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**ROLES OF THE ISLAMIC VOLUNTARY SECTOR IN MALAYSIA  
AND CROATIA**

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***Abstract***

The aim of this paper is to examine the roles of the Islamic voluntary sector in two jurisdictions – one is representing an Asian country, Malaysia, and the other is the newest Member State of European Union, Croatia. The investigation undertaken in the research is purely library-based, engaging in secondary data including written rules, guidelines and reports in both jurisdictions. The preliminary findings reveal that there are numerous voluntary efforts being carried out by numerous organizations in both jurisdictions (Malaysia and Croatia), in sectors such as public finance, education, quality of life and health. The research further found that these efforts could potentially bring huge impacts to the development and well-being of the society, in four different dimensions: social, finance, organizational, and legal. This research will contribute to the body of knowledge on voluntary sectors especially on the roles and implications of the voluntary sectors towards shared prosperity of the people and economy in Malaysia and Croatia.

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**Keywords:** Voluntary sector, Islamic finance, Islamic economics. ”



## 1. Introduction

Malaysia is one of the developing countries in Southeast Asia, while Croatia, the newest member of the European Union – though physically located at different parts of the world, among other things, they both have one thing in common. Both countries are moving hard towards improvement of the quality of life of their respective citizens. One of the initiatives which is increasingly gaining popularity in both Malaysia and Croatia – is the voluntary sector.

The voluntary sector is defined as organisations that are not-for-profit and non-governmental which carries out the duties of social activity, for instance activities relating to education, health, public finance, quality of life and the like. Often times, the voluntary sector is more likely referred to as ‘non-profit sector’ or ‘not-for-profit organisations’. Sometimes, this sector is also known as the ‘third sector’ in contrast to the ‘public sector’ and the ‘private sector’.

This study focuses on the Islamic voluntary sector, which is the sector that carries out Islamic activities as its voluntary primary services or activities, or one that carries out Islamic activities and works according to the Islamic rules. What is particularly referred to as Islamic voluntary sector is propounded by Ariff (1991) who conceptualised and outlined the Islamic voluntary sector initiatives in South East Asia – as being: zakat and waqf.

Given the fact that literature is scarce in this subject matter, particularly in the two jurisdictions of Malaysia and Croatia, it is imperative that a study be carried out to address the roles of the Islamic voluntary sector in these chosen countries.

## 2. Problem Statement

Historically, the duty to improve the quality of life of the people lies in the hands of the government or more likely known as the public sector. This follows the fact that the government holds the majority of wealth in the nation, hence they are responsible to oversee the funding and financial aspects of the needs of the community, such as providing public hospitals, public schools and tonnes of other public facilities (Nyhan, 2000; Bouckaert et al., 2016). However, with the emergence of the voluntary sector, the burden formerly held on the shoulders of the government is lessened. This follows the fact that some of the community services are shifted from the purview of the public sector to the purview of the voluntary sector (Nickel and Eikenberry, 2016; Bryson et al., 2017).

Within the broader context, literature seems to suggest that the voluntary sector plays an important role in the improvement of the quality of life of the people in a given jurisdiction (Skinner and Power, 2017; Vandermeerschen et al., 2017). This follows the fact that the people collectively put in effort to improve their own lives – collectively – for their benefit and sharing the roles and responsibilities amongst the people who willingly and voluntarily work towards a common goal.

One section of this effort, the one focusing on Islamic services and activities, is known as the Islamic voluntary sector. A number of initiatives are already in place using the Islamic voluntary sector model, such as waqf funds, waqf universities, waqf hospital, and zakat insitutions in various parts of the country (Amin et al., 2016).

However, lack of proper law and regulation to govern the implementation of the voluntary sector, coupled with the scarcity of literature on this subject matter had triggered this study to be carried out. In

essence, two jurisdictions are chosen to become the case study or focus of this study – Malaysia and Croatia – as these two jurisdictions have one thing in common, among other things – they are both developing countries that are putting in a lot of effort towards the improvement of the quality of life of their respective citizens.

### **3. Research Questions**

This study seeks to address the following research questions:

1. What are the various aspects of the Islamic voluntary sector in Malaysia and Croatia?
2. How the Islamic voluntary sector contributes towards the nation in general, and the society in particular.

### **4. Purpose of the Study**

Guided by the above-mentioned research questions, the aims and purposes of the study are two-folds and consistent with the said questions:

1. To identify the various aspects of the Islamic voluntary sector in Malaysia and Croatia.
2. To examine how the Islamic voluntary sector contributes towards the nation in general, and the society in particular.

### **5. Research Methods**

This study engages in purely library-based research, adopting the document analysis of secondary data on the subject matter of Islamic voluntary sector, including written rules, guidelines, reports and case studies. The analysis primarily involves the exploration of the conceptualisation of the Islamic services and activities of the voluntary sector in both Malaysia and Croatia, for the better understanding and appreciation of the roles of the sector towards the benefit of the nation in general, and the society in particular.

### **6. Findings**

For the purpose of the study, there are two main findings which could be derived from the secondary data sources:

#### **6.1. There are numerous voluntary efforts by the organisations**

It is trite knowledge that individuals and organisations contribute to zakat and waqf under different domains, such as zakat for income, gold and business. Whereas waqf could be in terms of property, immovable or movable. Accordingly, the rights in the zakat and waqf assets would be channelled for the benefit of various asnaf for the zakat, such as the poor and needy, Muslim converts, those in the way of getting knowledge and education, and others, as well as the waqf beneficiaries named in the waqf document. Islamic finance is rather young in Croatia, beginning 2012 when the law was created to facilitate Islamic banking and finance activities. An example situation would be the various efforts put into the collection and distribution of zakat in Croatia in recent years.

Given the development of the society nowadays, and the Direction is shifting for the private organisations, such as corporations and even financial institutions wanting to do waqf initiatives, such as waqf university, cash-waqf, gold/silver waqf and others. In Malaysia, an example case on waqf would be the famous Seetee Aishah endowment land located at Seberang Jaya, Pulau Pinang. This waqf land was developed into a housing estate for the benefit of the needy ones, and managed by the Pulau Pinang Islamic Religious Department. Such noble efforts by the donor in this waqf example.

## **6.2.Roles of the Islamic voluntary sector in Malaysia and Croatia**

In terms of the roles played by the Islamic voluntary sector, the study found various roles expanding to four main dimensions of social, financial, organisational and legal. The following sections elaborate on each of these dimensions.

### **6.2.1. Social dimension**

First and foremost, from the social dimension, a voluminous literature pointed out that the Islamic voluntary sector contributes greatly to the improvement of the quality of life of the society (Morison, 2000). In this regard, the society could enhance their access to better lifestyle with the availability of various zakat and waqf schemes. For instance, in Malaysia, the first ever fully-funded waqf university is the Malaysia Islamic University which came into existence in 1955 and based in Cyberjaya (Sato, 2005). Another social aspect of the zakat and waqf initiative is the improvement it brought to the different asnaf of the zakat, as well as the various beneficiaries of the waqf properties (Wahid, Ahmad and Kader, 2009; Haq, Ashraf and Farooq, 2017).

### **6.2.2. Financial dimension**

In terms of the financial dimension, the services and activities of the Islamic voluntary sector had proven to strengthen the financial domain of the nation. This is due to the fact that the Islamic crowdfunding was initiated by the people for the people. When the funds come out of the pocket of the people, the people appreciate it more as opposed to the funds which they receive from the government without any consideration coming from themselves. Eventually, such efforts by the Islamic voluntary sector could in fact lessen the financing from the public and private sectors (Ambrose, Aslam and Hanafi, 2015).

### **6.2.3. Organisational dimension**

From the organisational aspect, the zakat and waqf institutions become the one-stop center for people contributing to the funds, and people seeking for funds (Sulaiman and Zakari, 2015; Ibrahim and Ibrahim, 2013). This is an important aspect of any institution which carries out Islamic activities, and transparency of the work process would denote the trust on part of the people who contribute the funding, as well as the ones accepting the funds. Therefore, it is of utmost importance that the organisational stance of the zakat and waqf institutions remain strong and professional in discharging its duties and functions (Noor, Arshad and Salleh, 2016; Noor, Abdullah and Tahir, 2014; Mohsin, et.al, 2016).

#### **6.2.4. Legal dimension**

On the other hand, from the legal perspective, over the years, numerous debate and round-table discussion was held to discuss issues on zakat and waqf administration – particularly with the view to improve the legal framework of the entire process (Mohammad, 2015). In this context, the carrying out of the Islamic voluntary works has indeed sparked the discussion on its proper implementation, where it was argued that in order to be able to implement coherent and coordinated systems, then specific rules and regulations should be in place. In the absence of such proper regulation, it would lead to unsystematic and incoherent practices (Abdul Ghani, 2006).

Particularly for the case of Croatia, to date there is no specific piece of legislation to regulate the implementation of zakat or waqf. Most Islamic contracts and transactions are governed by a general rule that is the Law on the Legal Status of Religious Communities (Official Gazette no. 83/2002) which regulates the religious rights and activities to practice freedom of religion by equal public performance of religious services and other demonstrations of their religion, enlisted in the Register of religious communities in the Republic of Croatia. Another written rule governing religious matters is the Agreement between the Government of the Republic of Croatia and the Islamic Community in the Republic of Croatia on issues of mutual interest (Official Gazette no. 196/2003, 86/2014, 46/2016). In essence, this Agreement generally provides for certain rules and regulations for the social harmony of the various religions being practised in the country. Within the broader context, these two rules, albeit being general laws, they facilitate the practices of zakat and waqf by Croatian nationals for the benefit of the beneficiaries according to the Islamic principles.

On the other hand, within the context of Malaysia, the rule governing the Islamic voluntary sector would be zakat law particularly the respective Zakat Enactment and the Zakat Collection Enactment of each State in Malaysia, as well as the Baitulmal Code. On the other hand, the rule on waqf law would be the respective Administration of Islamic law enactments in each State in Malaysia. For the States without a Ruler, then the administration of waqf is governed by the Administration of Islamic Law (Federal Territories) Act 1993. In essence, these rules only suggest one thing, which the government of Malaysia, either at the federal level or the State level makes it a point to expressly provide for the regulation of zakat and waqf in the country. All in all, the zakat institution is an independent body under the State administration which manages the collection and distribution of zakat funds. Additionally, the waqf institutions is part of the Islamic Religious Council in each State, which registers and monitors the waqf properties in the State.

## **7. Conclusion**

This paper sought to identify the various aspects of the Islamic voluntary sector in Malaysia and Croatia, and to examine how the Islamic voluntary sector contributes towards the nation in general, and the society in particular. After carrying out the research, it was found that there are numerous voluntary efforts being carried out by numerous organizations in both jurisdictions (Malaysia and Croatia), in sectors such as public finance, education, quality of life and health. The research further found that these efforts could potentially bring huge impacts to the development and well-being of the society, in four different dimensions: social, finance, organizational, and legal. Hopefully, this paper would contribute to

the literature on the subject matters of voluntary sector, Islamic banking and finance, and specifically to the area of the regulation of zakat and waqf.

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