

MY IHSAN: IMPROVING STUDENTS' FINANCIAL AID SYSTEM FOR A BRIGHT FUTURE

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ABSTRACT. *A median household income of RM3,000 is categorized as being in the Bottom 40% (B40 group), based on a Department of Statistic Malaysia survey carried out in 2016. A thorough observation of students' demographic backgrounds found that 80.2% of students in Universiti Malaysia Terengganu (UMT) fall into this group. Hence, the Sultan Mahmud Islamic Centre (PISM) in UMT was committed to empowering the students' financial aid system for the sake of enhancing students' wellbeing, as well as further improving their learning abilities and process. The manual conventional process currently applied involves high operational costs and a lengthy processing period. Therefore, the My Ihsan system was developed to improve the financial aid system for UMT students. A semi-structured interview involving users of the system aimed to obtain in-depth information and feedback about the My Ihsan system. Findings show that this system is able to reduce operational costs by up to 97% and shorten the processing time to only 7 days, which then results in more applications from students. In addition, students were satisfied with the system and hope that this new developed system can instigate other religious institutions to design a better zakat management system for the sake of the Muslim community.*

Keywords: Online system, Financial aid, Zakat management, My Ihsan

1. **Introduction.** Welfare of the Bottom 40% (B40) group is becoming a major concern in Malaysia due to the rising cost of living these days. It is crucial to ensure that the B40 group is able to achieve economic stability for their own survival in this challenging world. The challenges faced by this community to balance their life under the rising cost of living and lifestyle are a realistic matter. Coupled with an unstable world economy, ensuring their survival is not an easy task. Thus, the Malaysian government is committed to ensuring a better standard of living for the B40 community by introducing several initiatives, such as Household Living Aid, Rent-to-Own Scheme, e-Kasih programme, Bumiputera Entrepreneurial Initiative Scheme (SUPERB), fuel subsidy for fishermen and many other initiatives. These endless efforts by the Malaysian government are in line with the 17 Sustainable Development Goals adopted by all United Nation member states from 2015 to 2030. This has resulted in a fall to the overall absolute poverty rate from 7.6% in 2016 to 5.6% in 2019, which also saw the mean monthly household disposable income

increase to RM5,116 in 2019 (4.2% increase) as compared to the income reported in 2016 [1].

With these outstanding achievements, does it mean that Malaysians are free from poverty? How does this data reflect the actual situation? The income threshold for the B40 group in Malaysia in 2019 was RM3,849 but yet, the social media has reported a dire state of affairs befalling this unfortunate group. [2] claimed that 79,000 people registered under the e-Kasih program are residing in urban areas, while 2.7 million from the B40 group living in rural areas were not on the list. The number of B40s had increased to 2.9 million people in 2019. The inability to obtain information, lack of information received or being unreachable by the authority may lead to this group remaining financially unassisted and unable to enjoy the benefits provided by the government. Besides the financial assistance provided by the government, Muslims can also enjoy the benefits of zakat. Zakat is one of the obligations every affordable Muslim must undertake, which is described as a way of sharing the percentage of wealth to be utilized in assisting the poor and needy families. This wealth-sharing responsibility is supposed to be an economic enhancement, which ensures that Muslims are able to achieve a minimum standard of living [3]. Based on the annual report provided by zakat institutions, the total amount of zakat collected shows an increasing trend every year. This might be due to the zakat collection service provided, whereby payments can be made through online banking, and hence, this increases the efficiency of zakat management and number of zakat contributors [4]. However, issues concerning inefficient zakat distribution [5] and undistributed zakat surplus meant for eligible asnaf [6,7] are still serious issues that command attention. This never-ending accusation against zakat institutions has contributed to negative perceptions towards these institutions and affects the level of trust among zakat contributors. This is also among the reasons that zakat contributors who do not have any tax obligations prefer to pay directly to the asnaf rather than through authorized institutions [8].

One study [9] had proposed a new distribution method called e-ZAKAT4U. This system was developed to enhance the zakat distribution system by merging with the Network-of-Mosques (NoM), which resulted in improving the efficiency of financial aid management in Malaysia. This localization system authorizes the district local committee to collect zakat funds in their district, obtain information and identify eligible families and distribute funds to the beneficiaries through mosques under the control of the zakat institution. The study believed that the mosque functions as a platform for ensuring a convenient and efficient zakat distribution process. This system could increase the element of professionalism in zakat management, while increasing the confidence of zakat contributors. Furthermore, it might also increase zakat funds through the Islamic financial system, which might eventually increase the capability of improving the asnaf's livelihood. The success of using a localization system, such as the Geographical Information System (GIS), has been strongly advocated by an earlier study [10]. This study focused on improving the farmer's quality of life through strategically prepared planting fields, which is in accordance with the environmental situation where the farmer lives. Incorporating the GIS into the zakat management process could assist in the decision-making process that affects the reduction of poverty in urban and metro areas by comparing the distribution methods of each district. Besides, this enables the central government to analyze data collected from the local committee on a broader scale for a firm justification for the existence of zakat management problems and further identify a potential solution to overcome such problems.

According to another study [11], an independent or proactive approach to financial aid distribution could be the most effective way to assure a better quality of life for aid recipients. In managing zakat, innovation is required for incorporating fintech (financial technology) into the zakat information system. The process of strengthening and supervising the management of zakat must go through strategic steps prepared to realize

the acceleration zakat management development [12]. The need for an online processing system, specifically for improving the quality of aid provided to students, has long been highlighted by Sandy [13]. This is supported by the work of [14], where integrating all the processes in education system will improve service efficiency. According to [15], it is strongly suggested that using a systematic online system compared to the manual process could improve the quality of service provided.

It is argued that the additional needs of the asnaf, besides the provision of food and shelters, could be catered for if the distribution of zakat is widened to include assistance during critical times, such as during illness, nutritional needs for mother and infant, missing education allowance by the head of the household as well as assistance to perform the haj and umrah for the least fortunate group [16]. Findings of this study might provide a new avenue for the zakat institution to review previous methods of distribution [17] while observing the role of zakat and waqf as an instrument of Islamic wealth used for the alleviation of poverty. What matters most is how zakat is managed to ensure its effectiveness as a poverty eradication tool. Building upon this argument, this study intended to provide information pertaining to the current system developed by the Sultan Mahmud Islamic Centre (PISM) in Universiti Malaysia Terengganu called My Ihsan. This system was developed to assist the zakat distribution process for eligible UMT students. The discussion in this study could provide a new perspective for religious institutions regarding the importance of efficiently managing aid with the use of technology. Section 2 of this paper describes the features of the My Ihsan system, Section 3 presents the methodology used in this study, Section 4 provides the discussion of the results and Section 5 proposes the conclusions to this paper.

2. My Ihsan System. The Sultan Mahmud Islamic Centre (PISM) has been entrusted to manage student financial aid in the form of scholarships and zakat for all UMT students. In the earlier stage of managing student financial aid, PISM faced difficulties in processing an abundance of applications, which resulted in delays in channelling aid to students. Hence, PISM was inundated with complaints from students and also reprimands from the top management. This led to PISM developing an innovative system to ease the aid distribution process by incorporating the GIS approach. This new online system managed to facilitate the dissemination of financial aid and at the same time empower the socioeconomic wellbeing of students from the B40 group. Prior to the development of this system, the conventional method was utilized where students needed to apply manually by filling an application form, acquiring endorsement from multiple parties, attending interviews and submitting supporting documents in accordance with prescribed procedures. This process took 20 to 34 days to complete, which had caused the delay in the approval of financial assistance to students. Introduced in 2017, My Ihsan has been proven to successfully reduce operational and management costs as well as the duration of the process. The use of this user-friendly and stress-free system has encouraged more students to apply.

There are two approaches to the distribution of aid to students, whereby the student could receive cash, or receive the money as a form of remuneration for services provided to the community. The later could train students to better appreciate the money received, since they not only receive money during their period of study, but they also get the opportunity to be involved in building communal capacity. One of the services provided by them is free tuition for the asnaf living around the UMT area. This unique approach has become an eye-opener for donors, and they are convinced to contribute more funds as they believe many parties stand to enjoy the benefits from their contributions. An in-depth review shows that this system integrates students' information, academic and financial systems with a single click of the approval process by the dean at anytime and anywhere. A holistic evaluation is done automatically based on the eligibility criteria.

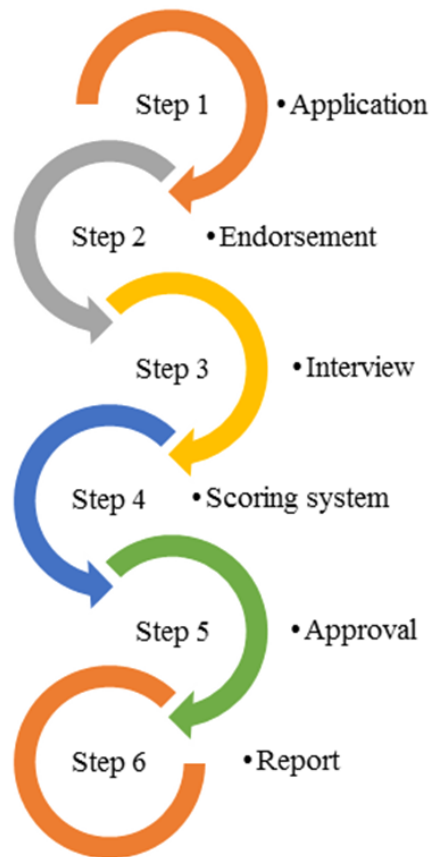


FIGURE 1. The system's overall process

This system also provides a very systematic, reliable, and comprehensive report. As the process is done online, no hardcopy is needed, which actually supports the environmental protection campaign. The original development of this online system was based on the asnaf development model. My Ihsan can be accessed from the official student portal. The My Ihsan process is illustrated in Figure 1.

The illustration shows the smooth flow beginning from the application stage right up to the approval stage. The application is made by students and needs to be endorsed by the dean. Students who pass the first screening will be called for an interview to ensure the rightful and eligible individual is chosen. The management was able to score the applicants to minimize controversial decisions made by the management. Using a scoring system shows the level of transparency adopted in the selection process. The online scoring system, as shown in Figure 2, considers all aspects, including the application history, family income, family size, applicant's status, sponsorship, exam transcript, extra-curricular activities, student's contribution and involvement in UMT's organized activities as well as the panel's evaluation. The next step in the process is the approval stage, where applicants will be notified of the results of the online application. The final stage of this system is the report to show the information of the applicants for the approval process will then be produced.

In general, implementation of online zakat applications through My Ihsan manages to reduce rigid bureaucratic procedures and speed up the application process to 7 days, compared to the manual system that usually took 34 days. It is also a cost-effective system that reduces the yearly management cost from RM43,000 to only RM1,440. As the application process is easier compared to before, the number of applicants doubled from 972 to 1957 with this new system. On record, this system was able to extend assistance to facilitate higher numbers of B40 families. The system's efficiency has convinced the

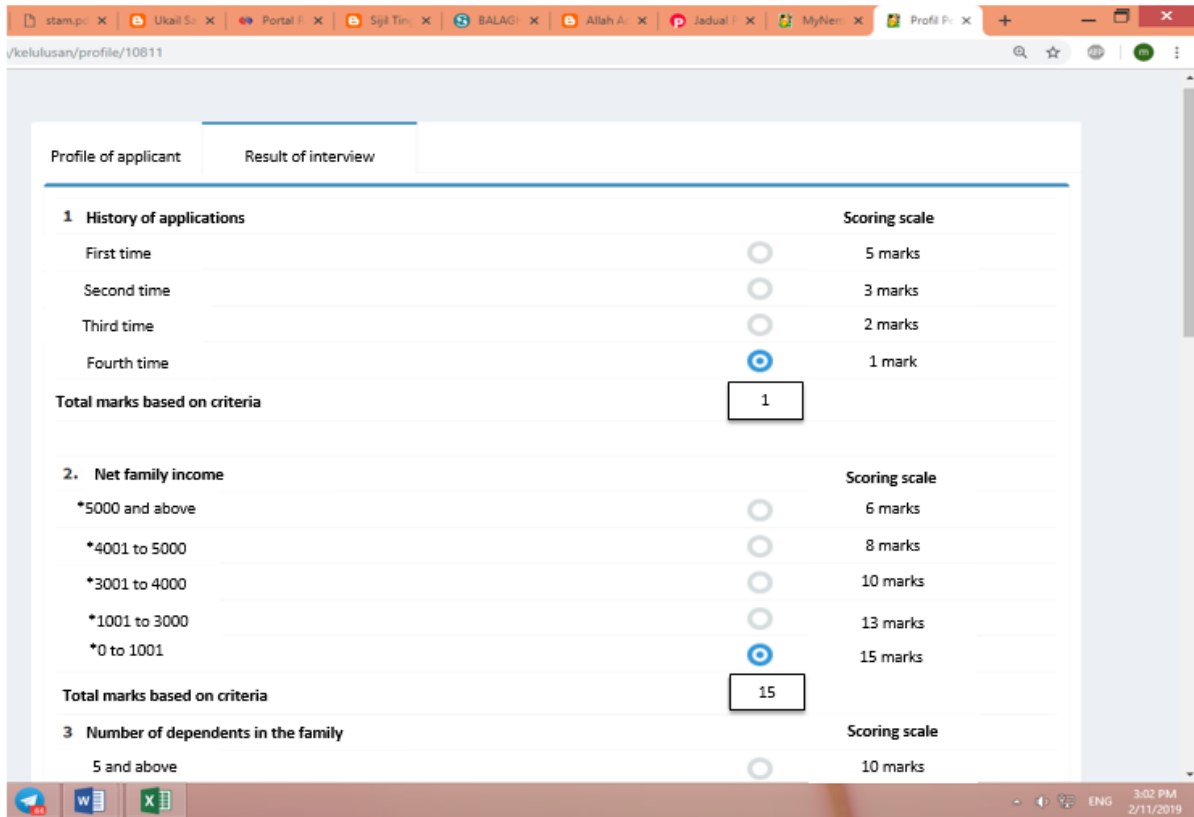


FIGURE 2. Example of an online scoring system

corporate sector to contribute more money for further distribution. For example, the total amount of donations and zakat received increased from RM147,000 in 2017 to RM277,151 in 2018, which is an increment of 180%. This enables the management to increase the distribution of financial aid by up to 194% from RM153,800 in 2017 to RM298,696 in 2018. A quick review of recipients’ feedbacks shows that the majority of them agree that this new system has managed to overcome some of the drawbacks of the old system. In addition, this new system supports the effort to achieve economic stability, especially initiatives to develop the B40 community.

3. Research Methodology. An interview is a common data collection method in qualitative research. [18] and [19] highlighted the advantages of using interviews for obtaining genuine information as the researcher has direct access to the participants and is able to gather the required and relevant information. In order to obtain information on users’ perception of using a system, semi-structured interviews were employed involving 20 students who were selected from a list of applicants who have experience in using manual and online application systems. The questions touched on students’ background, experience in applying for zakat before entering the university, experience in using any zakat application system, importance of zakat assistance and how to improve the system.

4. Results and Discussion. The objective of zakat assistance is to ease students’ financial burdens during their study period. Considering the background of these students, it was found that zakat management in UMT had achieved its objective as the recipients were from B40 group with 19 recipients coming from families comprising 4-7 family members and earning less than RM1,500 per month. 50% of participants came from families that had received zakat before they joined UMT. 5 of them received sponsorship or scholarship but still applied for zakat assistance. They gave the reasons in Table 1.

TABLE 1. Reasons for applying zakat

Recipients	Reasons
Recipient 1	I have a financial deficit and I am an orphan and my mother is not working. Just looking for help
Recipient 2	I have a financial deficit and I am an orphan and my mother is not working. Just looking for help
Recipient 3	Financial factors
Recipient 4	I applied for this zakat because my father is already retired and ill, my mother is a full-time housewife, so I want to ease the burden of my parents by using this zakat
Recipient 5	Reduce family burden

Generally, based on the findings summarized in Table 1, the recipients usually apply for zakat assistance due to financial difficulties. This is an indication that zakat is becoming a prominent tool for overcoming poverty and the issue has been thoroughly discussed by [20]. Participants were also asked how zakat had assisted them during the study period. One of the most prominent answers given by the participants was:

Honestly, I never asked for pocket money from my parents, if they insist, I would refuse and say, it does not matter, I still have money. We are not rich; we live a simple life but my father had to work day and night. So, if I need more money I have to work part-time, selling at the kiosk in front of the dormitory or work with my uncle. When there is an event at the hostel, I will try to find any job there. If I work, I can collect money. Usually, if I am working, I will do it after class at 5. I work in front of the student mall, from 6 p.m to 1 a.m in the morning...so with this zakat, I can reduce the working hours so that I can concentrate on my studies.

The participants were also experienced in using the online system and suggested that the management improves the dissemination of information regarding zakat assistance since many students are still unaware about zakat assistance meant for persons with financial difficulties. The advantage of using the online system for the collection and distribution of zakat have been highlighted in [21], which is the ability to increase efficiency and effectiveness in managing zakat funds. Besides, students do appreciate efforts shown by the management to help students throughout their study period. They believe that zakat assistance is the reason why they are still able to continue their studies and support them to build a brighter future. As for those who have had earlier experience with zakat application did emphasize on the greater ease of applying for zakat in UMT as compared to other institutions. This supports the findings by [9], where the use of a systematic application process does assist in speeding up the whole processing period. Not to mention issues, such as the rigid bureaucratic practices, bias and complexity of the process, that result in dissatisfied applicants, especially those who have been denied their rights. This issue was highlighted by [22], who emphasized on the importance of fundraising professionals concentrating on the screening process when managing donation funds in order to create the element of equality.

5. Conclusions. The issue of difficulty in using zakat assistance for any reason has been widely discussed. Criticisms such as inefficiency, rigid bureaucratic practices, bias, and zakat funds not reaching the eligible asnaf groups have hovered without any strong evidence to support the accuracy of the allegations. Considering this issue, PISM, as the organization directly involved in managing zakat funds, had initiative the development of a new system to improve the zakat management process. In line with the aim to assist in reducing the B40 group's burden and promote equality, this system is seen as the magic solution to the never-ending zakat management issues faced by zakat institutions.

Moreover, zakat assistance also aims to help and encourage students to complete their studies. Findings indicate that My Ihsan is able to overcome the problem of identifying an asnaf, delays in the approval process and compiling recipients' reports. The ability of this system to reduce the processing time is seen as a lifesaver for students who rely on zakat assistance to ease their financial burden. It is believed that this system can be commercialized in future and its use extended to financial agencies, scholarship bodies or foundations. It is hoped that the findings of this study can add a new chapter to the zakat management system and discard negative stigma afflicting the zakat institution, which is a prominent organization in the Islamic economy. Future research on the implementation of this online financial aid system should aim to enhance the system's efficiency when it is applied in a larger community with various applicant backgrounds and financial issues, for example, as a central system for community welfare.

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