

A Conceptual Paper on Designing a Hybrid Business Innovation Model of Halal Hub Digitalization for Asnaf in Malaysia

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Abstract: This conceptual paper is presented with the intention to study the best practice for hybrid business innovation model (BIM), which has become the practice of the asnafpreneur in Malaysia. It begins by reviewing the literature on successful business model and the behaviour of successful business characteristic and digital technologies today. The theory of business innovation model and the halal hub in digital technology hypothesis were used as the basis of the study. This study is inspired by the concerns of the number of successful asnafpreneur is not increasing and the advance of the technologies for asnaf issue in Malaysia. Previous quantitative or qualitative studies discussed the flaws in business innovation model if it is been use alone for a long period of time. This study, however, slightly different. Using a quantitative and qualitative method, it intends to look at the best practices implemented by zakat officer from agency authorities and successful asnafpreneur itself. The findings can add value to today's body of knowledge. Identified themes can be used to design new hybrid business innovation model which are more compatible to be used by all asnafpreneur.

Keywords: Business Innovation Model, Technology, Asnafpreneur, Halal Hub, Quantitative, Qualitative

Introduction

Now a days, Entrepreneurial Asnaf has become a global topic of discussion aiming at developing the asnaf community to embark on business. The fundamental concept of developing a hybrid model towards halal business innovation among asnaf in the digital era is to provide more value to a business by combining the best practices of the technology and business innovation ideas. This study focusses on needy and poor people who do business to make a living called as asnaf entrepreneur or asnafpreneur. Halal does not just refer to food, it also refers to financial transactions, clothing, politics, and the social lives of its citizens. As a human being, people tend to choose purity, hygiene, safety, quality, and a beneficial influence on human development are all important factors to consider as a choice especially for asnaf who are Muslim that compulsory to choose Halal in everything. Asnafpreneurs need to improve their business in line with the progress of the halal hub that is now taking place. Furthermore, in this digitalisation era, most government, private or sectors of the economy use online services to deal. The same applies to sales and purchase services. Therefore, the existing Business Innovation Model (BIM) is viewed as incapable of advancing its asnaf entrepreneur's business to the next level if it continues using the old methods. It is hoped that hybrid BIM can provide a solution to the halal hub centre for the asnaf community. This study needs to identify what model is suitable to match with BIM to be a hybrid model. The idea is to combine technology models and BIM models resulting in hybrid models.

Problem Statement

The government distributed more opportunities to develop a stable economy for asnaf. Especially, through allocated funds given for doing a business or expansion to existing business. Including capital, working capital, equipment and machines, and skill courses and training. On the other hand, this issue is still being questioned about its effectiveness and the qualities of the outcomes (Tengku Mohd Azizuddin Tuan Mahmoo, 2020)(Noormariana Mohd Din M. S., 2019). Although there are successful asnafs who have become successful entrepreneurs with financial support from the zakat organization, evidence reveals that a large number of asnafs who receive initial company financing fail to maintain their businesses and need on zakat monthly assistance for survival (Hazlina Abdul Halim J. S., 2012). According to Tan Sri Abdul Aziz Mohd Yusof, chairman of the Selangor Islamic Religious Council (MAIS), 1,228 asnafpreneurs were effectively freed from asnaf and are now successful zakat payers between 2013 and 2021. Each year, about 1,000 asnaf entrepreneurs receive business training in a variety of areas under the Asnaf Entrepreneur Development Programme administered by TERAS. From here, the number of asnaf entrepreneurs assisted each year is around 1000 people but the successful ones are very few for the stated 8 years (Zain, 2022).

The issue is, during the time of this technology's creation, what are the suitable method and procedures to pair with the business innovation model. Mariani Abdul Majid et.al (2017) has concluded that business capital

should be accompanied by other factors to make it complete that can guarantee success through new model. This research aims to explore asnafpreneur needs, an effective business model to be used over a long period of time to survive in the industry as well as removing itself from the poor category but previous study already proved that BIM use by asnafpreneur only works on short term only.

Purpose of Inquiry and Inquiry Questions

Through this conceptual paper, the researcher intends to discover the best practice for hybrid business innovation model for asnafpreneur in Malaysia. To identify whether it is the best hybrid business innovation model for the group is to understand that the methods practised, can provide peace of mind and create confidence in their business position in the future. In addition, the successful of the business stated by them certainly illustrates that the respondents have knowledge or have practised healthy business innovation model. Hence, to begin the hybrid BIM for asnafpreneur in Malaysia, this study has constructed the following research questions:

- 1) Why does the business innovation model importance towards halal hub in the digital era among asnafpreneur in Malaysia?
- 2) How to investigate a best practice of halal hub management through this digital business innovation model?
- 3) How to create a hybrid business innovation model that enhances ecosystem sustainability practice among asnafpreneur in the digital era?

Significance of the Inquiry

This study is aimed at exploring the best model for hybrid business innovation model practised by asnafpreneur in Malaysia who are still a zakat recipient. The data gathered from the actual experience of informants can provide input to identify internal and external factors in improving business innovation model in halal hub in digital era.

Limitations

The power of the zakat system in Malaysia lies under the care of their respective states. This makes it difficult for researchers to contact each state to conduct this study. Parts of the state could not be reached either by call, email or visit the website

Discussion on the Literature

Business Innovation Model (BIM)

Business model innovation refers to the creation of new business models, the modification of existing business models, and the transition from one business model to another, Martin refers to it as sustainable business model innovation if sustainability considerations were at least part of the motivation for the innovation (Martin Geissdoerfer, 2018). One research shows that, while the Financial Service Agents (FSAs) in the sample exhibit some BMI characteristics, they may be unable to service their consumers financially and sustainably in the long run. Despite the fact that the agents' business models have evolved along the lines of direct devotion to financial services operations or non-dedication, the study shows that there is still potential for innovation in several elements of their business models (Nkemdilim Iheanachor, 2021).

A result revealed by Donald W. Mitchell (2004), continuing a BIM for a long period of time will make the organisations that they examined quickly improved their competitive position as a consequence of frequent BMI. They saw their profit margins and sales grow faster than competitors, and their access to low-cost financing provided them with more opportunities to outperform the competition by acquiring firms and paying staff less.

Successful Asnafpreneur Characteristics (Internal and External Factors)

Hazlina Abdul Halim et.al (2012) add the study, revealed that effective asnaf are eager to go above and beyond. Take a chance in order to grow their business. Furthermore, they have a certain level of business imagination, always envisioning that their firm will be successful one day, and they are proud of their business. The external factors affecting the success of asnaf entrepreneurship are capital assistance, entrepreneurship knowledge, support, and assistance from family members and asnaf partners. While the most dominant internal factor is the practice of Islamic teachings in life such as charity, keeping the 5 - time prayers, and sincere intentions. Attitudes and interests in business are also internal factors that affect their success (Hazlina Abdul Halim et.al, 2012).

The ability to use science, technology, and innovation will become a more significant approach in the nation's development in an increasingly competitive global economy (Malaysia2010). As a result, today's

business climate is dynamic, and businesses must keep up with rapid technology advancements. To deal with the current economy, entrepreneurs must face these obstacles. Globalization, the advancement of the internet, and the information era all provide challenges to entrepreneurs competing in the market. Because of the competition, businesses must be creative and innovative in order to respond rapidly to market developments. As a result, most firms today place a premium on employee innovation (Jong & Hartog, 2010). This is because the results of these individuals' innovative work behaviour assist the organisation improve its performance as well as its ability to compete globally (Noorsafiza et.al, 2013).

Halal (Shariah Compliance)

Halal business is becoming trending nowadays through halal hub and halal global. Business is not just a matter of numbers and materials but also a missionary field that can reassure people. But halal business innovation in the digital era can positively encourage business growth in the digital era, especially when it becomes a global trend (Warto, 2020). Malaysia is already well known as a successful halal hub since 1997 when the Codex Alimentarius Commission choose Malaysia as a model for the development of the halal food industry when adopting the codex general guidelines for the use of the term halal in Geneva (Yusaini H. Mohamed, 2016). As the global pioneer in halal certification, Malaysia is commonly acknowledged as the leading authority on matters relating to halal certification, halal standards, auditing standards, halal research and halal training (Yusaini Hisham Mohamed, 2020). The halal industry has a large market potential and high profit margins. As a result, non-Islamic countries have seized the opportunity to become halal commodity producers. Some even predate Islamic countries and control the halal product market (Nor Ai'han Mujar, 2014).

Islam is more than just a religion; it is a way of life. Al-wasatiyyah is a holistic philosophy and style of living that combines and balances the conditions and joys of this life and the afterlife. Wasatiyyah does not imply practising Islam in a haphazard, selective, or patchwork manner. It is not just about building an Islamic banking without the authority to prevent usury, property loss due to corruption, misuse of power, and mismanagement, but also about assisting the right and end the upholding imperfection or growing disobedience (Islam, 2017). Interests that are not oppressive are absent. There are no ingredients that are prohibited or hazardous. Full of pure value, a diverse range of instruments and products, Islamic banking, the growth of institutional numbers, efficient and effective management, a supportive culture, and investment opportunities (Mohammad Taqiuddin Mohamad et.al, 2012). According to the Sunnah, commerce provides 90% of the source of living, income, food, sustenance, and good luck for Muslims. The transaction's principles should be founded on Islamic law, and banned things that contradict the sharia factor (AdelahM).

Digitalization (Technology)

Innovation in Digital Era, digital world is the availability and use of digital tools to communicate on the Internet, digital devices, smart devices and other technologies. Nowadays, as an entrepreneur, the success of business, marketing and related works requires the capability of using and applying digital. The knowledge of technologies such as the Internet, digital devices and smart phones need in their mind, however other supportive systems and applications need to be embedded in their business implementation. Example, research on Accounting IS (Muis, 2020) has been done to support entrepreneur business. Asnafpreneurs must be exposed and knowledgeable in digital technology, otherwise they are not capable of competing in digital business. A study on acceptance level of technology among asnaf is important, thus that will help to determine their willingness to use the technologies. Based on preliminary study, a number of models and frameworks have been developed to explain user adoption of new technologies and these models introduce factors that can affect the user acceptance such as Technology Acceptance Model and Theory of Planned Behaviour. Therefore, researchers will identify the appropriate mentioned model to incorporate with the business innovation model.

In Khadijah et.al (2013) study, researcher measured the level of perception of respondents using the Technology Acceptance Theory (TAM) instrument developed by Fred D. Davis (1989) and developed according to the suitability of the study by the research. Users of the LZS zakat website had a positive impression of online zakat payments (49.6%), a moderate perception (48.6%), and a negative perception (1.8%). It is obvious that with the aid of technology, business will be simplified, and so technology will play an essential role in the advancement of an entrepreneur.

Agency Authorities (Zakat and Wakaf)

Siti Nabihah Esrati (2018) has concluded that besides the capital other factors are identified to affect the success of the business. Such factors must be addressed by zakat authorities to further increase the probability of business success of the Asnaf entrepreneurs. Corporate involvement is crucial in eradicating poverty, acting as a catalyst for economic growth, and assisting the Muslim economy in general (Nor Shahrina et.al, 2017). Based on the study and theoretical foundation, as well as the findings of the study of the discussion of career centre

development, several conclusion can be drawn which is (1) capable of producing competent and professional employees, (2) the procedure for assessing educational materials and programmes, and (3) the success of the career centre can add value to the university in the eyes of the community, as the community evaluates a university's number of graduates as a benchmark for its performance (H. Mustaqim & B. Herawan, 2019). Those who contribute in providing a training to asnafpreneur can enhance the name of the institution when the asnaf is successful.

In addition, waqf is also one of the great sources for the success of asnaf. A study by Karim on MAIM's role in providing da'wah to the community on the importance of waqf and its management, as well as the development of waqf in Melaka. The importance of waqf in life management needs to be clarified and understood by the Muslim community. Waqf property is being developed with a variety of projects that can provide direct or indirect economic benefits to Muslims. For example, the rental proceeds of waqf buildings and other waqf projects will be distributed for the welfare and benefit of Muslims and also rent it to asnafpreneur as a place to do business at a non-burdensome rate. Another example, such as giving assistance to people who are on the list of zakat recipients as asnafpreneurs (Rahman, 2009).

Methodology

Quantitative and qualitative methods will be used to obtain answers to research questions. These mixed methods will include thematic approach, conversational analysis, focus-group discussions, semi-structured interviews and open-ended questionnaires. It will include primary and secondary data to formulate the framework by performing from the built model based on the selected indicators found from previous research objectives. There are two types of questionnaires will be set up. First, for interviewing State Religious Council Officers, an unstructured questionnaire used by face-to-face interview, meanwhile for asnaf, a structured google form questionnaire distributed among asnafpreneur until fulfil the quota of the research-based recommendations by chosen officers. Secondary data for this research will be get by searching data and information in library activities and internet search.

In this study, the population is asnafpreneur in Malaysia. The researcher will use purposive sampling and snowball sampling, recommendation from key informants (gate keepers). Purposive sampling will be use that allows the researcher to choose a specific case as it illustrates some related features or process in which the researcher is interested, yet this sampling type requires the researcher to think critically about the parameters of the population under study and choose the sample case carefully on this basis (Silverman, 2010). For qualitative methods, probability sampling method will be used for interviews with officers at the State Islamic Religious Council. Meanwhile for quantitative methods, a non-probability sampling method will be used for selecting 20 asnaf as respondents in every state, choosing by judgemental sampling. Total sample for this situation is n=280 respondents (Uma Sekaran, 2010) stated that the maximum number is 30 to 500. The chosen respondents based on recommendation by expertise (State Religious Council Officer).

Conclusions

The results of this study allow the researcher to conclude that using Hybrid Business Innovation Model are able to help asnafpreneur survive in business for a long time and subsequently out of the category of zakat recipients switching to zakat payers. Other asnafs can also use this new model to start and grow their business later.

Recommendations for Future Research

The future researchers should study a hybrid model for others or create new hybrid model using mainly qualitative method for the study to improve this model in other aspect. Perhaps other researcher can also study how to synchronize zakat central system for all states in Malaysia.

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