

Management Control System in Asnaf Entrepreneurship Development Program by Lembaga Zakat Selangor

(Sistem Kawalan Dalaman bagi Program Pembangunan Usahawan Asnaf di Lembaga Zakat Selangor)

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ABSTRACT

Lembaga Zakat Selangor (LZS) has been corporatized and governed as a corporate entity. For good corporate governance, LZS implements a management control system (MCS) in one of its zakat distribution program known as Asnaf Entrepreneurship Development Program (AEDP). The objective of study is to explain the elements/dimensions of MCS in AEDP by referring to Levers of Control (LOC) as a framework. The LOC with four control mechanisms namely belief, boundary, interactive and diagnostic is commonly known, preferable and applied framework for MCS research and adopted by many worldwide corporations. A total of eight interviews were carried out; three with LZS officers and five with zakat beneficiaries. Data were audio recorded, transcribed verbatim and analysed in qualitative approach. It was found that the controls available in LZS can be matched against four control mechanisms in LOC. Despite that all the four control mechanisms are placed in MCS, they have yet to be documented in LZS Standard Operating Procedure (SOP). Formal documentation may impetus confidence amongst zakat payers and Muslims as a whole that the funds are efficiently managed and properly governed for the best interest of beneficiaries apart from being source of references to other zakat institutions.

Keywords: Management control system; levers of control; zakat; zakat institution; asnaf entrepreneurship program

ABSTRAK

Lembaga Zakat Selangor (LZS) telah dikorporatkan dan ditadbir seperti sebuah perbadanan swasta. Untuk meningkatkan kecekapan pengurusan, LZS melaksanakan sistem kawalan pengurusan (MCS) bagi salah satu program agihan zakat yang dikenali sebagai Program Pembangunan Usahawan Asnaf (AEDP). Objektif kajian adalah untuk menerangkan elemen / dimensi MCS dalam AEDP dengan merujuk kepada Levers of Control (LOC) sebagai rangka kerja. LOC yang mempunyai empat mekanisme kawalan iaitu 'Belief', 'Boundary', 'Interaktif' dan 'Diagnostik' dikenali sebagai satu rangka kerja yang digunapakai secara meluas di dalam penyelidikan MCS dan diterima pakai oleh banyak syarikat di seluruh dunia. Sejumlah lapan wawancara telah dijalankan; tiga dengan pegawai LZS dan lima dengan penerima zakat di dalam bentuk modal perniagaan. Data telah direkodkan secara audio, diterjemahkan secara verbatim dan dianalisa secara kualitatif. Kajian mendapati kawalan yang terdapat di LZS dapat dipadankan dengan empat mekanisme kawalan di LOC. Walaubagaimanapun, empat mekanisme kawalan yang wujud ini tidak didokumenkan di dalam Prosedur Operasi Standard (SOP) LZS. Proses untuk mendokumentasikan sistem kawalan pengurusan secara formal boleh mendorong keyakinan di kalangan pembayar zakat dan umat Islam secara keseluruhan. Ia menggambarkan bahawa dana zakat telah diuruskan dengan cekap dan ditadbir dengan sebaiknya untuk kepentingan penerima zakat selain menjadi sumber rujukan kepada institusi zakat yang lain.

Kata kunci: Sistem kawalan pengurusan; 'levers of control'; program pembangunan usahawan asnaf; zakat; institusi zakat

INTRODUCTION

Poverty is the root cause of various problems in society such as behavioral, crime, family disorder, academic failure and health problem (Moore et al. 2009; Pagani et al. 1999) and has become a common issue in most developing countries. In Malaysia, the government has implemented various programs in order to alleviate poverty. Besides the small scale entrepreneurship programs established by government for the poor, zakat institutions also play

their role to help the poor by introducing entrepreneurship programs as an alternative to reduce poverty. The difference between entrepreneurship programs by zakat institutions and other entrepreneurship programs is that the source for capital given to the poor to start up with business is using zakat money.

Paying zakat is a major religious duty which is one of the five pillars in Islam and is expected to be paid by all practicing Muslims who have surplus wealth and earnings. It is a unique instrument for poverty alleviation

as wealth is transferred from those with surplus earnings to eight zakat recipients known as *asnaf*. One of the main objectives of zakat is to achieve socio-economic justice (Adnan & Bakar 2009). It can help to eradicate poverty if it is managed efficiently and channelled for productive and sustainable means (Abu Bakar & Abdul Rashid 2010). One way to channel zakat for productive and sustainable mean is by distributing it in the form of business capital. Giving zakat in this manner is considered as a productive zakat distribution because it provides an opportunity for *asnaf* to venture into businesses until they can independently earn their living and be self-sufficient. An establishment of a proper zakat institution is necessary to perform the function of administering zakat issues and considered as part of the social system in Islam (Al-Qaradhawi 2007).

In Malaysia, its zakat administration is under the supervision and responsibility of every state, which are the State Council of Islamic Religion or *Majlis Agama Islam Negeri*. At present, there are fourteen zakat institutions in the whole of Malaysia. Among all the zakat institutions, Lembaga Zakat Selangor (LZS) has been recognized as the most established zakat institution that becomes the pioneer in introducing a systematic entrepreneurial program which has been followed by other zakat institutions in Malaysia (Mohd Balwi & Abd Halim 2008). Even though LZS is a non-profit organization, it is required to implement effective zakat management including formal control in its zakat management in order to fulfil the demand from the public, especially from the zakat payers (Syed Yusuf 2011). This is similar to the reformation in management system that needs to be done by the non-profit organizations in order to fulfil the demand from funding agencies. The demand is to see an implementation of formal management controls in operation besides the common informal controls (Chenhall, Hall & Smith 2010).

The issue of management control system (MCS) in zakat institutions have been a subject of interest to many researchers (Dolah et al. 2004; Ishak et al. 2012; Syed Yusuf, Mastuki & Din 2011). However, not many researches are focusing on the inter-firm control especially with regard to the control that LZS places on their entrepreneurship program. The research done on inter-firm control in zakat institutions' entrepreneurship program has only conceptually discussed the issue (Hamdan, Othman & Wan Hussin 2012; Haron & Abdul Rahman 2010).

As for LZS, the issue of MCS is related not only for the operation of LZS as a whole but also very significant in managing their entrepreneurship program (Hamdan et al. 2012). Considering the significant contribution of MCS, this paper explains the nature of controls that exists in LZS and may influence the success of AEDP. Although this article does not aim to provide generalisation on control practices in all zakat institutions, it highlights significant controls practiced by LZS which may be practiced also by the other thirteen zakat institutions in the whole of Malaysia in enhancing their entrepreneurship programs. To date, many studies have examined zakat institutions'

entrepreneurship programs in relation to the effectiveness of zakat distributions (Zakaria, Ahmad & Malik 2014) and the fulfilment of the basic needs of *Maqasid al Syariah* (Abd Rahman & Ahmad 2011). To the best knowledge of authors, none of the studies have been carried out to examine management control system in the zakat institutions entrepreneurship programs. As such, to fill this gap, the objective of this paper is to explain the element of controls that exists in the entrepreneurship of LZS leading to the successfulness of AEDP.

The remaining of the paper is structured as follows. The next section highlights literature review consisting of AEDP, MCS and LOC. The following section discusses methodology used. Research findings and discussions explores the controls available in AEDP that were matched against four sets of control mechanisms in LOC. Implications to management and to theory are discussed. The last section concludes the paper.

LITERATURE REVIEW

ASNAF ENTREPRENEURSHIP DEVELOPMENT PROGRAM

LZS has introduced business capital assistance scheme as one of the programs under Economic Development Program. This program is one of the five programs under zakat distribution including Social Development Program, Education Development Program, Religious Institution Development Program and Human Development Program. This program focuses mainly on the *faqir*, *masakin* and *muallafat*, three out of the eight categories of people defined in the Al Quran who are entitled for zakat payment or considered as zakat beneficiaries. *Faqir* (the indigent) refers to the group of people that need help from other people in order to survive. This is due to their physical disability, age factor and others. They have no property or income or if they have property or income, it can accommodate less than fifty per cent of the basic limits and requirements for himself and his dependents. For *masakin*, it refers to Muslim who has property or income that had not reached the basic limits although it can accommodate more than 50 percent of his personal requirements and his dependents. The next zakat recipient which is *Muallafat* refers to the new Muslim converts. In LZS, a new Muslim convert will be considered as *Muallaf* for a period of five years from the date he or she started to become a Muslim. With the financial help from zakat, it can create a sense of belonging among the new Muslim converts that might have to give up their belongings as well as their family relations due to their belief in Islam. The gift of zakat is hoped to strengthen their faith during this hard time.

Among the criteria considered in choosing qualified *asnaf* to become entrepreneurs are commitment and hardworking. Besides that, *asnaf* must also be capable mentally and physically with certain level of ability and interest in entrepreneurship. The selected *asnaf* will first

undergo Pre-Capital Assistance Course. During the course, information about basic entrepreneurship skills, marketing skills, basic financial knowledge, information regarding supports available and knowledge on business plan preparation will be disseminated to the asnaf. Finally, when they are ready to start a business, they can submit a working paper and start applying for business capital assistance from LZS.

There are two categories of capital assistance given to recipients. The first is the distribution of capital assistance based on the application made by the recipients to operate their own business. Secondly, LZS also provides assistance for selected businesses that have been identified by the management. The amount of capital under RM5,000 categories is meant for the *faqir, masakin and muallafat* to run small businesses like selling nasi lemak, fried banana and others. The amount of capital between RM5,000 to RM50,000 categories are meant for businesses on a larger scale like restaurant, laundry shop and others. LZS as one of the subsidiaries under Selangor Islamic Religious Council work collaboratively with another subsidiary established specially for the entrepreneurship program known as Teraju Ekonomi Asnaf Sdn Bhd (TERAS). Potential asnaf entrepreneurs that have been identified by LZS will be placed under the supervision of TERAS. The body manages and monitors asnaf who are in the final process to break free from poverty. Various other strategies are carried out by LZS to ensure the zakat money that has been allocated to the Economic Development Program to bring out the best potential in their asnaf.

MANAGEMENT CONTROL SYSTEM

An influential expert in Management Control, Anthony (1965), defined management control as “the processes by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives.” It also indicates management’s efforts to influence other members of the organization in achieving the organization’s mission and strategies (Watts & McNair-Connolly 2012).

One way to classify control is to segregate between formal and informal controls. Formal controls are more visible and easily measurable such as setting of goals or strategies, procedures, performance measures, incentive plans and explicit rules set by the management (Anthony & Govindarajan 2003). By contrast, informal controls include shared values, cultures, norms, mutual commitments among members of the company and behaviour unconsciously shown by management (Tucker & Parker 2013). Focusing on non-profit organization, although traditionally the control system in these organizations used to be informal, however formal control has been introduced in order to answer the greater demand from funding agencies that wants the non-profit organization to improve its traditional MCS and moves into formal forms of control (Chenhall et al. 2010). Various researchers also

agreed that MCS can be very effective when both formal and informal controls are being combined (Cugueró & Rosanas 2011; Ferreira & Otley 2005).

In the case of zakat institutions, zakat payers as one of the most important stakeholders demand to see a more corporate image management in zakat institution and an efficient distribution of zakat (Ahmad & Wahid 2014). The implementation of formal controls as practiced by profit making organizations is part of the corporate image management demanded to be practiced also by zakat institutions.

A variety of MCS frameworks which focus on formal or informal controls such as performance measurement, budget, social control and administrative controls are initially being discussed separately in various studies. Further developments in MCS studies suggest the benefits of linking and combining different MCS in a package (Malmi & Brown 2008; Chenhall 2003; Simons 1995). To analyze various MCS as a package and looking at the importance of formal control in the non-profit organization, the study prefers to focus on the levers of control (LOC) concept by Simons (1995). Based on preliminary study done on the case selected, it was found that various controls are being implemented by LZS management. From general review done, the controls can be matched into the four categories of LOC introduced by Simons. It is also in line with an empirical research done by Chenhall et al. (2010) which considered Simons framework provides a suitable way of examining formal controls which are becoming more common in the non-profit organization.

LEVERS OF CONTROL

LOC was considered as the most commonly known and applied framework for management accounting control research (O’Grady, Rouse & Gunn 2010). Although LOC introduced by Simons (1995) has sometimes been criticized as only descriptively discussed, having vague and ambiguous definition (Tessier & Otley 2012) and established from a narrow perspective (Malmi & Brown 2008), however it has many strengths (Tessier & Otley 2012). The framework integrates different types of controls (Ferreira & Otley, 2009). It is preferable than other frameworks because of the benefits identified from combining and balancing the usage of different control systems in improving performance (Kimura & Mourdoukoutas 2000). The framework also focused on the operation of a whole organizational control system and not directed at one specific area of control system like other frameworks (Ferreira & Otley 2005).

LOC identifies four sets of control mechanisms which are belief, boundary, interactive and diagnostic control. Belief control addresses the core values in an organization, highlighted in the mission, vision and other formal statement. It creates direction, gives guidance as well as motivation and inspiration for everyone involved with the organization in order to achieve organization’s objective.

It will define organization's character and help to guide the actions taken in the whole organization.

According to Simons (1995), although belief statements are sometimes criticized for lacking in substance, the main purpose of belief is to give direction and promote core values of an organization. In contrast to belief from Simons's view that appears in the form of formal statement, other researchers argued that it can also be projected in an informal ways. example, Collier (2005) in his study on "Entrepreneurial control and the construction of a relevant accounting" shared how a manager sets an example of a cost control culture by continuing to travel economy class. This is how managers communicated his belief-vision to his employees where he portrayed actions that speak louder than words.

Boundary control acts as prevention to ensure that actions taken by all members are between the limit set by their organization. The more developed and complicated an organization is, the better boundary control is required in order to face more challenges. To guard from damages caused by employees' actions, explicit rules and regulations embedded in standards of ethical behavior, codes of conduct and strategic planning directives are introduced by organizations which provide general guidelines that serve as the parameters within which members of the organizations can act (Simons 1995). Although Simons considered boundary control as a must and as a protection for all organizations, Kimura and Mourdoukoutas (2000) considered boundary control as not very strict because it only acts as guidelines and still allows employees to use their own judgment and discretion in making decisions.

Interactive control involves cooperation and open channels of communication between top management, superiors, subordinates and peers. There are many literatures that support the importance of MCS in the form of interactive control (Arachchilage & Smith 2013). Although intensive controls relates to strong personal involvement of management in activities or decisions made by employees (Simons 1995), it still involves more informal elements since it is associated with co-operation, communication and more free information flow (Chenhall 2003). Besides stimulating organizational learning, it also encourages formation of new ideas through direct and intense involvement of top management with lower level groups. These groups will be able to know the direction of the organization based on the ideas shared by the top level management. Under interactive controls, managers will hold regular meetings with other employees to discuss problems and develop new strategies (Simons 1995). Simons had proposed a broad characteristic to define interactive control that makes characteristics proposed by other studies becomes only slightly different or can be considered as subsets of the construct discussed by Simons (Bisbe, Batista & Chenhall 2005).

Finally, diagnostic control focuses on achieving pre-set goals and objectives. Activities involved include

monitoring, evaluating achievement against pre-set goals and correcting the actual performance which are more associated with formal controls. Diagnostic control especially effective monitoring is an important component for achieving success in programs or organizations (Kimura & Mourdoukoutas 2000; Mohd Noor et al. 2015). Ideally, diagnostic control can help managers reduce their burden to control their employees. The employees are expected to know their duties in order to achieve the pre-set goals. However, the pressure to achieve goals set by organization can lead towards manipulation by employees or deter employees from positively doing something beyond the requirement sets by management which can lead to control failures. Due to that, diagnostic control cannot stand alone and requires other levers of control like belief, boundary and interactive controls (Simons 1995).

METHODOLOGY

This study was carried out in LZS which are considered as the most appropriate organization to be studied regarding asnaf entrepreneurship program. LZS is considered as the pioneer in introducing a comprehensive entrepreneurial program (Mohd Balwi & Abd Halim 2008). Data were collected through in-depth interviews with zakat distribution officers and asnaf. The list of zakat officers to be interviewed was recommended by Research and Development (R&D) officer from Corporate Planning Sector.

The respondents among zakat officers were LZS District Management Sector Executive (O1), TERAS Manager (O2) and TERAS Training Unit Executive (O3). As for the asnaf respondents, the researchers obtained their names from 'The Asnaf' magazines since it was confidential data and cannot be asked directly from the zakat officers. The four asnaf respondents selected were involved in massage business (A1), ladies boutique (A2), mobile entrepreneur (A3), man's boutique (A4) and home bakery (A5).

In-depth interviews were audio-recorded with prior consent from all respondents. All interviews done were managed to be successfully recorded. Time taken for each interview process ranged between eighteen minutes to forty five minutes. The interview done with A5 lasted only for eighteen minutes. The longest time taken was the interview done with O1. Besides a face to face interview that lasted for forty five minutes, two follow-up interviews were done with him through phone conversation. Voice recorder has been installed to record the conversations. Transcription process was immediately performed after each interview took place and independently analysed. Important texts were underlined and coded. The researchers then identified a thematic framework where key statements were highlighted and categorized into general and sub-themes before data were interpreted.

RESEARCH FINDINGS AND DISCUSSIONS

Various forms of controls are being practiced by LZS in its AEDP program. An overall finding indicates that many forms of controls exist. However, complete controls practiced are not properly documented. All zakat officers interviewed (O1, O2 and O3) agreed that if control is to be introduced, it must be a comprehensive control in which all asnaf and officers involved are well informed on what they will go through in order to ensure the control is successful. The control implemented must also be reviewed so that improvements can be done. Zakat officers can provide input of any new control towards asnaf under their supervision. Findings also indicate that various controls that exist in LZS can be discussed under the four categories of LOC as follows:

BELIEF

In LZS, religiosity becomes the main priority in its belief system. In order to determine success, they will not only consider material achievement but also instill the concept of success from both worlds, now and hereafter. This is in line with the Muslims' belief that this world and everything in it will end. There will be life after that which will be everlasting and whatever that man does for the hereafter will last forever. The existence of the hereafter is explained in the Holy Quran, a religious text which is considered by the Muslims as the final revelation from God or Allah. Al-Quran as the Word of Allah revealed in Arabic to Muhammad. He is the last messenger in a span of 23 years. The Quran is preserved both in text and context forever. The evidence of the existence of the hereafter can be seen in the Holy Quran Surah Al-Ankabut (29) verse 64:

This worldly life is nothing but diversion and amusement. Verily, the home of the hereafter is the true life if only they knew.

In LZS, all asnaf who have applied for business capital assistance have to undergo a two-day course after they have submitted their application for business assistance. This course is known as Pre-Approval Capital Assistance Course. Religious slot will be the leading slot in this compulsory course for all asnaf entrepreneurs. This is because LZS believes that religiosity plays a significant role in determining success. Respondent O1 admitted that the way they determine asnaf success is not only from asnaf level of income or from material perspective, but also from the internal or spiritual angle. The officers wanted asnaf to know that they were considered as poor not only because of their material insufficiency but also due to their spiritual lacking. The following excerpt from Respondent A4 admitted how his life changed when he became more religious and how one course conducted by LZS titled "Mudahnya Menjemput Rezeki" or 'Easy Ways to Bring Sustenance' has given an impact to his life:

When I get closer to Islam, Allah increases my status from one level to another (Allah elevate his status to a better position). We must continuously seek knowledge and practice it. Allah

has given His promise. If we work hard and get closer to him, we will be successful. We must perform our five times prayer on time as well as solat Al Duha (The Supererogatory Morning Prayer). Alhamdulillah I never skip my Duha prayer for almost five or six years. Lately, I start practicing giving because of a course "MudahnyamenjemputRezeki" (Easy ways to bring sustenance) that I've attended. It was highlighted in the course that if we give one, Allah will grant back to us seven hundred. I believe it is true.

The next important belief is that LZS can just provide support but cannot guarantee the success of asnaf. LZS believes that asnaf's own attitude is the main factor that will influence their success. With the belief that it is the asnaf attitude that determines their success, it influences a lot of action done by LZS. That is the reason why more support is given to those who show their progress, determination and potential to be successful. The relationship between that category of asnaf and the officers are also very close that after the asnaf have achieved success, they are willing to contribute back to help others. The importance of asnaf attitude in determining their success is admitted by Respondent O2:

There are asnaf who received twenty or thirty thousand ringgit business assistance but they still cannot break free from zakat. They keep on asking for one support after another. First they request for a van. After they got the van, they request for a premise. However, they are still not successful. But those who really want to break free from zakat, they can achieve it even with a small amount of assistance. We did not do anything much. We just do our work to distribute the zakat and give them support and motivation. If they are not determined, they will not be successful no matter how much support that we gave.

However, she also believed that positive outcomes are the result of the combined efforts between both zakat officers and asnaf. From her observation, she can see that if zakat officers really guide and asnaf really put effort, they can achieve zakat independence. What zakat officers need to do is to determine the form of assistance to provide to the asnaf and business equipment to provide to the asnaf. She strongly believed that if asnaf are given the equipment needed and they really put effort in their businesses, they will surely achieve zakat independence.

Another important belief that LZS hold is regarding the importance of its entrepreneurship program. LZS considered this program as a significant means to bring their asnaf out from poverty. This belief that LZS hold leads to various other controls and activities run to improve asnaf entrepreneurs' performance. Increased number of trainings, enhanced capital limits, improved monitoring methods and creative rewards system are among the examples of interactive control, diagnostic control and boundary controls that emerge following LZS belief on the importance of their entrepreneurship program. This is consistent with some research findings that belief does play a major role as the core element in an organization's control systems (Collier 2005; Kimura & Mourdoukoutas 2000; Simons 1995). The process of integrating the four elements of management control

systems must begin with belief control (Kimura & Mourdoukoutas 2000). The concept is proven in this study done on LZS. However, belief found in this study differs from Simons because it might not appear in a formal statement such as mission or vision but internalized or communicated through habits and actions.

BOUNDARY

Simons (1995) described boundary control as a car brake and boundary control is considered a must and protection for all organizations. In fact, the most developed organizations will require the best boundary control because they face more challenges. This is to ensure that actions done by members of the organization is between the limit set through the formal rules. In LZS, one of the boundary controls is in terms of the limit set on the amount to be released as business capital during each stage of application made by asnaf. Even though most of the time LZS will approve any application made by the asnaf as long as it is within the limit, the second application will be subjected to the performance shown by asnaf. Respondent A4 shared his experience regarding business capital application. LZS had approved his first application of one thousand start-up capital and six thousand for air conditioner, laptop and the relevant machines for his business. However, his second application of RM53000 was rejected and LZS only approved a maximum amount of RM20000. Due to that, he had to strategize and buy only the most important machines using this second allocation.

It was found that the major factor which determines whether the amount requested will be accepted or rejected is the current LZS policy regarding capital allocation. The amount requested by asnaf must not exceed the amount stated in the policy. However, the business equipment requested by the asnaf and whether the equipment is appropriate for them does not really matter because the asnafis expected to be more knowledgeable about their business matters. However, there is a risk when an officer does not have any idea at all about some technical matters but simply approves applications made by the asnaf. An example is seen in the case of Respondent A5. She requested for an oven from LZS which then gave her a large oven with a heavy duty mixer. However, it could not be used because the oven was meant for industrial usage and therefore required suitable wiring which would cost her approximately RM3000. She reported her problem to LZS but unfortunately was informed that the installation of proper wiring was on her own expenditure. The machine has still not been utilised because she was financially incapable to bear the cost of installing new wiring. Although LZS officers allow asnaf to identify and determine the relevant equipment for their businesses, LZS will still be in charge of making the order of the equipment requested. This is another boundary control to ensure that any business capital requested is really spent on purchasing the necessary equipment. However, further

consideration should be put on by officers to determine the best way in purchasing equipment that really suits the needs of asnaf business.

Another important boundary control is regarding LZS policy that makes it compulsory for all asnaf who want to apply for business capital to attend a Pre-Approval Capital Assistance Course. During this two-day course, asnaf will obtain information about basic entrepreneurship skills, marketing skills, basic financial knowledge, how to get the capital, the form of supports needed and how to prepare a business plan. This Pre-Approval Capital Assistance course is considered as the most effective strategy that will be continued by LZS in the future. The importance of this course was admitted by Respondent O3. Among many strategies done by LZS and TERAS, he considered Pre-Approval Capital Assistance Course as a compulsory strategy and a must-have program due to the positive impacts derived from the program.

The next boundary control is regarding the allocation of business capital assistance. The capital is not only given in the form of cash but in other forms required for business operation which will be sent directly to the asnaf. Only a small portion of cash will be released should the asnaf need it as working capital. Therefore, this boundary will help to avoid manipulation. If all capital is given in cash, asnaf might have the temptation to use it to settle their personal commitment. The following excerpt by Respondent A3 supports the above explanation:

They gave me a lorry, working capital and equipment. It costs about fifty thousand ringgit but they just gave me four thousand five hundred ringgit in the form of cash. It is meant for me to buy stocks for my business. That cash is for my business but suddenly when water supply to my house has been terminated because I cannot pay the outstanding bills, I have no choice but to use the money. I think that the capital they have provided is enough for normal case, but for my case it is still insufficient because there are other personal obligations that need to be fulfilled.

Boundary found in this study is considered similar to what is mentioned by Simons. It is considered as compulsory regulation placed by LZS and must be followed by asnaf. It differs from the perspective of Kimura and Mourdoukoutas (2000) which only considered boundary control to act as guidelines.

INTERACTIVE

Interactive control involves the process of interactive communication between the lower level employees and the top level management. Through open channels of communication, both parties will involve in regular meetings to discuss problems and come out with new strategies. It can help to stimulate organizational learning and encourage formation of new ideas. In this study, the direct and intense involvement of LZS officers with the asnaf is considered as positive forces. Positive forces give motivation, provide guidance, enhance learning and

offer rewards (Simons 1995). Based on the findings, the interactive controls that exist in the entrepreneurship program can be grouped into two categories namely support and Learning & Formulation of strategies. There are various supports that have been given by LZS to the asnaf which form part of the interactive control. LZS provides support starting from the early business operation or during the process of setting asnaf business where they had to fulfil various business requirements. Asnaf were helped to register their business with Companies Commission of Malaysia. For those involved in food selling business, LZS will help the asnaf to get a food handling certificate and provide free typhoid injection for food operators. These were usually done during the courses conducted for them. Respondent O3 admitted that if asnaf were to get the injection on their own, they might never do it. It will involve some cost and might delay them from fulfilling the mandatory requirements set by the Ministry of Health for all food operators in Malaysia.

LZS also provides support by giving letter of recommendation in order for asnaf to get business site from the local authority. Supports are also given whenever asnaf face problems in dealing with these local authorities. Sometimes, LZS staff will meet the local authorities to explain about the asnaf's business projects. It is normally easier for the local authority to give their cooperation after they have been given the explanation. This was admitted by Respondent O2:

The usual constraints that our asnaf entrepreneurs face is with the PBT (local authorities) such as the Ministry of Health. During our monthly training with the mobile entrepreneurs, we sometimes call the PBT to give some briefing. Asnaf can ask directly how they can get legal business sites. We help the asnaf by producing recommendation letter. Whether it will be approved or not will depend on the PBT. As for now, when PBT receives recommendation letter from us, there are some local authorities that give their cooperation. They will give priority to our asnaf. But we must first put the efforts and tell them about our projects for the asnaf before we expect them to give their cooperation.

Among other support is the introduction of a mentor system in which successful asnaf will become a mentor to the asnaf who are in the same business line. Appointed mentors will monitor selected asnaf for about one year. TERAS manager explained further how they run the mentor system in TERAS where successful asnaf entrepreneur will monitor recipients in the same industry. In order to become a mentor, an asnaf must fulfil certain criteria. For example, if the person is involved in a tailoring business, that person must already have a shop with four to five workers and they are able to supply their clothes to boutiques. TERAS might place up to ten asnaf under this mentor and he/she must guide them to be successful. Respondent O2 admitted that although they have monitoring officers, the officers do not have technical and business skills in running that specific business. That is why they appoint mentor in the same

field who can guide others in managing business and handling technical issues.

LZS also helps to promote asnaf business in various ways. Besides advertising their asnaf business in website, promotions are continuously done in magazines published by LZS called the Asnaf Magazine which was produced twice a year. Respondent A2 shared how LZS helped to promote her business in a few ways. She believed that people might know about her business because she always appears in the Asnaf Magazine, in books about asnaf success and once comes out in local newspaper 'Sinar'. She believed that LZS keeps on showing the same stories for motivational purposes and to let others know where the zakat is channeled to. She also knew that her stories in the local magazine were the initiative of LZS officer who had invited reporters to do the coverage.

Not only LZS officers help to promote asnaf business but they also support asnaf business by purchasing their products and using their services. The support given by LZS officers make asnaf feel appreciated and they feel that the officers really care about their condition. Respondent A3 admitted that he felt blessed because there are times when LZS officers even came to have lunch at his stall. Respondent A4 also admitted that an LZS officer support his business and later became his loyal customer by asking him to prepare male robes for formal and informal events as well as for his family members. It can be seen that there are existence of support towards the asnaf business. However, proper planning and systems in supporting asnaf business from the organizational level does not seem to exist. It can be seen from a few statements given by the asnaf. Among them was the following statement made by Respondent A5:

I know that we must have our own initiative to run the business but LZS can help us by sending company's car for us to repair. Evaluate our quality of work. If it is satisfactory, then LZS can recommend us to other agencies. Sometimes people do not trust the quality of work done by the asnaf but if LZS officers trust our work and recommend it to others, then it can create confidence in others. They have lots of company's vehicles including lorries but they did not trust us and send them to other workshops. If they just send one vehicle only in a month for regular service....at least it can help to promote us to the public.

Respondent A1 also shared the same kind of support that she needs from LZS. She would like LZS to open business opportunities for those who possess massage skills. Since LZS deals with many sick asnaf and does provide zakat for medical treatment, they can create a win-win situation where they can get the service provided by this skilled asnaf to help the needy under the responsibility of LZS. It will create business for the asnaf and LZS can demand services at cheaper price.

Besides providing support at organizational level, LZS also creates involvement of others in giving support to asnaf. These include involvement of consultants hired by LZS, other successful asnaf and other government agencies serving the poor and needy. Besides providing

trainings in their area of expertise, consultants hired by LZS can also provide continuous moral support to asnaf. They can become informal representative of LZS that can listen to the matters brought up by asnaf. There are consultants who continue providing support to those who have joined courses or trainings organised by them. They created social media (Whatsapp) groups where networking between consultant and asnaf will continue even after training period has ended. From overall analysis, it was found that LZS sets a few controls to ensure that it maintains a quality consultant. The contract of appointment has been reduced from two years to only one year. Only if LZS is satisfied with their performance, the contract will be renewed. LZS also ensures that the consultant is not only capable to deliver their expertise but they also know the requirements for business settings. It will be easier for them to advice all participants who are in the process of setting up a business.

Under Learning & Formulation of strategies, Respondent O3 admitted that they have set a target of organizing eighty-five courses in 2015. Various types of courses were arranged including general courses, basic technical courses and advanced technical courses. After sending asnaf to a basic or foundation course, they will be sent to advanced courses to increase their skills. LZS feels that if their asnaf cannot accept new knowledge or miss any courses conducted for them, their knowledge will not be developed. Besides that, an entrepreneur's group led by relevant monitoring officers is created after the courses. In the group, asnaf from the same course can communicate with and help each other. Almost all asnaf interviewed agreed on the importance of knowledge to entrepreneurs. Even when they could not join the program, they still admitted that it is important. They said that there are so many courses available and they have every opportunity to gain knowledge but sometimes due to time constraints, they are not able to join all the courses they are invited to.

Respondent A3 recognised the importance of attending courses in order to increase his business skills. Since he is no longer entitled to get financial support from LZS due to maximum usage of capital allocation, he knew that only through knowledge development can he improve his business. However, he is too busy with the production and meeting client demands that he does not have the opportunity to attend any courses. He admitted that LZS has given so many opportunities. He used to receive three invitations from LZS to attend courses within one month. However, he could not attend any of them because he had already taken orders from his customers.

With regard to formulation of business strategies, interactive communication does exist between asnaf and the officers of LZS and TERAS. However, the brainstorming of business ideas between asnaf and zakat officers might not be done in a formal way because the officers might not have knowledge on the technical aspect of conducting specific businesses. This was admitted by Respondent O3:

The officers might not have business idea but brainstorming of business idea can be done with our consultants. They can approach the asnaf during the courses conducted. The asnaf might change their business idea after they have attended the Pre-Capital Assistance course. There are also asnaf who got the business idea long after they attended the course. We will not do 100% brainstorming with the asnaf. However, we do have an informal discussion with some asnaf about their business idea.

Finding shows that among the four LOC, many controls provided by LZS fall under the interactive category. However, the practice of interactive controls in LOC is not at the level of strong personal involvement in activities or decisions made by employees as highlighted by Simons. It is more towards providing extra support to the asnaf.

DIAGNOSTIC

Diagnostic control system includes any techniques used by the management to measure employees' performance. The controls are used by managers to monitor and compare employees' performance with pre-set target or goals. Any differences arise will be analyzed and corrective actions can be taken for the benefit of future performance. The findings revealed that monitoring processes done in LZS use various methods such as telephone calls, direct site visit or indirect site visit. The following excerpt from Respondent O1 explained further on the monitoring done by his officers:

The form of monitoring done differs. Sometimes through phone calls and sometimes the officers went down to the business site. If we just make a phone call, we do not know whether the business exists or not. Sometimes, monitoring the premise is done while doing investigation at other business sites. Sometimes the officers observe from far, just to ensure that the business exists and to see the response from customers. However, there are officers who directly interviewed the asnaf during the monitoring process. The monitoring method might differ but the process is done.

From the monitoring done, LZS will classify the asnaf into a few categories. The first category is those with a little bit of help, they will manage to break themselves free from poverty. Second, those who can be helped to increase their income but still cannot release themselves from poverty. The third group is those who are given help just to make sure that they can have a business. After the process of evaluating performance is done, successful asnaf will be rewarded on their achievement. To celebrate the success of asnaf and potential asnaf who are targeted to get out of poverty soon, LZS hosts special receptions and provides testimonials of success stories to uplift the spirit of others. Besides motivational session, the asnaf were also briefed on future assistance that they can get from other agencies. The agencies are given a slot to share about their functions and assistance provided to the asnaf. LZS wants their asnaf to know that there are other supports from other agencies that are available after they have become zakat independent. These supports are meant

for them to expand their business. The following excerpt from Respondent O3 explained further about the way they have rewarded the asnaf:

Before this we only celebrated those asnaf who managed to break free from zakat but starting from 2015, we also celebrated those potential asnaf that we expected would achieve zakat independence. We gave motivation and we called various funding agencies to explain about their facilities. We hope that after they can break free from zakat, they will know where to go turn to in order to get capital support.

Finding shows that monitoring element as one of the major aspects in Simons diagnostic control is being actively practiced in LZS. Guideline practiced by LZS on measurement of asnaf performance is very simple where asnaf is considered successful when they manage to break free from zakat. However there seems to be no proper feedback system to track variances from preset goal such as systematic database which can show detailed progress of asnaf. Having an effective database system can help officers in the process of giving feedback to asnaf evaluated.

IMPLICATIONS TO MANAGEMENT

Although the study does not aim to provide generalisation on control practices in all zakat institutions, it highlights significant controls that may be practiced for enhancing the entrepreneurship programs which are currently run in all fourteen zakat institutions in the whole of Malaysia. To make it more effective, formal documentation of all the controls developed must be prepared in the form of Standard Operating Procedure (SOP). This practice may not only develop confidence amongst zakat payers but may also help all zakat officers to track the impact of each controls introduced and revise them for further improvements.

IMPLICATIONS TO ACADEMIC

The study contributes to the body of knowledge by revealing that Islamic religious institutions also benefit from implementing management control systems in general context. It further contributes to the emerging literature on the possible use of LOC in the context of zakat institution; an area that is important and has potential for further understanding and development.

CONCLUSION

AEDP has shown that beneficiaries who receive *zakat* in the form of capital assistance are more likely succeed in transforming their living status from poor to comfort lives. To date, the AEDP evolves several reformations since its inception. One of the reformations is the

implementation of formal controls. Effective controls are important so that the zakat funds are efficiently managed and properly governed for the best interest of beneficiaries. Evolutions in the entrepreneurship program are essential for continuous improvement and these lead to the number of successful entrepreneur's flourish. The success in AEDP is hoped to influence the success of similar programs in other thirteen zakat institutions throughout Malaysia or other micro-entrepreneurial programs meant for under privileged groups. This will indirectly boost confidence amongst zakat payers and Muslims as a whole, that the funds are well managed and properly governed. As such, more people will be willing to pay zakat through zakat institutions rather than paying zakat on individual basis and eventually many will be free from the shackles of poverty.

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