

Management of Sadaqah Through Social Enterprises: A Case Study of Anjuman Mufidul Islam, Bangladesh

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Abstract

Sadaqah (voluntary charity) is a glorious activity in Islam. It is considered to be a symbol of one's *Iman* (faith). The importance of *Sadaqah* has been narrated both in the holy Qur'an and in the Hadith. Thus, the Muslims always try to give aids to the needy people. In fact, they seek to establish a society where social justice and distributional equity would prevail so that a section of the society does not discriminate and prosper at the expense of the rest of the society. As Islam promotes social equality and harmony, any business would be considered closer to Islamic principles if its operations and practices are socially, commercially, and environmentally sustainable. In a modern context, these businesses are known as "social enterprises". Thus, establishment of social enterprises may ensure the social justice which is the prime concern of Islamic Financial System. Instead of scatter contribution of *Sadaqah*, its efficient use through the establishment of social enterprises may help ensuring social justice and uphold the prime purpose of Islamic Financial Systems in a better way. One of the best examples of such enterprises is Anjuman Mufidul Islam, Bangladesh. Thus, the study is an endeavor to evaluate the management of *Sadaqah* by Anjuman Mufidul Islam, Bangladesh. The research also attempts to propose a model for efficient management of *Sadaqah* through social enterprises. The secondary sources of data collected from the annual reports of Anjuman Mufidul Islam, Bangladesh have been used to evaluate how well it is managing *Sadaqah* to ensure social justice. Existing models of social enterprises have also been examined. A great achievement of Anjuman Mufidul Islam Bangladesh has been revealed from the study and on the basis of it a model has been developed for efficient use of *Sadaqah*.

Keywords: Sadaqah, Efficient Management of Sadaqah, Social Enterprises, Anjuman Mufidul Islam, Bangladesh.

1. Introduction

The framework of the Islamic economy is based on a social consciousness that forbids isolated wealth creation. Some of the salient principles of Islamic society are unity, justice, and social and economic equality. Although, Islam permits, even encourages, a person to enrich oneself, it nevertheless places great emphasis on the social responsibilities due from entrepreneurs (Shahzad, 2009). Again, Sadaqah or voluntary charity has been promoted in Islam and thought to be a splendid activity. In the holy Qur'an the importance of Sadaqah is narrated in the following verses, Those who (in charity) spend of their goods by night and by day, in secret and in public have their reward with their Rabb (only God and Sustainer). On them shall be no fear nor shall they grieve." (Qur.,an, 2:274) Necessity of Sadaqah has also been narrated in several hadith like

Mu.,adh bin Jabal (r.a.) narated from the Prophet (s.a.w.s.) "Sadaqah extinguishes sin as water extinguishes fire." (Ahmad, Tirmidhi and Ibn Majah).The Prophet (s.a.w.s.) also said: "The believer's shade on the Day of Resurrection will be his Sadaqah."(Ahmad). Again, in short, the Islamic way of life is a balanced one which, once actualized, creates a society that is not only strict in its observance of the Divine system (Shari'ah) but is also dynamic and prosperous – the ideal Islamic society! In economic terms, however, the Muslim seeks to establish a society where social justice and distributional equity would prevail so that a section of the society does not discriminate and prosper at the expense of the rest of the society. As a matter of fact, an ideal Islamic society strives to abolish all forms of discrimination, prejudice, class differentiation and provide equal opportunity to all members of the society. Towards the establishment of social justice through Islamic Financial Systems two important sources of fund are thought to be important; one is Zakah and another is Sadaqah. In recent years, the institutional management of such funds has been given much importance and some institutions are seen to put steps forward in this regard in Bangladesh. Anjuman Mufidul Islam Bangladesh is such a social enterprise which manages charity fund for the social welfare. Keeping the importance of institutional management of Sadaqah, this study s an effort to explore the ways in which Anjuman Mufidul Islam works and to evaluate its activities of fund management.

2. Objectives of the Study

The study is an attempt to explore the management practices of Sadaqah by Anjuman Mufidul Islam in Bangladesh. It has also attempted to propose a model for efficient management of Sadaqah through social enterprises.

3. Literature Review

Global income distribution statistics sketches the picture but of social disparity throughout the world as 94% of world income goes to 40% of the people, and the other 60% live on only 6% - a clear indication of social injustice (Shahzad, 2009). One should be mindful of the words of Dr. Muhammad Yunus, Winner of the Nobel Peace Prize in 2006, "Poverty is a threat to peace". Such sentiments should not go unheeded. He proposed a new model of social business for poverty alleviation and described it as a business created and designed to address a social problem which is a non-loss, non-dividend and financially sustainable company. A social business is designed and operated just like a „regular’ business enterprise, with products, services, customers, markets, expenses and revenues. It sells goods or services and repays investments to its owners, but whose primary purpose is to serve society and improve the lot of the poor. Here it differs from NGOs, most of which are not designed to recover their total costs from their operations, and are therefore obliged to devote part of their time and energy to raising money. As it seeks self-sustainability, a social business only relies on its investors at the beginning of a development project. A more commonly used and better understood concept is the related model of social enterprise. This term describes broadly 'commercial activity by socially minded organizations as defined by Mair and Marti (2006) as a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs. Social businesses can be seen as a subset of social entrepreneurship, which includes both profit and not-for-profit initiatives, and which can be distinguished from conventional entrepreneurship through the „relative priority given to social wealth creation vs. economic wealth creation. In business entrepreneurship, social wealth is a by-product of the economic value created. Social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically furthers broad social, cultural, and environmental goals and is commonly associated with the voluntary and not-for-profit sectors (Thompson, 2002). But it is to be remembered that all those who design and run social businesses are social entrepreneurs - but not all social entrepreneurs are engaged in social businesses as some models, for instance, still include conventional dividend payments to profit oriented shareholders.

Though social business is meant for changing the so called profit motive of a capitalist company, Dr. Yunus has repeatedly claimed that the Social Business model is not thought to be a substitute or aiming to replace the standard capitalistic business model; it is merely a new tool which aims at filling the gaps that the non-profit, government, and business sectors cannot - alone - fill.

Kabir (2013) identified challenges and problems of the traditional social enterprises which include difficulties in capital accumulation, lack of competent entrepreneurs, fund management crisis, absence of religious motivations etc. To overcome the above mentioned challenges, management of sadaqah through social enterprises could be an effective way.

As Sadaqah is thought to be a glorious deed in Islam, one can expect Allah’s rewards both in this world and in the life hereafter by giving sadaqah for the welfare of society. In fact, giving charity out of wealth does not decrease it, instead it increases as it is mentioned in the holy in the following verses,

“Allah will deprive usury of all blessing, but will give increase for deeds of charity: for He loves not creatures ungrateful and sinner.” (Qur.,an, 2: 276)

“That which you give in usury for increase through the property of (other) people, will have no increase with Allah: but that which you give for charity, seeking the Countenance of Allah, (will increase); it is those who will get a recompense multiplied.” (Qur.,an, 30:39).

Similarly the importance of sadaqah and Zakah for poverty alleviation and eradication of social discrimination has been mentioned in Al-Hadith as Prophet Muhammad (peace be on him) remarked:

"Had there been two mountains of wealth for the son of Adam, he would have sought the third one; nothing but the earth can fill the belly of the son of Adam." (Al-Bukhari)

In light of this, the role of Sadaqah and *Zakah* in fostering moral qualities and attributes in people in an Islamic society is exceptional because it encourages and also impresses a sense of moral responsibility on the rich to look after the poor and the less fortunate members of the society, thereby seeking to suppress wanton greed, miserliness and selfishness in order to create a society that is caring, loving, equitable and just.

Sadaqah is not restricted to giving part of our wealth or material possessions or any special deed of righteousness. Islam considers all good deeds as sadaqah that increase our eeman:

Abu Musa narrated that the Prophet (s.a.w.s.) said, “Every Muslim has to give in sadaqah (charity).” The people asked, “O Allah’s Messenger (s.a.w.s.)! If someone has nothing to give, what will he do?” He said, “He should work with his hands and benefit himself and also give in charity (from what he earns).” The people further asked, “If he cannot do even that?” He replied, “Then he should help the needy who appeal for help.” Then the people asked, “If he cannot do that?” He replied, “Then he should perform all that is good and keep away from all that is evil and this will be regarded as charitable deeds.” (Bukhari Vol. 2, Hadith 524). Thus, people can also contribute for the welfare of society without contributing money or money’s worth. Hence, working for social enterprises will be considered as Sadaqah.

4. Methodology of the Study

Since the aim of the study is to evaluate the performances of Anjuman Mufidul Islam Bangladesh as a Social Enterprise and to propose a model for sadaqah management through social enterprise to eradicate poverty, secondary sources of data have been used.

The annual reports of Anjuman Mufidul Islam Bangladesh have been explored to discover their working procedure and to evaluate performances.

To propose a model for sadaqah management through social enterprises the existing models from both traditional model of Social Business and Waqf model have been critically analyzed. On the basis of analysis and literature survey a unique model has been proposed which is expected to work for eradication of extreme poverty.

5. Sadaqah Management by Anjuman Mufidul Islam, Bangladesh

5.1 Overview of Anjuman Mufidul Islam Bangladesh

The meaning of Anjuman Mufidul Islam is “Islamic human welfare body”. This organization was founded by a resourceful deeply religious minded person of Surat of Indian Northern province namely Sheith Ibrahim Mohammad Duplay in 1905, whose basic foundation took deep root in Calcutta, India. He noticed that in those days many businessmen and Traders coming from various parts of the subcontinent in the commercial center of Calcutta used to meet with the tragic end of their lives after suffering from various kinds of diseases. In those days contacts and communication with one another along with transportation was very difficult. Sheith Mohammad Duplay took upon himself the vast responsibility to arrange for the burial of those ill-fated dead people, coming from far flung areas at his own cost. Later on being attracted by such human-oriented activities, many distinguished personalities became involved in such activities. Prominent among them were Prince Golan Mohammad Shah, Nawab Sir Sallimullah (Nawab of Dhaka & founder of All India Muslim league), Hossain Shahid Suhrawardy (former Chief Minister of undivided Bengal & former Prime Minister of Pakistan), Khaja Nazimuddin (former Prime Minister of Pakistan), Sher-e-Bangla A.K. Fazlul Hoque (former Chief Minister of undivided Bengal & Chief Minister of East Pakistan) and many others. When India was attacked in 2nd world – war in 1943 famine broke out in the whole of the sub-continent and thousands of people died of hunger. Anjuman Mufidul Islam took upon the responsibility of the burial of these hunger caused dead bodies.

One S.M. Salauddin has been termed as the bright star of Anjuman Mufidul Islam. Responding to the call of A.K. Fazlul Hoque, he (S.M. Salauddin) left his high ranking Govt. job of India and involved himself whole heartedly to the service of the suffering and distressed humanity. He took great pains in searching out the stab injuries dead bodies of Muslims in the 1946 communal riots in Calcutta. After partition of India in 1947 S.M. Salauddin came to Dhaka and after establishing Anjuman Mufidul Islam took the responsibilities as the chief administrative officer of this organization. Being inspired by the human service oriented activities of the organization, many distinguished and good hearted persons got themselves involved with Anjuman out of them were eminent writer Habibullah Bahar Chowdhury, Justice Hamudur Rahman, Justice Syed Mahabub Morshed, Justice Aminul Islam, Former President and justice Ahsan Uddin Chowdhury and justice Abdur Rahman Chowdhury and others.

In recognition of the human welfare social services, Anjuman Mufidul Islam got many prizes of honour from various Govt. and private organizations. These are Islamic Foundation reward in 1984, National Independence Day award in 1996, Doctor Ibrahim Memorial Gold Medal in 2004, Rafiqul Islam Banking award in 2004 are among those mentionable. Besides, the concern also got primary nomination for American Hilton humanitarian prize.

This organization maintains its active involvement and role with International Red Cross and Bangladesh Red Crescent during national crisis and disaster of various natures.

5.2 Aims and Objectives of Anjuman Mufidul Islam

The aims and objectives of Anjuman Mufidul Islam are as follows:

- i) To promote friendly relations among the members of the Muslim and other communities;
- ii) To bury unclaimed corpses of the hospitals and clinic or on the streets and also assist persons without adequate means to bury dead body in accordance with Islamic injunction;
- iii) To provide medical assistance to poor deserving persons irrespective of caste creed or religion
- iv) To arrange for shelter, maintenance and training of shelter-less
- v) To take short term relief measures to meet unforeseen natural calamities in the country.
- vi) To provide free ambulance service to persons irrespective of caste creed or religion for treatment to hospitals.
- vii) To run poverty alleviation programs.
- viii) To assist orphans, widows, poor, infirm, invalid, distressed and helpless people to make them useful citizens through education, training and rehabilitation project programs.
- ix) To promote religious, scientific and technical education besides humanities among boys and girls,

particularly from the disadvantaged families.

5.3 Sources of Fund

The source of income of Anjuman are: (1) Zakat and Fitra. (2) Skin of sacrificial animal during Qurbani Eid. (3) Donation from general Muslims. (4) Members Subscription. (5) Small charge for Ambulance and Mortuary services.

5.4 Establishment of Chittagong Branch of Anjuman Mufidul Islam

After Independence of Bangladesh this concern Anjuman Mufidul Islam rapidly expanded and opened up 44 branches all over the Country of which Chittagong is also one of its most vital branches and the Chittagong branch formally started activities in 1979.

Anjuman, Chittagong branch is being run by a 19- Member Executive Committee as per constitution and Police Commissioner of the Chittagong Metropolitan Police is President. Senior-Vice President is Janab M. Abdul Malek, Editor of Daily Azadi Chittagong.

Besides official work, Corpse's Center and other relative activities are being conducted in 36.69 decimals of land at 21.M.M.Ali Road in a two-storied building. This 36.69 decimals of land was transferred to Anjuman Mufidul Islam, Chittagong branch, by the Govt. in 2005 by a registered deed by showing a token amount of Tk.1001/= only.

At present, Chittagong branch has its two plots of land. One two-storied Building has been constructed as orphanage for providing residential accommodation with feeding and educating 60 orphans free of charge.

5.5 Performance Evaluation of Chittagong Branch of Anjuman Mufidul Islam

5.5.1 Burial of unclaimed Dead Body

The list of burial of unclaimed death figures of last 10(ten) years are 272 in 2003, 357 in 2004, 358 in 2005, 331 in 2006, 349 in 2007, 305 in 2008, 296 in 2009, 280 in 2010, 260 in 2011, 286 in 2012, and 300 in 2013.

5.5.2 Ambulance Service

The number of ambulance trip for unclaimed dead body in 2013 was 162. It renders such services with Three AC Ambulances.

5.5.3 Mobile Freezer Mortuary

To ensure such service a Hiace Micro has been converted into mobile freezer mortuary in 2013. In its first year of operations 34 dead bodies have been preserved.

5.5.4 Static Freezer Mortuary

Anjuman Mufidul Islam Bangladesh, Chittagong Branch has a Four cabinet static mortuary established in 2006 in its local building The number of dead bodies preserved in the last 7 (Seven) years are 2 in 2007, 5 in 2008, 1 in 2009, 3 in 2010, 6 in 2011, 11 in 2012, and 4 in 2013.

5.5.5 Orphanage

With the donation of local people a 2 storied orphanage has been built for a cost of Tk.60,00,000 (Sixty Lac) at Haliashahar in Chittagong on a land donated by a person of the inhabitants. Besides, recently a female Muslim orphanage has been built at Roufabad in Chittagong.

5.5.6 Technical Institute

To make a skilled group of people among the poor and deprived people it has recently established a technical institution which is expected to play role in eradication of extreme poverty, at least, in the locality.

5.5.6 Others

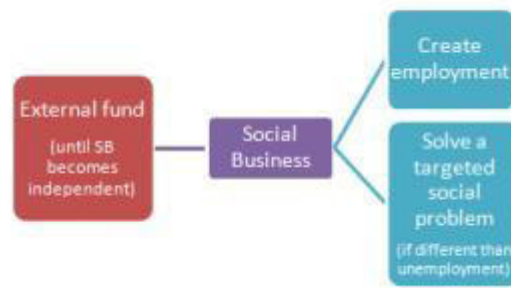
Along with the above mentioned social services this social enterprise takes part in rehabilitation programs during natural disasters. It offers special medical campaign time to time for the poor people of Chittagong. In winter it also distributes warm clothes among the floating street people.

6. Model of Social Enterprise

6.1 Existing Model of Social Enterprises

Baraka(2012),proposed a model based on the waqf and showed how the model is better than social business model. The social business has as an objective to become self-sufficient. But in the case of a project funded by a waqf, it is not the case. A library funded by a waqf does not aim at being self-sufficient, since one characteristic of the waqf is that it generates money without end, so there will always be money to fund the library. He presented a model of Waqf management against the traditional social business model as proposed by Dr. Yunus. He said that the waqf itself is indeed self-sufficient. A land will generate income by itself.

Schemes 1 and 2 give examples of waqf and social business (SB) models without taking in account benefits coming from the businesses themselves, like developing agriculture with the land example or benefits inherent of the business chosen as a social business.



Scheme 1 Social Business model.



Scheme 2. Waqf Model (where the waqf is a land)

Therefore it goes “faster” with waqf system: it doesn’t need a period to become self-sufficient. You will only have to wait for the land to become profitable (and if it is a building you don’t have to wait since as soon as it is rented it starts generating income).

Again Anjuman Mufidul Islam runs as a social enterprise on the basis of the following model.

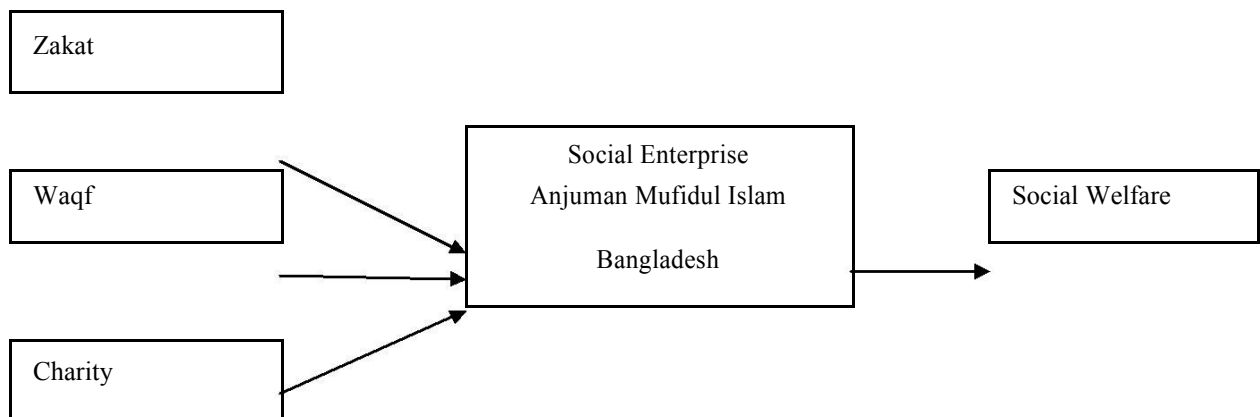


Figure 1.1: Working Model of Anjuman Mufidul Islam

6.2 Proposed Model for Sadaqah Management through Social Enterprise

Based on the model provided by Baraka for Waqf Management, a model has been proposed in this paper where both mandatory sources (Zakat) and voluntary sources of sadaqah will be utilized for establishing a social enterprise.

Social Enterprise for Poverty Alleviation

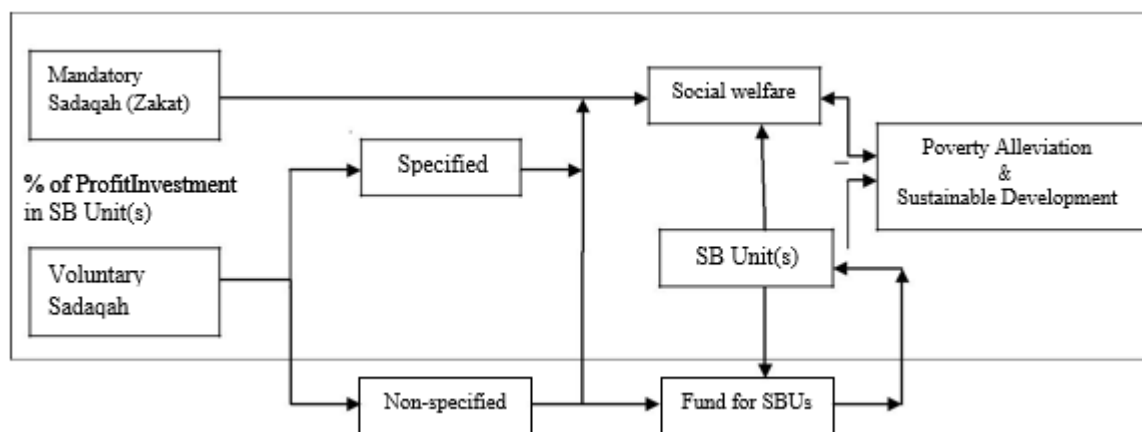


Figure 1.2- Sustainable Sadaqah Model

The proposed model for Sadaqah management in above figure shows the ways in which both the mandatory (Zakat) and voluntary source of sadaqah (waqf. and other charity) can be used for the welfare of the society through a Social Enterprise (SE).

As zakat cannot be used for business, the fund collected from zakat by the SE may be used for various social purposes as per the Islamic Shariah. The non mandatory sadaqah may be available both in the form of cash and assets other than the cash. Whatever the form is, if the donor donates his property for a specific social welfare under a SE, the property should solely be used for that particular purpose under the supervision of the SE. In this case, the SE will work as the manager to ensure the proper management. On the other hand, if the donor is made without restriction to a SE, the property (either cash or other assets or both) may be kept in the fund for Social Business Units (SBUs). Again, the sadaqah fund may directly be used for a specific Social Business Unit (SBU) or it might be kept in fund for SBUs, alternatively, a portion of the fund may be used for a specific SBU and other portion may be set aside as the fund of SBUs.

The profit of the Social Business Unit(s) may be utilized both for social welfare and expansion of existing SBU and for the development of new SBUs. In this case, a certain portion of profit (say 50%) may be reinvested in SBUs and the rest of the profit (50%) could be used for social welfare and poverty reduction. It is worth mentioning that the entrepreneurs of the SBUs will participate in the business without taking any dividend out of the profit because their works will also be considered as sadaqah.

Social welfare mentioned in the model may include all sorts of activities as done by Anjuman Mufidul Islam nowadays along with activities like building of shades for homeless at different places where they can pass night instead of sleeping in streets. It may also include the activities of providing foods for the needy who usually begs for foods, arranging works like cleaning, washing and such other works requiring no or less skills on the basis of daily payments. Offering training regarding sewing clothes, establishing nursery, rearing goats and cows and so on along with necessary funds to the interested poor people could make a tremendous impact in the society for poverty reduction. On the other hand, Social Business Unit(s) will play dual roles for reduction of poverty. First, it will create employment opportunities in the society; secondly, it would contribute to the national economy through its business. It would have a non financial benefit as well. Since, the main purpose of a social business is social development instead of making profit, the business will ensure halal products without any contamination which is the burning issue at present.

Thus, the sadaqah (charity) fund management through social enterprises will ensure social welfare as well as establishment of social businesses the synergic effort of which is expected to guarantee a sustainable and poverty free society as shown in the above „Sustainable Sadaqah Model’.

7. Conclusion and Recommendations

The demand for social finance is growing, but conventional markets have failed to sufficiently offer the right products or attract investors. The products offered are mainly debt based with regular loans being the most common (an obligation to pay interest without any rebates). On the other hand, the traditional social business suffers from problems like lack of motivation of the entrepreneurs and large capital accumulation. Again, people often seen to participate in voluntary charity through sadaqah and waqf as well as the financially able Muslims are bound to pay zakat to the needy. At present such contributions are made in scatter ways which is rarely contributing to the society for alleviation of poverty. An institutional effort of managing such voluntary and mandatory sources of fund through social enterprises may make it an efficient tool to fight against poverty. In this regard, Anjuman Mufidul Islam Bangladesh is playing a vital role by managing charity fund for the welfare of

the poor people in the society. It has branches throughout the whole country among which its Chittagong Branch is playing an exemplary role by providing burial service of unclaimed death, ambulance service to the poor, mobile and static mortuary services. Chittagong Branch also runs two orphanages, one for boys and another for Muslim girls. Though the performance of Anjuman Mufidul Islam Bangladesh is remarkable, its present work procedure could be transformed into a more dynamic and effective one. Instead of managing the funds and applying it for social welfare, it could apply the model proposed in this study which will enable it to generate more fund through social business units in addition to the fund raised through charity.

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