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The editorial board would like to express their heartfelt appreciation for the contributions made by the authors, co-authors and all who were involved in the publication of this bulletin.

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RECTOR'S MESSAGE



I would like to extend my gratitude for your visit to FBM Insights Volume 8, a publication brought forth by the esteemed Faculty of Business and Management, UiTM Kedah Branch. This bulletin endeavours to present a concise and beneficial collection of important insights and research findings derived from the domain of social sciences.

FBM Insights aims to simplify complex social science concepts into easily digestible bullet points, making valuable knowledge more accessible to a wider audience. In this bulletin, each article provides a glimpse into the diverse and dynamic world of social sciences, including psychology, sociology, economics, finance, and other pertinent fields. Through concise and informative summaries, the intention is to promote a deeper understanding of human behaviour, societal trends and the multifarious factors that shape our world.

My heartfelt appreciation is proffered to the dedicated researchers and scholars whose works form the foundation of this bulletin, contributing significantly to the ever-changing landscape of knowledge in social sciences. In navigating the modern era's challenges and opportunities, the intrinsic value of social science research in guiding policy decisions and fostering social cohesion cannot be overstated.

I sincerely hope that this bulletin will spark readers' curiosity and inspire them to delve deeper into the myriad facets of human society and behaviour. Irrespective of whether you are a student, educator, or policymaker, I firmly believe that this publication will serve as an invaluable resource in your quest for knowledge.

Once again, thank you for embarking on this journey of discovery with us. Together, let us explore the captivating world of social sciences and its profound impact on our lives.

Thank you.

Prof. Dr. Roshima Haji Said

Rector
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ISLAMIC SOCIAL FINANCE INTEGRATION: THE ITEKAD CASE IN MALAYSIA

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INTRODUCTION

The rise in poverty, unemployment, and various social problems, coupled with limited public spending, has underscored the importance of enterprises that aim to generate positive social impact alongside financial economic benefits (Hassan & Yahya, 2020). These social impact enterprises play a crucial role in the growth and development of economies, yet accessing finance remains a significant challenge for them. Traditional financial instruments have become increasingly difficult to obtain, particularly after the recent financial crisis, leaving social enterprises at a disadvantage due to their perceived high risk, governance issues, and the lack of standardized performance measurement for social value (Abu Al-Haija et al., 2021; Hassan et al., 2020) To address these pressing issues, it is essential to emphasize the understanding of social entrepreneurship and social enterprise, particularly in the context of Islamic social finance.

SOCIAL ENTREPRENEURSHIP

Social entrepreneurship has emerged across various sectors, including private, public, and nonprofit, with the aim of addressing social issues, reducing poverty, and fostering stronger connections between entrepreneurs and society (Biancone & Radwan, 2019). It represents a growing field of study that explores businesses driven by social impact rather than purely economic motives. Social entrepreneurship has proven to be a powerful force, employing innovative strategies to tackle social challenges and generate positive outcomes for communities. Its scope extends beyond job creation and economic growth, encompassing the overall well-being of society.

SOCIAL ENTERPRISES

Social enterprises play a crucial role as catalysts for the development of civil society, and their progress necessitates innovative strategies encompassing new models, tools, and instruments (Biancone & Radwan, 2019). The focus on social impact enterprises, which aim to achieve both positive social outcomes and financial benefits, is essential for all economies. In addition, social enterprise operates with the purpose of generating revenue and creating positive social impact, rather than solely focusing on maximizing profit. (Nicholls & Cho, 2015).

DISCUSSION

Social entrepreneurship transcends mere job creation and economic growth, as it actively contributes to the holistic well-being of communities. Prioritizing social impact enterprises that strive to generate positive social outcomes while attaining financial viability is crucial for economies. However, financing these enterprises remains a formidable challenge, as they encounter hurdles in accessing capital. Social enterprises encounter various obstacles when attempting to secure funding, including the perception of high risk in profit generation, governance concerns, and the difficulty of quantifying social value (Hassan et al., 2023). While they pursue financial support from banks, venture capital firms, grants, public funding, and other avenues, traditional financial instruments often remain out of reach, particularly in the aftermath of recent financial crises.

To address these challenges, the concept of social finance has emerged, incorporating Islamic financial tools such as zakat, sadaqa, and waqf (Biancone & Radwan, 2019; Razinah et al., 2017). These tools have historically played a significant role in the development of public facilities and services, reducing the burden on governments for public spending. A well-designed waqf system, in particular, has notable beneficial effects on a country's ethical, social, and economic status (Abdullah et al., 2017).

In Malaysia, social finance is seen as a facilitator of social development, working alongside public sector finance and commercially driven financial solutions to enhance social resilience (Bank Negara Malaysia, 2023; Hassan et al., 2022). Social finance exhibits distinctive features, such as adaptable funding instruments, structured business and financial management training, and integrated impact monitoring mechanisms. These attributes promote financial inclusion while addressing the limitations commonly associated with traditional finance.

Aligned with these endeavors, the Malaysian government has introduced iTEKAD, an overarching initiative established by Bank Negara Malaysia, with the objective of empowering low-income microentrepreneurs. The iTEKAD program amalgamates the allocation of business assets, financed through social finance instruments like donations, social impact investments, zakat, and cash waqf, alongside microfinance (Bank Negara Malaysia, 2023). Moreover, participants benefit from structured financial and business training. This holistic approach facilitates microentrepreneurs' access to funding and facilitates the development of sustainable businesses. The structured training equips participants with essential skills and mentoring assistance to enhance their entrepreneurial prowess and generate a more substantial and sustainable income.

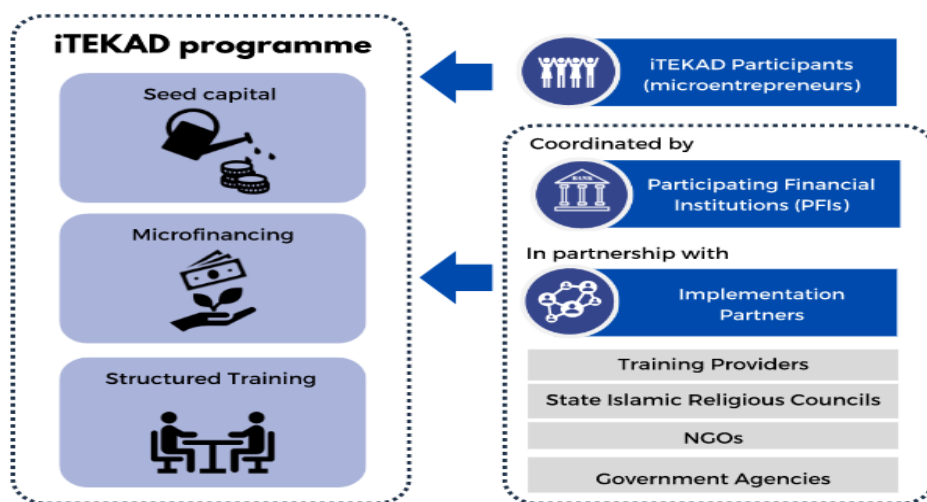


Figure 1: iTEKAD Framework
Source: Bank Negara Malaysia (2023)

Recognizing the significance of this initiative, the government is supporting the expansion of iTEKAD through a matching grant under Budget 2022. This allocation of RM20 million serves as seed capital, augmenting the funds provided to iTEKAD participants for acquiring business assets (Bank Negara Malaysia, 2023). The grant is available to all participating financial institutions, promoting widespread access to the program and its benefits.

CONCLUSION

In summary, the development and support of enterprises that prioritize both social impact and financial economic benefit are crucial for addressing social problems and promoting economic growth. Social finance, incorporating Islamic financial tools, provides an alternative approach to financing social enterprises. Initiatives like iTEKAD in Malaysia demonstrate the potential of such programs in empowering microentrepreneurs and fostering sustainable economic development. As economies continue to face social challenges and limited public spending, it is imperative to further explore and support the growth of social impact enterprises through innovative financing mechanisms.

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