customer that need financial help because of losing income or job during COVID-19 pandemic. It will give the impact towards the society and Maybank believe that bank should be in unique position to rebuild the society life that affected during this COVID-19. Thus, Maybank created Social Impact Assistance Account to give a chance to the wealthy people to realize the noble effort (Banking, 2020).

Targeted Financing Payment Assistance by Bank Rakyat:

Bank rakyat also launched Targeted Financing Payment Assistance to help individual customer and micro-enterprise. The assessment criteria for this help are individual customer must come from B40 and the receiver of 'Bantuan Sara Hidup' and 'Bantuan Prihatin Rakyat'. The customer of Micro-enterprise can get the package if their financing until RM150,000. Then, M40 individual customer, they can make declaration of themselves and apply at bank for further assistance. Targeted Financing Payment Assistance provide two choices whether defer installment for three months or reduce monthly installment financing until fifty percent for six months (Bank Rakyat, n.d).

Bizcare by Bank Rakyat:

Bank Rakyat has taken initiative by giving incentive towards the entrepreneur that face difficulty during COVID-19. Bank Rakyat has allocated RM5.4 million to 26 entrepreneurs from North region through Bizcare and Bizlady from April until Jun 2020. This program will stimulate the growth of economy of local entrepreneur.

Bank Rakyat has allocated about RM300 millions in 2020 from which RM250 millions are given to BizCare and RM50 millions are given to Bizlady. Its purpose is to develop the growth of economy. Through this campaign, micro-enterprises can get financing from RM1000 until RM50000 for 69 months period. Then for small and medium enterprises (SME) and co-operation, the entrepreneur can get financing from RM20,000 until RM300,000 until 69 Months (Basyir, 2020).

Islamic Microfinance Program by Bank Islam:

Bank Islam Malaysia Bhd (Bank Islam) launched the iTEKAD microfinance program, a social finance initiative to strengthen the finances of micro-enterprises owned by *asnaf* and B40 entrepreneurs. Through the program, Bank Islam has allocated RM5 million from the Micro Enterprise Facility (MEF) with the fund being for working capital or financing capital expenditure for B40 micro entrepreneurs and selected *asnaf*. Applicants who meet the *asnaf* criteria based on shariah rules and principles, will receive benefits from an allocation of RM300,000 from Bank Islam's Zakat fund.

The iTEKAD aims to assist micro-entrepreneurs in terms of funding and related support after businesses were affected by the COVID-19 pandemic. iTEKAD start-ups with affordable microfinance for eligible applicants to start and grow their businesses to generate continued income. In addition to working capital financing, iTEKAD will use the zakat fund for the purchase of equipment and supplies needed for eligible recipients. Then, recipients will receive structured entrepreneurship and financial management training to ensure they gain a holistic understanding, skills, and knowledge of managing their own businesses efficiently and sustainably. iTEKAD microfinance is a platform to help B40 *asnaf* and entrepreneurs affected by the COVID-19 outbreak (Zainuddin, 2020).

4.3 Strengthening The Role of Islamic Social Finance to Reduce the Impact of the Pandemic:

This section discusses some other initiatives for further enhancement of the role of Islamic social finance in Malaysia.

Enhancement of The Role of Zakat:

For further enhancement of the role of zakat, the promotion of zakat activities on social media and innovation in zakat distribution are required. The negative perceptions have made people do not trust the government agencies because they do not update their activities timely. The activities of zakat agencies must be promoted regularly to make sure that the public put more trust towards the zakat agencies. It also helps the people to know the contributions of zakat towards reducing burden of the people during COVID-19 pandemic. Zakat agencies must also maximize the role of social media to update their activities in helping the people during COVID-19. It will give a clear message to the society

that zakat assistance will be their alternative to reduce the burden during the difficulties. (Faiz and Ku Fozi, 2020).

Innovation in zakat distribution must be done so that zakat distribution will be on right path. The State Islamic Religious Council (SIRC) and the Waqf, Haj and Zakat Department (JAWHAR) should use technology approach to help them in tracking *asnaf* and the payer of zakat in paying zakat. For example, Kedah Zakat Board or 'Lembaga Zakat Kedah' has developed application on 'Zakat on Touch'. By this way, there will be no mistake in zakat distribution. Besides, Kedah SIRC has created special squad on tracking *asnaf* in their village and house. Hotline-call also is also introduced by Kedah SIRC that can give people to inform about the family or individual to receive further assistance from Kedah SIRC. It will reduce the negative perception towards the zakat management. (Said, 2021).

Strategic Plan in Giving Financing Assistance and Stimulus Package:

The government of Malaysia should make proactive and strategic plan in giving financing assistance and stimulate economy through Islamic social finance components and social programs. The progressive plan has been made by Ministry of Entrepreneur Development and Cooperative (MEDAC) to ease the burden of businesses and individuals. It involves few steps as follows:

First step, Bank Rakyat under MEDAC as its agency will offer moratorium towards individuals and companies in affected industries like aviation, tourism and transportation with six months defer payment. Small and Medium Enterprise (SME) Bank also give moratorium about six months and restructure of loan based on the case. This moratorium will benefit about 2,800 customers of SME Bank with financing worth about RM4.5 billion.

Second step, MEDAC will the exception of rental payment or reduction in rental payment of building of UDA Holdings Berhad, Cooperative Commission of Malaysia, Innovation Center and Malaysia Global Creativity (MaGIC) and SME Bank. It involves 1,500 people who will get benefits from the programs and incurs the cost about RM4 million. For cooperative, it will be given about 50 percent about rental payment during one time.

Step three is involving with business financing for bank like Bank Rakyat and SME Bank. Bank Rakyat will provide additional financing about RM200 million to cover all the needs of cooperative and micro-enterprise and Small and Medium (SME) Enterprise. There are about 500 cooperative and 2,000 Small and Medium (SME) Enterprise will get the benefits through Bizcare special programs and Card credit-I advanced cash programs. For SME Bank, it will help to provide financing until RM1 million for 5.5 years period on 3.75 percent to the qualified entrepreneur under Special Relief Facility (SRF) scheme that conduct by Central bank of Malaysia.

Fourth step, entrepreneurship, and business skill assistance. These programs will be conducted online by National entrepreneurship Institute, Malaysia Global Creativity (MaGIC) and Malaysia Cooperative Institute.

Fifth step, it is about approval for registration of Bumiputera Status Certificate. It will be approved even the investigation

on the premises are not done. After getting approval the investigation will be conducted including checking back license registration that will be terminated for the company that fulfill the requirement of Bumiputera Status Certificate. (Rosli, 2020)

Strengthening the SME Businesses:

Ministry of Entrepreneurs Development and Cooperative (MEDAC) of Malaysia allocated RM5.15 billion for 86 programs to stimulate the enterprises of Small and Medium Industry. These 86 programs are designed for entrepreneurs and future entrepreneurs under MEDAC Strategic Plan 2021 based on 5E, which are "Enculture, Enable, Empower, Energize and Engage". The implementation of this program including financing, moratorium, training and capacity development, digitalization and adoption of technology and access towards market (Mohamad, 2020).

MEDAC through its agency, Small and Medium Enterprise (SME) Corporation Malaysia launched a platform 'Warong Rider' for the use of hawkers and small traders across the country. This platform will finance the cost of business that join the platform and give a chance to hawkers and small traders especially from youth of B40 through business (Zainuddin, 2020). This program can be implemented with the cooperation of Islamic financial institutions, so that SME businesses have option to choose Islamic banking services and products. It will further enhance the contributions of Islamic finance industry towards a sustainable and stable medium and small business industry.

Developing Waqf Assets Along with Zakat for Social Assistance:

Zakat is one of the key instruments of Islamic social finance that benefits the needy segment of the society. As proved during COVID-19 crisis, in providing the social assistance waqf can be another effective instrument along with zakat as waqf assets can be used for long-term. Malaysia has critical issues on having funds to buy assets for hospitals like breathing aids, intensive care unit equipment, etc. Zakat funds and non-government organization (NGO) funds do not address the purchase of assets for healthcare services. Malaysia needs to import special equipment for medical hospital that worth millions of ringgits.

Thus, there are two suggestions for the government to make policy on waqf development. First, the government should launch national waqf fund. It will help Malaysia to face critical situation like COVID-19. Waqf national fund can cover the cost of healthcare sector for all public hospitals in buying healthcare service assets. National zakat fund can be used to develop waqf hospitals in every state with state Islamic religious council (SIRC) and ministry of health. National waqf fund can be managed by Waqf foundation of Malaysia and Waqf, Zakat and Haj Department (JAWHAR) to preserve its integrity. Secondly, institution of waqf and zakat should move forward with agenda of nation and society building, especially in emergency. COVID-19 has given a clear message to us that we cannot depend only on zakat revenue that gives solution for short-term only (Bakar, 2020).

Strengthening Fintech Proactive Role in Islamic Social Finance Initiatives:

Islamic social finance initiatives can be accelerated with the help of fintech applications. Fintech helps Islamic social finance to play its role more effectively to help people out from poverty. COVID-19 pandemic has created a new trend towards the technology because people need to minimize their contacts with others physically. Here, Online payment, virtual card, microfinance, and other consumer services will need to adopt technology that will maximize the online transactions to do their jobs. Besides, fintech can also help the small and medium enterprises to provide them digital facilities to get more customers and help to recover their business due to COVID-19 pandemic. It can solve the traditional of business and services and move towards the digitalization (Kaushik, 2020).

This is also tied to the massive fiscal stimulus packages from governments, including allowances for vulnerable citizens and relief payments to SMEs. For quick and secure delivery of these payments, fintech offers the best solution. The government should also make a policy towards stimulate the SME business and prosper people life. But the question is how to do it? Of course, by fintech as solution for quick and safe delivery to the people. It can reduce the physical contact of COVID-19 and bring a new era of finance industry. (Kaushik, 2020).

Enhancing Potential of Takaful in Helping SMEs and Affected People:

The takaful company should play an active role to help the people and business that affected by COVID-19. By having this initiative, the role of Islamic social finance will be more impressive. For example, Takaful Ikhlas company helped their customers by giving special allowance of hospital about RM1000 for the customer that affected by COVID-19 (Bernama, 2021).

Besides, Takaful Ikhlas company also cooperate with GHL Systems Bhd (GHL Systems) and Senangnva Sdn Bhd (Senang) to offer financing micro towards the company especially SME company and micro-entrepreneur. It will reduce the burden that faced by SME company and micro-entrepreneur during COVID-19 pandemic and movement control order (MCO). This type of service must cover all finance services from micro-insurance, micro-financing assistance and micro-wealth management. The combination of three company will allow digitalization platform that provided by Senang company will SME and micro entrepreneur to face difficulties economy. It will also provide innovative and comprehensive takaful SME and micro entrepreneur and increase the financial position in SME and micro company (Bernama, 2020).

All the takaful companies should give more initiatives to help policyholder that affected by COVID-19. For example, all takaful companies that under Malaysia Takaful Association (MTA) may provide cash assistance until RM5000 to individual customers affected by COVID-19. Then, Takaful companies may also offer income benefit RM200 daily and get from 30 until 60 days if get into the hospital. The customer also gets full death payment from RM6,000 to RM20,000 if death of policyholders happens. There also will be full financing assistance towards people that affected by COVID-19 about RM 1 million (Mohamad, 2020).

Moreover, the government also create takaful financial assistance for B40 group in budget 2021. It is done under Tenang Protection products by its purpose to protect low-income group. The receiver of B40 will get RM50 to purchase Tenang Protection insurance product, which includes takaful life and accident insurance coverage Coupled with the exemption of stamp duty until 2025. It will give the benefits towards the B40 people and takaful industry (Solhi, 2020).

CONCLUSION

This effort is made to discuss the potential role of Islamic social finance in a difficult situation like pandemic. This study elaborated the role of various components of Islamic social finance to reduce the impact of COVID-19 in Malaysia. In the case of Malaysia, Various initiatives of Islamic social finance have been taken by the different stakeholder groups including government, zakat and waqf institutions, Islamic banks, NGOs along with many other voluntary and social groups to assist the COVID-19 destitute. As discussed in the current study, numerous forms of Islamic social finance like zakat, waqf, takaful, microfinance, social sukuk, etc. made significant contributions in providing financial and other assistance for the COVID-19 affected people. In addition, Islamic banks in Malaysia extended their supports with financial and non-financial benefits towards the poor, needy and pandemic affected people of the society. Besides, government of Malaysia also provided several stimulus packages along with many other financial aids for the destitute and other needy people in numerous categories. As for the pandemic, there is an ongoing necessity of physical distance in communications which increases the use of fintech with the various applications of it. Thus, COVID-19 has accelerated the practices of Islamic social finance backed by technological disruption. It is suggested that Islamic social finance initiatives would be further enhanced with the help of diverse applications of fintech like blockchain, e-wallet, digital platform, digital assets, and many others.

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