

# **A PROPOSED MODEL FOR MOSQUE-BASED ISLAMIC FINANCIAL COOPERATIVES IN ASSISTING SME ENTREPRENEURS POST COVID19 PANDEMIC**

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## **Abstract**

This qualitative analysis aims to propose a model for mosque-based Islamic financial cooperatives in assisting SME-entrepreneurs post COVID19 pandemic. The analysis will use primary knowledge collected through mosque financial statement on white boards. The information was then analyzed victimization thematic analysis. The findings recommend that the primary basic step that must be enforced is ever-changing the attitude of the society through basic Islamic economic education in mosque lectures and alternative communication channels or media since usually the Islamic economic ideas aren't well-known. This can cause a better awareness and stronger support towards Islamic economic movement. Supported this trust, the economic potential of mosques is sceptor through the institution of Islamic cooperatives. To permit the implementation of the idea, it will recommend that mosques caretakers to organize lectures with topics specializing in basic Islamic economic or Islamic cooperatives as a foundation to extend the attention of the community.

**Keywords:** Islamic economic education, institution of mosque, Islamic financial cooperatives, Micro-Entrepreneurs

## **1. Introduction**

In 1966, the First Cooperative Congress was held with the goal to establish a national cooperative union. The aim was to unite all the cooperatives in Malaysia under one federation for cooperatives. On 12 May 1971, Angkatan Kerjasama Kebangsaan Malaysia Berhad (ANGKASA) was officially registered as the national union as a result from the Second Cooperative Congress. With the inception of ANGKASA as a union of co-operative herald the beginning of a journey of a united and formidable co-operative movement in Malaysia. Since its establishment, ANGKASA has played the role as the apex of cooperatives for the Malaysian cooperative movement. With the approval of the new Cooperative Act in 1993, ANGKASA was formally recognized by the government of Malaysia to represent the co-operative movement nationally and internationally. ANGKASA implements co-operative transformation programs through its participation in high value economy projects (ICA, 2021).

The government has identified the 7 key economic sectors; Financial Services, Wholesale & Retail, Tourism & Healthcare, Agriculture & Agro-Base Industry, Plantation, Telecommunication, and Property Development. ANGKASA continues to carry out its core service which is providing salary deduction service to the government servants, co-operatives statutory bodies, clubs, school co-operatives, unions and GLC companies. ANGKASA maintains to play very active role in the formation and development of school cooperatives in Malaysia (ICA, 2021) However, the schools are rarely mosque-based where researcher focused only financial services as in this paper called Islamic financial cooperative (Cheumar, M. et al., 2021).

In addition, the ideology, concept and character of cooperatives align with the core value of Islamic economics that is the principle of justice for all parties. Justice means a balance between individuals in the community, not equitable distribution. As the founding father of Islamic economics, Chapra assured that cooperatives run based on Islamic principles which are oriented towards public service Chapra, M. U. (1985). The cooperatives play an important role in achieving goals in the Islamic economics especially. Islamic cooperatives have showed their ability to improve the welfare of society and alleviate poverty (Ahmed, H. (2002), World Health Organisation (2020).

### **1.1 Background of the Study**

Small and medium-sized enterprises (SMEs) have always been the lifeblood of the Malaysian economy. As of 2019, they contributed 38.9% of the country's gross domestic product (GDP), and 48.4% of national employment (Department of Statistics Malaysia, 2020). The majority (89%) anticipate that their businesses will turnaround only in the third quarter of the year or later. For most, the return to business normalcy hinges primarily on Malaysia's vaccination programme – in particular, its speed, effectiveness, and coverage. The immunisation programme will begin on 26 February, and roughly 80% of the population is expected to receive the vaccination by February next year. According to Malaysia's schedule, about 30% of the population, or 9.4 million, will be inoculated by August 2021. This, as well as the recovery of foreign trade partners as they roll out their own vaccination programmes, is expected to improve business activity. But it is still unclear if a 30% immunisation rate is sufficient to bring a serious turnaround in business activity. There is also additional ambiguity coming from the arrival of new Covid-19 strains that have shown themselves to be more infectious or resistant to particular vaccines. This year, Malaysian SMEs continue to be caught in a situation fraught with risks and challenges. SMEs are cautious about their outlook for 2021, with 21% expecting poor business performance and 25% feeling optimistic. 30% are unsure if they will see retrenchments (Vaghefi. N. & Jo-yee, Y., 2021).

### **1.2 The Impact of Covid-19 Pandemic Crisis on Micro-Entrepreneurs**

According to Nur Hazirah mentioned in her research paper about definition of crisis was a crisis can be defined as a situation faced by individuals, groups, or organizations that they cannot manage using standard routine procedures (Hamdan, N.H. et al. 2021). From the study, the author classified crisis into three types, namely gradual threat, periodic threat, and sudden threat. Concerning Covid-19 pandemic crisis, it categorized as 'sudden threat' which happen

unexpectedly that not only affect health condition but significant caused global economic shock (Booth, S. A.,1993). Furthermore, Bartik surveyed 5,800 small businesses in America found that the financial fragile is one of the more significant impacts on this group. From the result, the median firm with under \$10,000 in monthly expenses has a month of cash on hand. The median firm typically has less than 15 days of cash for all the higher expenditure levels based on their pre-crisis expense levels. Besides, the pandemic has been exposed to the negative impact on laying off workers and supply chain disruption (Bartik, A. W., 2020). For example, a study by Che Omar (Che Omar, et al., 2020) found that the respondents express their difficulty to obtain raw material where it is mostly imported from China and limited numbers of suppliers available (Hamdan, N.H. et al. 2021)

Meanwhile, Fairlie provides an analysis of impacts of the pandemic on the active small businesses in the United States using nationally representative data from the April 2020 CPS. The results revealed that it was incredibly hard for African-American businesses to experience a 41 percent drop. While business owners of Latinx dropped by 32 percent and business owners of Asia dropped by 26 percent. From the past researchers, this pandemic has triggered all over the world economic growth (Fairlie, R. W., 2020).

Therefore, in order to perform its economic mission, the professionalism of mosque management is a must. There is a significant relationship between the quality of mosque management and its capacity to make the mosque prosperous (Wulandari, Sri Lestari, 2012). Without the professionalism of mosque management, the mission to empower economic status of the *ummah* would never be achieved successfully (Nugraha, Firman, 2011).

In the context of economic empowerment, mosque management in Malaysia shows a surprising record. Razak (Razak, Azila Abdul, et al. 2014) reported that out of 137 mosques in 3 regions of Perak, collected a big amount of *ummah's* cash fund, i.e. around RM 11,461,151 throughout 2009-2011. Those mosques also have a variety of fixed assets that provide monthly earnings apart from zakat, infaq or waqf, such as buildings and rooms to rent, rice fields and plantation, shares in various companies, and many more (Che Omar, et al., 2020).

Meanwhile, various studies indicated the low level of understanding about the Islamic Economics concept and practices among Muslim community. The lack of public education and socialization seems to become one of the main causes behind this condition (Budiman, M.A. and Sadewa, M.M., 2018). With regard to the role of mosque, Mingka (2011) revealed that mosques in general still play a limited role in educating Muslim people about the Islamic Economics concept while in fact this program is highly important (Mingka, Agustianto, 2015).

Alamsyah (2012) highlighted that one of the key factors to expand the performance of Islamic financial industry, both in funding and financing, is public education (Alamsyah, Halim, 2015). The better understanding Muslim people have about the Islamic Economics concept, the bigger chance they become loyal consumers to this industry (Sadhana, Kridawati, 2012). Furthermore, an effective, attractive and adaptive socialization through numerous media and channels are

highly necessary. Improving the roles of government, religious leaders, public figures in boosting Muslim understanding, and awareness about Islamic economic concept are also equally important to be done (Budiman, Mochammad Arif, 2008).

## 2. Research Method

This qualitative research will conduct in Kedah, Malaysia. The primary data will collect from mosque financial statement white boards which are available. Three mosques will be selected where they are located in the strategy area where there are micro-entrepreneurs operate their business.

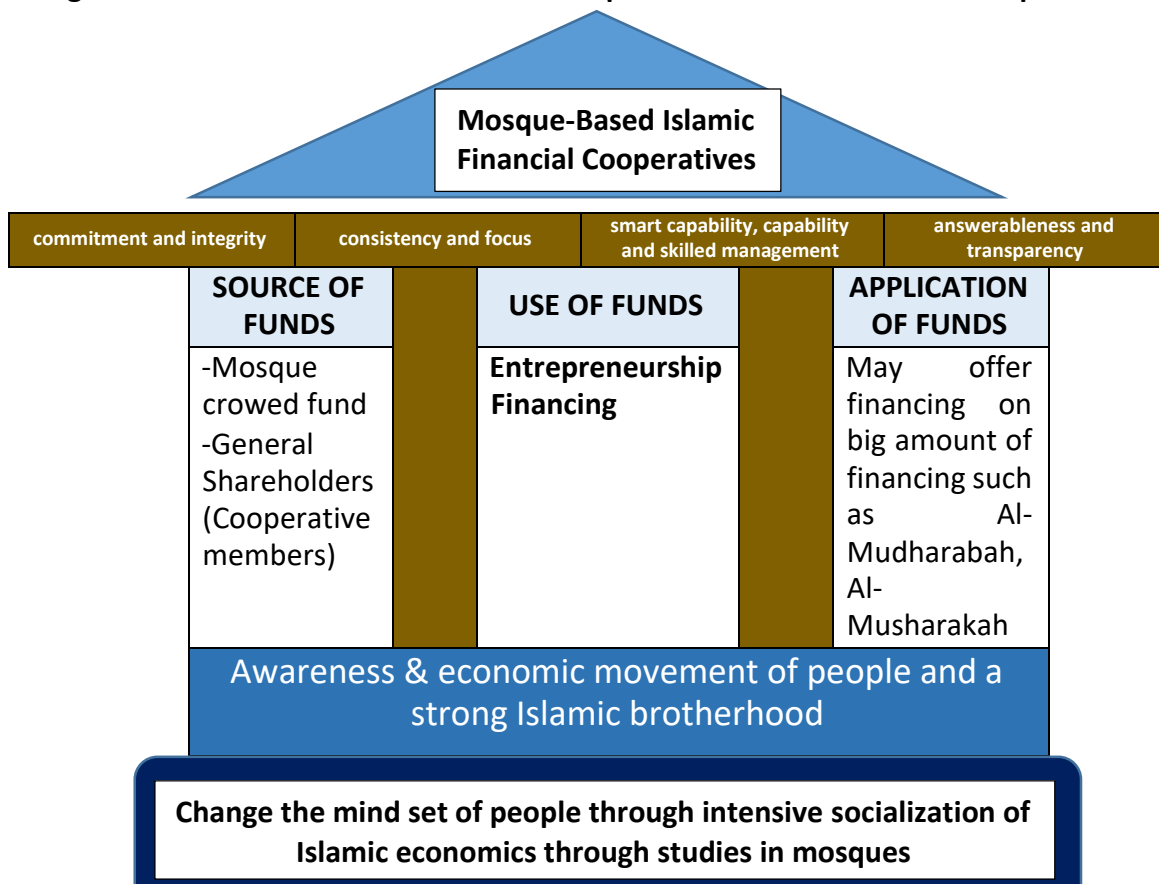
## 3. Analysis

Researchers will use simple manual analysis of the revenue (crowed fund), expenses (mosque management) and balance in each months.

### 3.1 Propose model for Operation of Model for the Institution of Mosque-Based Islamic Financial Cooperatives

Based the above discussion, the following model will be proposed to enable the establishment of the Institution of Mosque-Based Islamic Financial Cooperatives

Figure 1: Model for the Institution of Mosque-Based Islamic Financial Cooperatives



The basic foundation of mosque-based Islamic cooperative establishment is to vary the mindset of both Islamic leaders and *ummah* that the *shariah* not only regulate vertical relations with Allah SWT, but also include *muamalah*, especially within the economic field. This previous understanding that Islam is simply limited to the five pillars alone are often reduced. Knowledge of the Islamic economic will awaken the notice that it's important to possess an economic power that's wiped-out unity supported strong Islamiyah brotherhood. When this condition has been realized, caretaker (AJK) and mosque business management must have four important pillars include commitment and integrity, consistency (*istiqomah*) and *specialise* in capturing business opportunity, capability/capacity and professionalism management, and accountability and transparency in activity management. Furthermore, the beliefs of the *ummah* are going to be awakened and can be easy to boost funds and managed within the sort of Islamic Cooperatives with various businesses. Ultimately, the long-term goal of making a prosperous and independent people are going to be achieved.

#### **4. Conclusion**

In conclusion, Islamic financial exercises should be possible by building up mosque-based Islamic financial cooperatives, which has been instructed by Islamic law (*syariah*) or collaboration in economy by including capital or mastery. Steps that should be taken in building up mosque-based Islamic monetary helpful are gaining from different cooperatives that have been fruitful, fortifying the limit of directors, proceeding with instruction to *jamaah* about the Islamic financial idea, interior capital assortment, network reinforcing and associations. The way to progress lies in some significant angles; those are the responsibility of the guardian (AJK), center in completing monetary exercises, keeping up *istiqomah* demeanor in holding trust of the *ummah* with responsibility and straightforwardness. It additionally ought to be underline that all sources concur that having monetary force for the *ummah* is vital. Notwithstanding, understanding this objectives face a few difficulties, for example, changing the attitude of individuals and local area pioneers on the significance to focus in financial strengthening dependent on Islamic law, absence of access/responsibility for *ummah* to media organization to give expansive data to the *ummah*, absence of Muslim makers to supply items, trouble to keep up administrative responsibilities, variety and befuddling data introduced by various researchers, the distinctions and absence of *ummah* understanding which may conceivably make strife among *jamaah*, absence of capacity in overseeing clashes with imparting to evade miscommunication.

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