

The Masjid-Based Economy Model: Strengthening Local Businesses Through the Islamic Finance

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ABSTRACT

Mosques have long served as centres for social welfare, education, and economic activities in the Muslim communities. Interest in using the Islamic financial tools like zakat and waqf to support local businesses and boost financial inclusion has grown recently. However, the structural and financial challenges often limit their ability to function as sustainable economic hubs. This study explores the Masjid-based economy model as a means of fostering entrepreneurship and market access through the Islamic financial principles. Using a qualitative case study approach, the research examines Malaysian mosques engaged in economic initiatives. Data was collected through semi-structured interviews with mosque administrators, business owners, and community members, along with direct observations of mosque-led activities. Data was analysed using the thematic analysis. Findings reveal that mosques support business sustainability through zakat-funded microfinance, waqf-supported business spaces, and entrepreneurship training. However, issues such as inconsistent funding, weak governance, and scalability constraints hinder long-term impact. The study underscores the need for structured financial integration

and strategic partnerships with Islamic financial institutions and policymakers to enhance the sustainability of the Masjid-based economy model. Strengthening governance and collaboration can position mosques as key economic enablers, contributing to financial resilience and sustainable development in the Muslim communities.

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INTRODUCTION

Mosques or *masjid*, in Arabic, have historically played a crucial role in the economic and social development beyond their religious functions. In the early Islamic societies, the mosques were not only places of worship but also centres for education, governance, and business transactions (Ahmed, 2021). Today, the Masjid-based economy model builds upon this legacy, proposing that the mosques be leveraged as economic hubs to support local businesses through zakat and waqf distributions, business training, and market facilitation (Abdullah & Othman, 2021).

Despite their potential, mosque-led economic initiatives remain underexplored in academic research. While existing studies focus on the social and educational roles of the mosques, little attention has been given to their structured economic interventions (Ali, 2022). This paper investigates the integration of the Islamic financial tools into mosque-led business initiatives, focussing on case studies from Malaysia.

LITERATURE REVIEW

Islamic Finance and Economic Empowerment

The Islamic financial instruments such as zakat, waqf, and Islamic microfinance provide essential support to small businesses. Zakat redistributes wealth, enabling financially disadvantaged individuals to start businesses, as a means of self-sustaining initiatives to generate their own income instead of relying on charity by local authorities or the public, while waqf properties have been repurposed for entrepreneurial use, creating sustainable revenue streams (Rahman & Shafiq, 2023). The Islamic microfinance, which avoids interest-based lending, offers accessible capital to entrepreneurs who lack conventional banking support (Abdullah & Othman, 2021). These financial tools collectively enhance financial inclusion and business sustainability.

Mosques as Economic Hubs

Beyond religious duties, the mosques historically served as economic and educational centres (Rahman & Noor, 2021). Today, many mosques have expanded their role by organising community markets, offering skill-building workshops, and facilitating zakat-based microfinance (Ali, 2022). The integration of financial and business support within a religious framework fosters trust-based transactions and enhances community engagement.

Community-Based Economic Models

The Masjid-based economy model aligns with the cooperative economic principles that emphasise mutual support and shared prosperity (Ali & Hassan, 2022). However, unlike secular cooperatives, it integrates the Islamic ethics, promoting fair financial practices

and economic justice (Rahman et al., 2023). By leveraging the mosque's position as a trusted institution, this model facilitates financial cooperation, business mentorship, and market accessibility. These initiatives, while fostering entrepreneurship environment on the local community, it also encourages the public to view mosques as more than a place of worship.

METHODOLOGY

This study adopts a qualitative research approach, focussing on case studies of Malaysian mosques involved in economic initiatives. Data collection included semi-structured interviews with mosque administrators, business owners, and community members, as well as direct observations of mosque-based economic activities. Thematic analysis was then used to identify key patterns related to the effectiveness and challenges of implementing the Masjid-based economy model.

RESULTS AND DISCUSSION

Islamic Financial Tools in Business Development

Findings indicate that zakat and waqf funds are increasingly allocated to support business initiatives. Some mosques in Malaysia have successfully established zakat-funded microfinance programmes, offering interest-free loans to small businesses (Rahman & Shafiq, 2023). Additionally, waqf properties have been transformed into marketplaces and training centres, enabling entrepreneurs to access affordable business spaces and resources (Abdullah & Othman, 2021).

Mosques as Business Incubators

Interviews with mosque administrators revealed that entrepreneurship programmes hosted within mosques have improved business sustainability and networking opportunities. Community members reported that mosque-organised markets significantly increased their sales, providing a stable customer base. However, the study also identified challenges, including inconsistent funding and reliance on voluntary management, which limit scalability (Mohamad & Idris, 2022).

CHALLENGES AND RECOMMENDATIONS

Funding Constraints

Although the zakat and waqf provide essential financial support, inconsistent funding poses sustainability challenges. Strengthening partnerships with Islamic financial institutions and government agencies could improve resource allocation and long-term planning.

Lack of Formal Structures

Mosque-led business initiatives often operate informally, leading to inefficiencies. Establishing clear governance policies and accountability frameworks in the management of economic activities can enhance transparency and programme effectiveness.

Scalability Issues

Mosque-led initiatives typically rely on volunteer efforts and community goodwill, which may lead to scalability and sustainability issues. Expanding the Masjid-based economy model requires strategic scaling mechanisms, such as collaborations with Islamic banks and integration into national economic policies.

CONCLUSION

The Masjid-based economy model presents a viable framework to empower local businesses through Islamic financial principles. By offering financial assistance, business training, and market access, the mosques can strengthen economic resilience within the Muslim communities. However, ensuring sustainability requires structured governance, financial partnerships, and policy integration. Future research should explore ways to scale and institutionalise the mosque-led economic initiatives to maximise their long-term impact.

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