

## **A MODEL FOR THE INSTITUTION OF MOSQUE-BASED ISLAMIC FINANCIAL COOPERATIVES FOR ASSISTING MICRO-ENTREPRENEURS DURING COVID19 PANDEMIC CRISIS**

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### **ABSTRACT**

*This qualitative analysis aims to propose a model for the institution of mosque-based Islamic financial cooperatives for community economic development. The analysis will use primary knowledge collected through mosque financial statement white boards. The information were 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. These two aspects ought to be supported by four sturdy pillars, which include: i) commitment and integrity, ii) consistency and focus, iii) smart capability, capability and skilled management, and iv) answerableness and transparency. These four pillars can alter mosques to develop community trust to the mosque caretakers. Supported this trust, the economic potential of mosques is sceptered 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 [1].

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 [2] However, the schools are rarely mosque-based where researcher focused only financial services as in this paper called Islamic financial cooperative.

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 [3] assured that cooperatives run based on Islamic principles which are oriented towards public service. 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 [4][5].

## **2. Background of the Study**

The acute respiratory outbreaks crisis or known as Novel Coronavirus (Covid-19) has affecting billion of people and spread worldwide to more than 200 countries, including Europe, America, Middle East, and Asia [6]. The World Health Organization (WHO) has categorized this outbreak as a pandemic when it indicates an increase in human-to-human infections [7] and leading to more than 200, 000 deaths within three months of the outbreak [8] Unsurprisingly, this outbreak has exceeded the infection rates and the number of deaths for other coronavirus such as SARS-CoV, MERS-CoV, and Influenza [9] Realizing this pandemic has fastened contagious, previous studies have contended that restriction of movement is seen as the best approach to control the spread of infectious diseases [11] [12] [13]. Many countries have imposed travel restrictions, social distances, and postponements of events for at least 14 days in their respective countries such as Malaysia, Indonesia, Philippines, Singapore, and Thailand [14]

The Malaysian government is among the earliest country in Asia to announce a Movement Control Order (MCO) which has started on March 18, 2020, as a precautionary measure in response to the outbreak of Covid-19 in the country [15] Among the restrictions mentioned are the closure of government and private premises, except those related to key national services such as health and safety, telecommunications, retail, finance, and transportation [16]

Although the approach of MCO was able to curb the spread of the virus, the negative impacts have been executed to the global economy, industries, corporations, and small and medium enterprises (SMEs) including small enterprises. From Global Capital Confidence survey by Ernst and Young [17] reported that 73 percent of respondents perceived a significant impact on the global economy while the remaining 27 percent perceived a slight impact. Meanwhile, Congressional Research Service reported that as of March 2020 [18], the crisis had trimmed the global economic growth by 0.5 percent to 1.5 percent.

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

According to Nur Hazirah [19] 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 [20] [21] [22]. 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 [23]. Furthermore, Bartik [24] 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. For example, a study by Che Omar [25] found that the respondents express their difficulty to obtain raw material where it is mostly imported from China and limited numbers of suppliers available [26].

Meanwhile, Fairlie [27] 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.

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 [28]. Without the professionalism of mosque management, the mission to empower economic status of the *ummah* would never be achieved successfully [29].

In the context of economic empowerment, mosque management in Malaysia shows a surprising record. Razak, Hussin, Muhammad and Mahjom [30] 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 [22]

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 [31] [32]. 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 [33].

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 [34]. The better understanding Muslim people have about the Islamic Economics concept, the bigger chance they become loyal consumers to this industry [35]. 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 [36]

#### **4. 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.

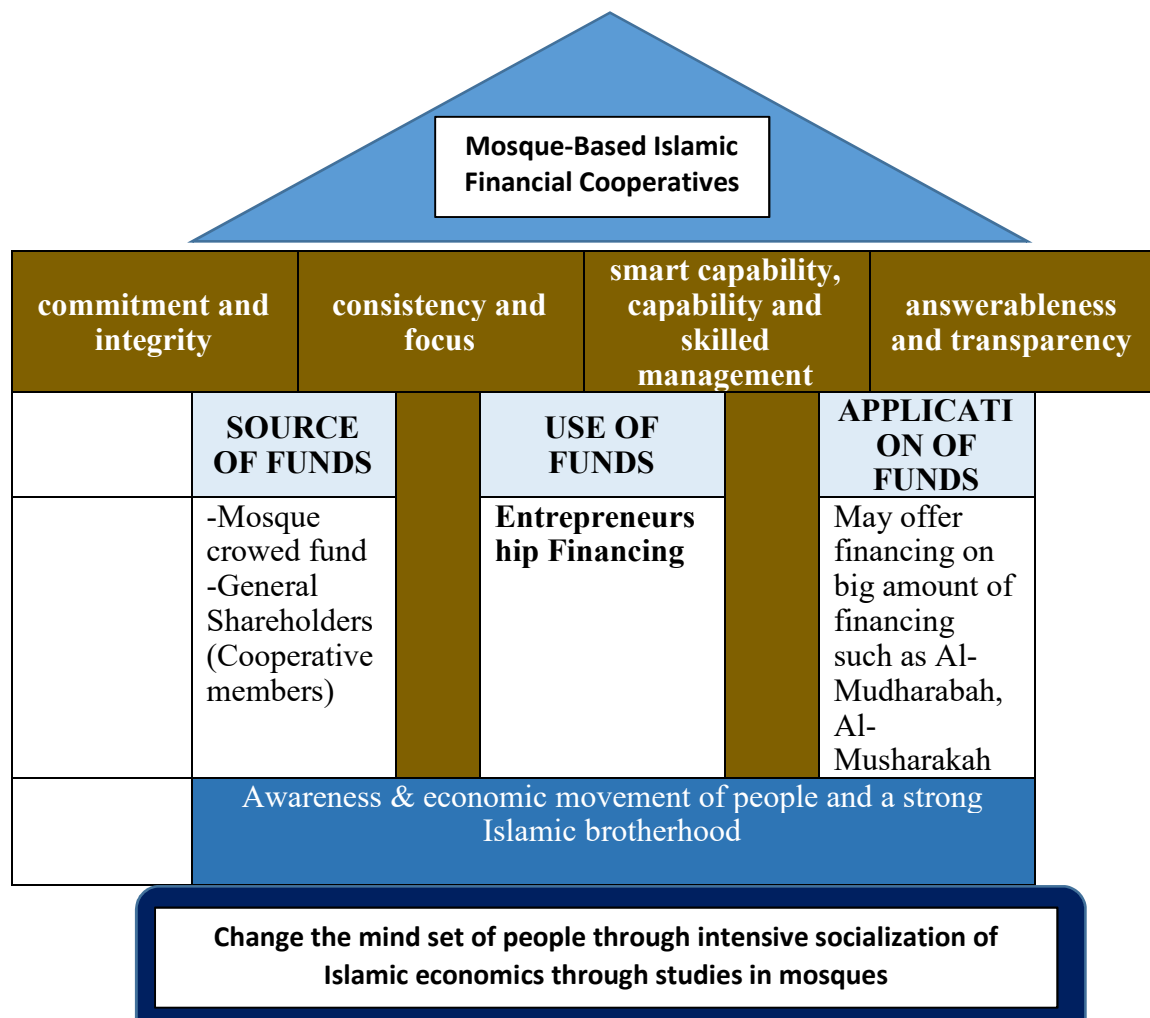
#### **5. Analysis**

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

#### **6. 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.

## **7. 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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