

The Role of Microfinance in Helping the Poor: Amanah Ikhtiar Malaysia as a Model

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ABSTRACT

The aim of this study is to highlight the role of Amanah Ikhtiar Malaysia as a foundation in reducing poverty among low-income individuals and families in Malaysia by providing microcredit to finance activities that can increase their income. The foundation seeks to be a high-level and dynamic institution that pays attention to the eradication of poverty while improving the per capita income. This study highlights the role of microfinance in reducing dependence on government loans linked to the living of the Malaysian, which are debts that must be recovered in full to achieve independence in earning through small, interest-free Islamic loans. The study explained the services provided by the institution in providing financial facilities and continuous training for entrepreneurs, especially the active women and poor families so that they are supported by Islamic microfinance in order to earn profit and expected a rapid return on investment. The study adopts deductive and analytical as well as the descriptive approach in order to reach the desired aim of the paper. The main finding of the study is the need for diversification of sources of loans for micro-enterprises for the poor through the establishment of the financial institution supporting the Islamic microfinance program.

Keywords: Finance; Charity; Poor; Foundation; Amanah Ikhtiar Malaysia.

Introduction

In this introduction, the researchers deal with the role of Islamic microfinance, which is provided by Amanah Ikhtiar Malaysia (AIM) i.e. the provision of charitable work in Malaysia and its impact on the advancement of community members with special needs as a development of society and the state, particularly the active members in business from women and others. The paper from the institution takes a model of study that is expected to be useful to the target groups through the Islamic microfinance provided by the foundation for its tangible contributions to the Malaysian society. In fact, it has achieved the goal behind its establishment which is uplifting the economic and educational aspects as well as establishment of the culture of giving charity to others and making the needy happy which is ordained by Islam. The foundation hopes to reduce the proportion of the cost of life to produce goods, facilitate public services and to absorb part of the workplace from the community as employees of civil service institutions interested in providing innovative Islamic products and supporting small projects that eases the borrower to repay to the financial department of the institution. The foundation focuses more on financing women by selecting the most active ones and those aware of trade amongst them. This category of women receives more share of the loan provided by the institution. However, it does not mean that other categories of society are not considered by the foundation. The foundation provides services and micro loans to everyone depending on his/her efforts and innovations

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in trade and repayment ability if the trade is permissible in Islam and does not bring harm.

The foundation seeks and strives to provide its services to the welfare of the poor from the society by spreading the culture of mutual assistance among them as much as possible and by asking about their situation and solve their problems as encouraged by the Messenger of Allah (peace be upon him). The Prophet (peace be upon him) was once asked: What is the best deed? He said: “To make your brother happy or pay his debt or feed him with something good” (Al-Bayhaqi, 2003). The Prophet (peace be upon him) said in another hadith: “The most loved one to Allah amongst people is the one who benefits people more, and the most loved deed to Allah is making a Muslim happy or drop sadness from him or pay off his debt or to chase away hunger from him (Tabarani, 1985). There are many evidences from the Sunnah urging the help of the needy and deprived as duty given by the Shariah. There is a statement from Ibn Uthaymin (*radi allahu anhu*) to this effect mentioned in his *fatwa* where he said: “Helping the Muslims is more important than *I'tikaaf*, as the benefit of helping the Muslims is transitive which is better than the restricted one unless where the restricted benefit is fundamental in Islam” (Uthaymin, 1992).

Research Objectives

- 1) To reduce poverty amongst target groups and achieve sustainable independence in development.
- 2) To value the current to low-income and micro-enterprises in Malaysian society.
- 3) To provide facilities and services to the poor through microcredit.

Research Methodology

The researchers adopted analytical method of deductive analysis and descriptive approach in order to achieve the positive and desired results of the paper.

Problem Statement

This study revolves around the need to improve the income of the target groups of society through the provision of Islamic microfinance, and its role in reducing dependence on government loans which could be burdensome for the borrowers to pay them off.

MATERIALS AND METHODS

General Research Content

The general content of the study includes two axes:

The first axis: The role of the Islamic microfinance in the establishment of joint work projects and providing financial facilities provided by the institutions for the entrepreneurs from poor families and productive individuals.

The second axis: The institution's efforts towards the poor with low wages in helping them to ease their burden by finding a certain resource to empower them to be producers instead of consumers.

Introduction to the concept of microfinance in Malaysia

Malaysia, with an advanced Islamic banking system, has established several government-sponsored institutions to provide Islamic finance services to Small to Medium Enterprises (SMEs) using a wide range of Islamic financial products.

It has also made additional efforts to diversify sources of microenterprise loans for the poor. It has established AIM, which means trust and honesty in serving low-income people from the poor in Malaysian society. In 1987, the foundation also founded the idea of Islamic foreclosure as a subsidy for poor families and would develop charitable work, thus contributing to the service of the Malaysian society. The purpose of the mortgage is to help the community members, especially the unemployed graduates and others who cannot meet the needs of everyday life. The institution provides foreclosure as short-term and interest-free loans that require collateral comparable to the rates in the markets of commercial complexes within Malaysia (“Amanah Ikhtiar Malaysia”, 1987).

In the spirit of cooperation, the idea of the Islamic microfinance system, which is used by AIM, has been linked to the idea of the Grameen Bank, which was created by the economist Professor Muhammad Yunus from Bangladesh, Nobel Peace Prize winner as a result in 2006, and as a successful model to be followed in the positive aspects of Shariah compliance, Malaysia has benefited from his economic ideas which has no interest (“Muhammad Yunus Biographical”, 2006).

Grameen Bank's experience was based on micro-credit loans with interest which is prohibited by the Shariah to alleviate poverty on poor Bangladeshi poor wage earners in 1976. Based on the idea of this Bangladesh economist, there was initiative from the research center at the University of Science, Malaysia (USM) in the state of Penang to create an economic program similar to the program created by the economist Dr. Yunus. The different is that in Malaysia, the foundation provides interest-free loans to the poor, thus the microfinance provided by AIM is interest-free which is based on Islamic principles to ease the situation of the poor Malaysians living in rural or urban areas. Although borrowers are required to pay service fees, they are often required to pay less than market rates. Since its inception, AIM has provided more than RM2.3 million in loans to its clients. The introduction of Shariah transactions into the banking system in 1983 led to the idea that "mortgage" funds were created to provide short-term interest-free loans requiring guarantees at prevailing prices. During the lending period, the lender finds a fee for retaining the collateral. At the end of the period, the amount borrowed and the claim for the guarantee must be paid. In case of default on loans during the agreed period, the lender reserves the right to secure the sources of the collateral and sell it in the public auction to recover the loan with the remaining amounts returned to the borrower.

This happens if the institution itself does not grant time to the insolvent that cannot pay on time. In such situations Allah (*subhanahu wa ta'ala*) urged in the Holy Qur'an giving more time when He said:

“If the borrower becomes insolvent give him more time until he becomes solvent”

(The Qur'an, 2:280)

The foundation seeks to be in the category of those who were praised as the Prophet (peace be upon him) said: “The best amongst people are those who benefit others” (Tabarani, 1983) such as the one who helps and assists others. The foundation normally reminds its workers to observe the following while helping others:

- Sincerity in actions and words while serving people, as bad words and abuse invalidates works in Islam. Abdullah bin Abbas (*radi allahu anhum*) has said to this effect: actions are incomplete except with three things: acceleration, minimization and concealment. This is because if it is hastened, it would be congratulated, and if it is minimized it would be maximized, and if it is concealed it would be completed. A man said to Ibn Shibramah: I did so and so, and I did that to someone, and he said: There is no good in good deed if it is counted. Al-Dainuri said, “A kind person does not spoil his good deed with reminder of his generosity” (Dainuri, 2002) and that one of the signs of sincerity is: forgetting to praise your action and calculating the reward of deeds in the Hereafter.

The first axis: The role of Islamic microfinance in the provision of joint work projects and providing the financial facilities provided by the institution to entrepreneurs from poor families and productive individuals.

Products or units offered by the organization as a microfinance loan:

1- The product of Islamic microfinance, or microcredit

Microfinance: It is "lending, saving and providing financial services such as consumer loans, and loans that have benefits for members of the community" (Awad, 2008). The Islamic Microfinance used in AIM is interest free as it complies with the Islamic principles and beneficial to the society. Moreover, the foundation uses its financial instruments without collecting benefits from the poor and low-income and it is considered more acceptable to ensure its success, and transactions based on the facilitation of its user, to ensure that they are free from ignorance and suspicion in financial transactions that the Muslims fear. One of the advantages of microfinance is that it relieves the client of the benefits that traditional microfinance adds to borrowers' loans, which raise the value of the loan, which is a major burden on the poor and low-income.

Introducing the Islamic Microfinance product: Offering a complete package of financial services such as loans,

remittances and insurance, including savings, non-financial services such as training for clients, advice to businessmen in order to improve their performance and business, with a view to transferring them to the production circle and improving their living standards in line with Malaysia's progressive plan.

The Malaysian government began encouraging the creation of financial products for low income earners in 2006, and in collaboration with the Central Bank of Malaysia, established the Islamic microfinance product. There are financial institutions synonymous with providing useful facilities to improve the life of the needy social components and encouraging them to develop. The seven financial banks' priorities are financing income-generating projects for individuals and productive families, including the Islamic Commercial Bank for Development (CIMB) Islamic Transactions, United Bank, and General Bank. There are development banks. Such as the Pensioners Bank and the National Savings Bank, all provide facilities for needy cases through the Islamic microfinance product.

The following are the three types of available financing:

a) First Optional Financing Service

The minimum provision for optional financing starts from RM500- RM2000, and the repayment time is 50 weeks after the financing. The financing is offered without interest.

b) Second Optional Financing Service

The minimum provision for this financing starts from RM2100-RM5000 and repayment time is between 50 to 100 weeks.

c) Third Optional Financing Service

The minimum amount in this type starts from RM5100 to RM10000, and the repayment time is between one to five years.

Upon repayment of the money by the poor, AIM takes into consideration their situation and it may extend the repayment time for them. This is based on a verse in the Holy Qur'an where Allah (*subhanahu wa ta'ala*) said:

"If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity that is best for you if ye only knew" (The Qur'an, 2:280)

The meaning is that if the borrower is in a difficult situation and cannot repay on time, extend the repayment time for him (Al-Qurtubi, 671A).

2- Optional product offered out of love: or (Showing love to the poor)

The foundation aims to fund the poor in a friendly way accompanied by pleasure and love in dealing between the lender and the borrower to help the daily sustenance of the poor, who is always concern about the repayment of funds borrowed from the institution. This product is known as (The choice of livelihood), where the institution deals with the time of borrowing for the poor in a friendly way by keeping the dignity of the borrower. This habit has been practiced by Prophet Musa (*alaihissalam*) where Allah (*subhanahu wa ta'ala*) said in the Holy Qur'an (interpretation of the meaning):

"So, he watered (their flocks) for them; then he turned back to the shade, and said:"O my Lord! Truly am I in (desperate) need of any good that Thou dost send me!" (The Qur'an, 26:24)

We understand from the verse that showing mercy and kindness to human is the morals of the Prophets, to those we know and those we do not know, because Allah says (interpretation of the meaning): "So he watered (their flocks) for them;" without asking for reward from them and only sought the pleasure of Allah. This kind of moral is needed in our contemporary society especially when lending money to the poor.

Financing plan for love financing program

At the beginning AIM offers RM3000 for the target groups. The foundation will invest the fund in economic projects that are believed to provide the best return to the clients.

Islamic Microfinance Information and Maximum Loan:

The maximum loan selected is RM19, 900 and the financial value of the loan is subject to limited terms relating to

the borrower's optional repayment period and the repayment method.

The optional repayment period for borrowed funds is between 25 weeks and 150 weeks. Payment is made weekly and for this service the organization charges a 10% service fee for one year, considering a reduction of 5% if the payment is made within six months.

3- Funding for courageous and productive women

This financing is given to productive and courageous women who have business initiatives in order to support their fast-profit business. Among these women, there are those with the knowledge of the market and can take initiatives. Any women with these attributes will get financing in form of micro financing. If the business progresses, they may get the loan more than once.

4- Optional product for safety

This product means loan financing for those looking to improve their living needs for better living such as a small loan to buy a better home. In Malaysia, it is known as a financial deposit for the purchase of housing through a loan from the government bank. Farmers can also buy their agricultural machinery, as well as a loan for wedding parties and other permissible benefits. The loan is repaid within 25 weeks.

5- Microfinance financing in poor urban areas for low-wage earners

The microfinance program requires guarantees from the Malaysian government, such as a person having ongoing support from the government, such as support for the right to monthly retirement or a fixed job for the borrower. Such a program is in urban areas, and applicants must have fixed assets of up to RM50, 000. Or have a financial resource to earn from monthly and be less than RM2, 000 and there are conditions stipulated in the law of the institution and must be committed by the borrower when signing to implement the program.

6- Funding for the creation of the microcredit scheme for rural development

By reviewing the situation of rural development in Malaysia, the government and private institutions are helping to develop the Malaysian society to make rural people, such as urban dwellers, enjoy all the developmental benefits and the distribution of wealth in development among those living in the countryside and urban dwellers such as alleviating poverty among villagers and linking infrastructure to the city structure until the Malaysian citizen reaches the limit of luxury.

The Government of Malaysia has introduced various programs to eradicate poverty, especially in rural areas, as mentioned above. Among those programs implemented by a decision of the Malaysian Government and the recommendations of the results of the eighth National Conference on the Eighth Financial Economy (PERKEM VIII), held in 2013 at the Malaysian National University (UKM) to discuss the development of federal land reclamation projects in line with the Vision 2020 goals set by the Malaysian government in 2010 as a development to improve the standard of living in Malaysia. This goal of the Malaysian government is supported by AIM.

Among the key features of Islamic microfinance include the maximum funding of RM5000 and the maximum repayment period up to 6 months. Besides, the payment method is either weekly, monthly or at once and the management fees are deducted for work 10% per annum, or 5% within 6 months of the debt repayment period.

Terms of financing for concessional loans, or short-term financing for those with influence

The concept of influential people is the people considered in the society for their wealth or their knowledge. They are well respected, and their words are taken into account. They are the one who were entrusted with funding and loan procedures as they have a higher chance of getting funding from the foundation. They normally obtain the loans due to their good reputation as they usually repay on time which is within 25 weeks.

Financing of selected friends to work with new graduate

The scheme of this product is an initiative of the organization for mutual friends who can cooperate in the implementation of small and medium business so that they find quick profit through the collective spirit they serve in the service of society.

Providing funding to these group is made due to many reasons such as sympathy and the duty of cooperation dictated by conscience. Funding is provided to them if they lost in their previous business deal, or because of natural disasters, such as floods caused by landslides by environmental factors that happens in Malaysia sometimes. As a result, they lost their property and home. These groups are provided with financial assistance by extending their repayment time if they are unable to pay on time. As Allah (*subhanahu wa ta'ala*) said:

“If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity that is best for you if ye only knew” (The Qur'an, 2:280)

Details of funding provided in the upper and lower limits

- The maximum limit for borrower financing ranges from RM50, 000 to RM20, 000.
- The repayment period of the loan for the borrower is between 25 weeks and 250 weeks.
- Payment plan for money is on a weekly basis, and payment should be completed within six months, or half of the repayment period. This is considered an appropriate system to cover the costs of education for those interested in it, especially those who study in formal education and cannot pay the expenses of the study the institution can lend them money through the product of friendliness and love for the sake of Allah, which is known as benevolent loan.
- Borrower minimum funding ranges from RM10, 000 to RM5, 000.
- Method of repayment of microfinance funds.

The repayment of the loan is made within two weeks or the borrowers choose from 25 weeks to 250 weeks, depending on the loan type and the size of the investment. This justifies why the borrower should pay back the loan funds weekly and not monthly.

The other reason is that the work of the institution is the organization of microfinance for the poor and this does not accept any delay as the assistance provided in the form of a loan must be settled on time.

It is clear from the research that all the funding provided is subject to an administrative fee of 10% per annum or 5% if the borrower chooses to pay the money for 25 weeks for finance management in urban areas.

And the advantage of the institution in the event of the death of the borrower is to cancel all remaining debts to the debtor in the institution. This is the tolerance and cooperation that characterizes the institution, especially since it does not deal with the interest when providing microfinance.

Al-Qard al-Hasan (benevolent loan) has a humanitarian mission through which the foundation carries out its charitable mission to promote the values of solidarity among members of the Muslim community in the sense that deepens the concept of cooperation between the people. The loan is considered as one of the best services offered by the AIM. The foundation provides a sum of money to finance active low wage individuals. The borrower undertakes to reimburse the sum without burdening the borrower with additional burdens or demanding interest or return on investment. And the institution in its dealings knows that the money given to the poor will be recovered as it is a part taken from its treasury. The foundation applies the concept of *al-Qard al-Hasan* (benevolent loan) based on the teachings of the Qur'an and Sunnah:

Allah (*subhanahu wa ta'ala*) said in The Holy Qur'an:

“Who is he that will loan to Allah a beautiful loan, which Allah will double unto his credit and multiply many times?” (The Qur'an, 2:245)

The Prophet (peace be upon him) said in the Sunnah: “The Prophet (peace be upon him) on the gate of Paradise written that a loan of one dirham given is rewarded with eighteen times, whereas if given as charity, the reward is ten times. The Prophet (peace be upon him) asked Angel Jibril (*alaihissalam*): Why is loan better than charity? He said because a beggar may ask while he has, but a debtor will only ask when he is in need (Ibn Majah, 209). From here we

understand that loan is better than charity. In another hadith narrated by Abu Hurairah (*radi allahu anhu*) he said: The Prophet (peace be upon him) said: “Whoever removes any worldly hardship from a believer, Allah will remove a hardship from him on the day of Judgment. And whoever eases difficulty on someone, Allah will ease difficulty for him on the Hereafter. And whoever covers a Muslim Allah will cover him in this world and Hereafter” (Muslim, 2000). And the aim of giving benevolent loans by AIM is for productive purposes in various fields to enable the borrower to start his independent life and improve his level of income and livelihood.

The second axis: The institution's efforts in helping the poor with low wages to overcome burdens of life and taxes by finding a certain resource to make them producers and not consumers.

In this section, the researcher will discuss the way in which the foundation aids the poor of the Malaysian people who cannot afford life with high prices and low wages. This is one of the reasons why the foundation has set up units of financial resources such as Zakat, Waqf, and Al-Sadaqah and it was approved by the foundation in the new structure of the organization and as an initiative for the transformation program for the better and the transfer of happiness to others. This way makes the members of the society productive and not dependent on others and not consumers or receptors of gifts from the government or institutions.

First: The role of funding by Zakat, Waqf and spending as a unit to help the program of transforming a productive society.

A. Zakat funding as a resource to transform society towards the better.

AIM accepted the offer from the Malaysian Zakat foundation as agent or representative of the needy by meeting with the Zakat Council in Selangor State on 6 March 2013. It was agreed by the foundation's founders that they believe in the active role that zakat plays in the economic development, due to the basic factors that the institution will do for the eight categories entitled to zakat through the goals set by the foundation such as awareness of the risks of the accumulation of funds, and the urge to invest, and encourage spending for funds.

In the concept of zakat based on development, any increase that can only be realized by investment, which is the reverse of the accumulation that spoils Zakat money, which does not benefit large number of the community who are entitled to receive Zakat, which must be given to them. The method of investment is through the construction of factories and shops, which are expected to profit for the category mentioned in the Surah at-Taubah where Allah (*subhanahu wa ta'ala*) said:

“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah. And for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom” (The Qur'an, 7:60)

Thus, the poor society grows and transforms from a consumer society into a productive and self-serving society. The foundation in its investment of funds takes into account the interests of quick and beneficial return to the community and to the target groups, including the following:

First: to provide social benefit, in order to take into account, the institution's aim of speeding up benefits to the beneficiaries.

Second: To give priority to the interest of the economic benefit, which is the return benefit for the beneficiaries to meet their daily needs.

B. Funding through Waqf as a resource to transform the community for the better.

Regarding the Waqf funding, a joint committee was established between the foundation and the Waqf Foundation in Selangor State, where the committee was entrusted with monitoring tasks in order to address all shelter related matters for the poor and the destitute through the Foundation and the Malaysian Waqf Foundation. The purpose of the joint work with the relevant institutions is to cooperate in good as Waqf in terms of its social dimension calls for compassion among the Muslims and translates it into reality by giving credence to the poor and the needy. The foundation seeks to transform Malaysian society into a productive and self-sustaining society so that development in the country thrives in cooperation with private and public institutions. The foundation contributes through the Waqf in

support of health services, which are almost free of charge for Malaysian citizens as the monetary value paid by the Malaysian citizen in the case of illness when going to the government hospital one ringgit only, as well as married Malaysians if they went to the government hospital and offered themselves to the doctor for hospitalization they pay the same value paid by Malaysians except in cases of expensive and miserable diseases. Whatever, this is evidence that the Malaysian government provides a lot of facilities for its people, thus relieving them of the pressure of the bank loans, which is indispensable for Malaysians.

The foundation also invests in Waqf funds to advance educational development. As well as activation of the Waqf so as to employ its funds to combat poverty and unemployment, in addition to Zakat, which covers the needs of the specific group in the community. And these efforts came to redistribute income and to cope with the problems associated with low wage earners. Allah says (interpretation of the meaning):

“If ye disclose (acts of) charity, even so it is well, but if ye conceal them, and make them reach those (really) in need, that is best for you: It will remove from you some of your (stains of) evil. And Allah is well acquainted with what ye do” (The Qur’an, 2:271)

The charitable Waqf: is the one whose revenues are spent for good and charity, such as in the form of hospitals to treat the poor or schools for the education of orphans and young people from rural and urban areas, and for educational institutions such as universities and schools, health facilities such as hospitals and medical centers, and helping the unemployed. Charitable Waqf means the charity which is funded by those who are financially sound as an assistant to the needy (Obeidi, 2002). Allah says (interpretation of the meaning):

“By no means shall ye attain righteousness unless ye give (freely) of that which ye love; and whatever ye give, of a truth Allah knoweth it well” (The Qur’an, 3:92)

Waqf is legal based on the consensus of the jurists. The Prophet (peace be upon him) said to 'Umar ibn al-Khattaab (*radi allahu anhu*) when he inquired about the land that he got in Khaibar, "keep its origin and spent from its fruit" (Al-Dar Qutni, 2002). Umar (*radi allahu anhu*) made Waqf of the land and did not sell it and ordered that it cannot be given as a gift or inherited, and he gave it to the poor. And ordered whoever becomes in-charge of the land to eat from it with kindness" (Damiriyyah, 2011).

The forms of funding used by the foundation: Using lease funding to establish Waqf where lands are leased to a person for a fixed annual fee and for a long period of time on which a building is constructed and owned by him and gets benefit. The land is sufficient to pay the value of the building at the end of the lease period. Besides, by agreement of the management of the institution based on the Waqf, a lease contract will be written for the purchase of the building, which will be built on its land.

-Investment conditions of Waqf funds

Below are investment conditions of the Waqf funds at the institution:

First: The investment of the Waqf funds shall be in accordance with the provisions of the Islamic Shariah and its legitimate purposes. (Damiriyyah, 2011).

Second: *Shura* (a consultative council) must be binding on the members of the institution in making the decision based on what Aisha (*radi allahu anha*) said on the ethics of the Prophet Muhammad (peace be upon him) and what was narrated by Abu Hurayrah (*radi allahu anhu*) who said: "I have seen no one seeking advice from his companions more than the Messenger of Allah (peace be upon him) (Tirmidhi, 1970).

Thirdly: Investments should be safe from risk.

Fourth: take into account the priorities considered and the likely benefits. Pursuant to the jurisprudential rule: "The imam's action on his subjects are based on interest" (Ibn Nujaim, 1999).

Based on these conditions, the institution institutionalized the concept of spending as a financing or a resource through which the society turns to the rich as Allah (*subhanahu wa ta'ala*) has enjoined by saying:

“but do thou good, as Allah has been good to thee, and seek not (occasions for) mischief in the land: for Allah loves not those who do mischief” (The Qur’an, 28:77)

As spending is one of the charitable activities on which the foundation depends, as a small support and financing that makes the man who is occupied with earning money goes to the market and works like any other profession. These charitable projects are carried out directly through the institution without reference to the Islamic Council, which previously held this task as a front representing Muslims in Malaysia and sponsoring their religious and worldly affairs. The Islamic Council recommended the importance of the charitable fund for spending, which was created for multipurpose goals as follows:

1. 20% for education assistance
2. 20% for health assistance
3. 20% for natural disaster relief
4. 40% dedicated to supporting public infrastructure.

And the call for funding through spending is inspired by the Qur'an and the Sunnah and the extent of the reward obtained by the spenders. Allah (*subhanahu wa ta'ala*) praises them in the Qur'an by saying:

"Those who (in charity) spend of their goods by night and by day, in secret and in public, have their reward with their Lord: on them shall be no fear, nor shall they grieve." (The Qur'an, 2:274)

And in another verse, Allah (*subhanahu wa ta'ala*) said:

"Those who rehearse the Book of Allah, establish regular Prayer, and spend (in Charity) out of what We have provided for them, secretly and openly, hope for a commerce that will never fail."

(The Qur'an, 35:29)

From the Sunnah: It was narrated from Abu Hurayrah (*radi allahu anhu*) that the Prophet (peace be upon him) said: "Everyday two angels descend. One of them will be saying: O Allah grant more to those who spend in righteousness while the other one will be saying: O Allah do not bless the wealth of the one who is stingy" (Bukhari, 2002).

The writer, al-Kathiri Tariq bin Omar bin Haidara (2018) in his study mentioned that, donations made by benefactors include:

- 1- To be donated by the spender for investment: In this case the foundation shall invest the fund.
- 2- The time of disbursement, if temporary, or the interest is achieved in the disbursement to the poor in what was allocated to him if it is not temporary, it must be disbursed then.
- 3- To delay the disbursement of these restricted contributions, and the issue here is: Is it permissible for the institution to invest?

The Islamic Ruling of Restricted Donations:

Institutions may invest restricted contributions from spending, such as general charity, other than zakat, it is distributed and disposed to the eight categories with their profits before the Hijri year.

Conclusion and the most important results

All praises to Allah, who by His grace all goods are completed, and peace and blessings be upon our Prophet Muhammad and his family and his companions. Allah (*subhanahu wa ta'ala*) said (interpretation of the meaning): "And say:

"Work (righteousness): Soon will Allah observe your work, and His Messenger, and the Believers: Soon will ye be brought back to the knower of what is hidden and what is open: then will He show you the truth of all that ye did." (The Qur'an, 9:105)

Through the remarkable effort of AIM to reduce poverty among Malaysian society, the researcher believes that such noble works deserve the praise and appreciation of all the government and people. The role of the foundation is not limited to helping poor people with low incomes and low wages, but indirectly it also concerns with raising the standard of living in Malaysia for the better and working together with the government. There are three goals that the foundation has set up and seeks to achieve, including:

Goal 1: To reduce poverty among poor and poorest households in Malaysia by providing microfinance, which can finance activities that promote income and improve per capita income.

Goal 2: To provide financial advice to entrepreneurs and provide guidance for successful objectives. It also trains poor and poorest households by drawing up plans for their small businesses.

Goal 3: Financing future profitable products such as capital and compulsory savings and social welfare funds, as well as contributing to the continuous and uninterrupted distribution of consumer goods such as food.

RESULTS

The study pointed out that the financial institutions have made other efforts to diversify the sources of loans for microenterprises of the poor. Thus, AIM was established, which means trust and honesty in serving the low-income society in Malaysia. The study showed that the loans are provided to the poor without interest as the transactions of the institution with customers are based on cooperation and charity for the weak community. AIM provides funding through *al-Qard al-Hasan* (benevolent loan). The loan is considered as one of the best services offered by the AIM. The foundation provides a sum of money to finance active low wage individuals. The borrower undertakes to reimburse the sum without burdening the borrower with additional burdens or demanding interest or return on investment.

AIM accepted the offer from the Malaysian Zakat Foundation as agent or representative of the needy by meeting with the Zakat Council in Selangor State on 6 March 2013. It was agreed by the foundation's founders that they believe in the active role that zakat plays in the economic development, due to the basic factors that the institution will do for the eight categories entitled to zakat through the goals set by the foundation such as awareness of the risks of the accumulation of funds, and the urge to invest, and encourage spending for funds. A joint committee was established between AIM and the Waqf Foundation in Selangor State, where the committee was entrusted with monitoring tasks in order to address all shelter related matters for the poor and the destitute through the foundation and the Malaysian Waqf Foundation. The purpose of the joint work with the relevant institutions is to cooperate in good as Waqf in terms of its social dimension calls for compassion among the Muslims and translates it into reality by giving credence to the poor and the needy.

The loan means money borrowed by a Malaysian citizen for buying a home, a car, etc., which he cannot afford immediately. In addition, the debts offered are not commensurate with low-wage individuals and those with no academic qualifications beyond the master's and doctorate levels. The wages of degree holders are also insufficient with high prices and an increase in the old tax for the year 2015 (GST). The price increases imposed by the previous government, which were abolished by the new elected government led by Mahathir Mohamad and Anwar Ibrahim at the end of June 2018. And under the tax exemption, decision that caused worry in the expectations of the younger generation, the Malaysian citizen was very fortunate. The general interest and sense of responsibility towards the disabled was bound to be joined together and cooperation as an unspecified duty ordered by Islamic law towards others. Thus, AIM was established on 17 September 1987, which was in accordance with saying of Prophet (peace be upon him), "the upper hand is better than the lower hand" (Abu Dawood, 2009). The need to help the poor from the society has emerged as a protection against offending behaviors and achieving positive changes in the personality of the individual and bridging the gap of class differences in society.

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دور التمويل الإسلامي الأصغر في مساعدة الفقراء : مؤسسة أمانة اختيار ماليزيا نموذجاً

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ملخص

تنباطي، والمنهج الوصفي بغية الوصول إلى الإضافة المرجوة من الورقة. ومن أهم النتائج التي تضمنتها الدراسة الإشارة إلى تنوع مصادر القروض المقدمة للمشروعات الصغرى للفقراء من خلال إنشاء المؤسسة المالية الداعمة لبرنامج التمويل الإسلامي الأصغر وتقديمه كقروض للفئات المحتاجة من دون فوائد ربوية. الكلمات الدالة: التمويل، صدقة، الفقراء، مؤسسة، أمانة اختيار ماليزيا.

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