

ISLAMIC SOCIOECONOMIC INSTRUMENTS OF WAQF AND ZAKAT, AND ITS CONTRIBUTION TO THE THIRD SECTOR SOCIOECONOMIC MODEL

SUHANA MD SALEH
Kementerian Ekonomi
suhana.mdsaleh@ekonomi.gov.my

A PEER-REVIEWED ARTICLE

(RECEIVED – 17/7/2024; REVISED – 15/10/2024; ACCEPTED – 18/10/2024)

ABSTRACT

This article explores the integration of the third economy within the Malaysian context, emphasising the Islamic economy, third sector, generosity, and sustainability. The objective is to examine the historical background and potential of the third sector for future growth. Using historical and descriptive analysis methods, the study examines the contribution and how the third sector benefits from Islamic economic principles, particularly those rooted in generosity and social welfare. The findings indicate that components of the third sector, such as social enterprises, non-profit organisations, and community groups have contributed to economic resilience and significantly impacted the Malaysia's socioeconomic landscape. The study highlights the potential for further growth and integration of the third sector in Malaysia, proposing that its alignment with Islamic economic principles can enhance sustainability and equitable development. By offering insights into the third sector role in Malaysia, this article provides recommendations for policymakers, academics, and practitioners aiming to foster sustainable economic development through the third sector.

Keywords: waqf, zakat, third sector, generosity behaviour, sustainability

1. INTRODUCTION

Islamic socioeconomic focuses on the principles of justice, equity and welfare. The underlying approach of wealth distribution and social welfare supports the Islamic socioeconomic models, thus departs it from

the conventional models. In creating a balanced socioeconomic system, the Islamic socioeconomic instruments, particularly waqf and zakat contributed in promoting the economic and social development, emphasising on social justice and communal welfare. Waqf and zakat also represent an alternative form of philanthropic exercise in Islam as well as promote solidarity amongst Muslims (Daud, M. Z., Hanafi, H., & Adu@Hussin, M. F., 2020).

Following the findings of past research on the development of the third sector, the objective of this article is to advance and fill the gap in the literature of the third sector, particularly on its alignment with the Islamic economy, generosity and sustainability and to examine the potential of the third sector for future growth. Using historical and descriptive analysis methods, the article examines the contribution and how the third sector benefits from Islamic economic principles, particularly those rooted in generosity and social welfare. Results from this study will provide better understanding on the potential growth of the third sector through the Islamic socioeconomic instruments of waqf and zakat.

This paper was divided into eight sections, consisting of the introduction, scope and methodology, principles and philosophy of waqf and zakat, definition of the third sector, waqf practice and poverty alleviation in Malaysia, global practices of the third sector, policy recommendations and conclusion.

2. SCOPE AND METHODOLOGY

Based on the literature review, the growth of the third sector may provide more alternative funding to enhance the socioeconomic development and wellbeing of the community. This article will focus on the principles of waqf and zakat as well as the third sector and establish a linkage for further expansion. The discussion will focus on the implementation of the two instruments in the third sector as well as offers policy recommendations for enhancing their efficacy and future growth.

This article is based on reviews and examination of existing research on related topics of waqf, zakat and the third sector. The literature reviews cover articles from the domestic and international journals as well as internet search of existing online databases, aiming to better understand the concepts, principles, policies and related issues.

3. PRINCIPLES AND PHILOSOPHY OF WAQF AND ZAKAT

Waqf which are often translated as endowment, involves the dedication of assets for religious or charitable purposes, with the condition that the assets' benefits are used perpetually for a designated cause. Meanwhile, zakat being one of the Five Pillars of Islam, mandates Muslims to donate a portion of their wealth to the needy, serving as a mechanism for wealth redistribution and poverty alleviation. In modern times, both waqf and zakat have faced challenges due to changing socio-political landscapes and economic conditions. However, there has been a renewed interest in reviving these instruments, driven by the need for sustainable development and social justice.

Conventional socioeconomic often emphasise individual wealth accumulation and market-driven mechanisms for resource distribution. In contrast, Islamic socioeconomic instruments prioritise communal welfare and equitable distribution of resources. The integration of waqf and zakat into the economic system reflects a holistic approach that combines spiritual, social, and economic dimensions.

While conventional models rely heavily on state and market interventions, the Islamic approach leverages voluntary and obligatory contributions from individuals, fostering a culture of philanthropy and mutual support. This unique blend of religious duty and social responsibility positions waqf and zakat as effective tools for addressing contemporary socioeconomic challenges.

Principles and Philosophy of Waqf

The concept of waqf dated back to the early days of Islam, with the Prophet Muhammad (pbuh) establishing the first waqf by dedicating a piece of land for public use. Over the centuries, waqf institutions have proliferated across the Muslim world, funding a wide array of public services, including schools, hospitals, mosques, and water supplies.

Waqf represents a philanthropic practice where individuals allocate part of their wealth for perpetual social welfare. The principles of waqf are deeply embedded in Islamic teachings, emphasising the continuous benefit to society. The assets, once designated as waqf, cannot be sold or inherited, ensuring their perpetual use for the public good.

The philosophy behind waqf aligns with the Islamic concept of sadaqah jariyah (continuous charity), where the donor earns rewards as long as the waqf generates benefits. Historically, waqf has funded various public goods, including education, healthcare, and infrastructure, significantly contributing to the socioeconomic development of Muslim societies.

Principles and Philosophy of Zakat

The underlying philosophy of zakat is to promote as well as support economic equality and social cohesion. The redistribution of wealth through zakat will contribute to address poverty and prevents the accumulation of wealth amongst a few. Zakat has been institutionalised since the time of the Prophet, who established mechanisms for its collection and distribution. Islamic states and empires have historically utilised zakat as a primary source of public finance, contributing to poverty alleviation and social welfare.

Zakat supports the social justice and ensuring that basic needs are met for all members of society. This mandatory act serves to purify wealth, redistribute income, and provide a safety net for the disadvantaged. Zakat is an obligatory almsgiving. The zakat from income is calculated as a fixed percentage (usually 2.5%) of a Muslim's savings and wealth above a certain threshold (nisab).

Key Contributions of Waqf and Zakat

Waqf institutions contribute significantly to economic development by funding public goods and services. The perpetual nature of waqf ensures continuous support for economic activities, fostering growth and development. Zakat funds, when effectively managed, can also stimulate economic activities by providing capital to micro-enterprises and supporting small businesses.

The integration of waqf and zakat into Malaysia's socioeconomic framework has enhanced social welfare. These instruments support various social programmes, including scholarships, healthcare services, and housing projects, improving the overall quality of life for many Malaysians.

The emphasis on sustainability in waqf projects aligns with the broader goals of sustainable development. Waqf properties, once endowed, continue to generate benefits indefinitely, ensuring longterm impact. This sustainability is crucial

for addressing ongoing social and economic issues.

4. DEFINITION OF THE THIRD SECTOR

The third sector, also known as the voluntary, nonprofit, or civil society sector, encompasses organisations and activities that operate outside the realms of the public (government) and private (business) sectors. It includes a diverse range of entities such as non-governmental organisations (NGOs), charities, social enterprises, community groups, and cooperatives. These organisations are typically driven by social, cultural, environmental, or community-oriented goals rather than profit maximisation. They often rely on volunteerism, donations, grants, and social investment for their funding.

A defining characteristic of the third sector is its focus on addressing social issues and promoting public goods through innovative and community-based solutions (Anheier, 2014; Salamon, Sokolowski, & Haddock, 2017). The third sector, often operates independently of the government and for-profit businesses. In providing innovative and community-based solutions, the third sector is distinguished by its ability to develop and implement innovative solutions to complex social problems. These organisations often engage directly with communities, leveraging local knowledge and resources to create tailored interventions that address specific needs. This community-centric approach not only enhances the relevance and effectiveness of programmes but also fosters a sense of ownership and empowerment among community members (Salamon et al., 2017).

Anheier (2014) emphasises that the third sector's flexibility and grassroots orientation enable it to respond swiftly to emerging social issues, often filling gaps left by the public and private sectors. Social enterprises and NGOs have pioneered initiatives in areas such as poverty alleviation, healthcare, education, and environmental sustainability, demonstrating the sector's capacity for innovation and impact.

The primary mission for addressing social issues and promoting public good of third sector organisations is to advance the public good and directing towards improving the well-being of individuals and communities. These organisations prioritise social objectives over profit and this altruistic orientation is reflected in their diverse activities, which range from providing essential services and

advocating for marginalised groups to fostering social cohesion and promoting civic engagement (Evers & Laville, 2004).

According to Salamon, Sokolowski, and Haddock (2017), the third sector's contribution to social welfare is significant and multifaceted. By addressing social determinants of health, reducing inequalities, and enhancing access to opportunities, third sector organisations play a crucial role in building more equitable and inclusive societies. Their impact is particularly pronounced in contexts where government capacity is limited, and market solutions are inadequate. These organizations are essential in fostering civic engagement, advocating for marginalised groups, and providing services that are often overlooked or inadequately addressed by the public and private sectors.

The third sector plays a crucial role in enhancing social cohesion and fostering a sense of community, contributing to societal resilience and well-being. It operates on principles of altruism, social justice, and sustainability, aiming to create a more equitable and inclusive society. In summary, the third sector is a vital component of the socioeconomic landscape, dedicated to driving social change and improving the quality of life through collective and voluntary participation, social objectives, and reinvestment of profits into the community.

5. WAQF PRACTICE AND POVERTY ALLEVIATION IN MALAYSIA

The scope of waqf assets does not limit to land, premises and places of worship but also include other benefits and services such as commercial, education and medical facilities (Ali, N. A., & Markom, R., 2020). Alike other countries such as Singapore and Kuwait, Malaysia also continues to develop waqf related products such as waqf funds and cash schemes. Following the need of the society, waqf assets evolves from landed property to cash (Ali, N. A., & Markom, R., 2020). In order to coordinate the management of waqf and zakat, the Department of Waqf, Zakat and Haj was established in 2004.

The Government has taken steps to ensure waqf assets are well managed and further developed. Separate enactments have been allowed to govern waqf in the states, in which each state have the power to make laws or any regulations regarding matters enumerated in the State List as set out in the Ninth Schedule, List 2 (Ali, N. A., & Markom, R., 2020). The State Islamic Religious Councils

are responsible for the administration of waqf. Although the states have different enactments, there are similarities in the management and development of waqf among the organisations, such as:

- a. The Selangor Waqf Corporation manages waqf properties and assets in Selangor, aiming to enhance their productivity and contribution to social welfare. The corporation has developed various projects, including educational institutions, healthcare facilities, and housing projects for the poor. These initiatives have improved access to essential services for underprivileged communities and provided sustainable income sources through the productive use of waqf assets (Selangor Waqf Corporation Annual Report, 2020).
- b. PPZ-MAIWP (Pusat Pungutan Zakat - Majlis Agama Islam Wilayah Persekutuan) is responsible for the collection and distribution of zakat in the Federal Territories of Malaysia. The organisation conduct various poverty alleviation programmes, which includes financial aid, educational scholarships, healthcare assistance, and economic empowerment initiatives. These programmes have directly benefited thousands of recipients, providing them with the means to improve their living standards and break the cycle of poverty (PPZ-MAIWP Annual Report, 2021).

The focus on waqf and zakat have also been highlighted in various socioeconomic planning documents. The Ministry of Higher Education has promoted and supported the implementation of waqf as one of the sources of income generation for the Malaysian public universities.

The third sector and national planning

The scope and impact of the third sector vary significantly across different regions, influenced by cultural, economic, and historical contexts. The Eleventh Malaysia Plan (2016-2020) highlighted the importance of inclusive development and the empowerment of civil society. It outlined strategies to enhance the capacity and capability of third sector organisations, encouraging partnerships between the government, private sector, and civil society. These efforts aimed to leverage the unique strengths of the third sector in areas such as poverty alleviation, healthcare, education, and environmental sustainability.

Building on this momentum, the Twelfth Malaysia Plan (2021-2025) continues to focus on sustainable development and inclusive growth, recognising the third sector as a pivotal player in achieving these goals. The plan advocates for increased funding and support for third sector initiatives, promoting innovative social enterprises and community-driven solutions. It also stresses the importance of good governance, accountability, and transparency within third sector organisations to ensure their effectiveness and sustainability.

In national planning, the third sector has been increasingly recognized as a critical component in driving socioeconomic development and fostering community resilience. Malaysia has emphasised the role of non-governmental organizations (NGOs), social enterprises, and community-based organisations in complementing government efforts to address various social, economic, and environmental challenges.

Waqf and Zakat for poverty alleviation: Case studies and evidence

Waqf and zakat institutions have played a significant role in poverty alleviation, wealth distribution and in promoting social wellbeing among the Muslim society since the administration of Prophet Muhammad SAW, and these institutions are still relevant until today. The uncertainty of the global economy and the higher cost of living has affected the low-income communities. In addressing this, waqf and zakat becomes the instruments for poverty alleviation and wealth distribution by providing the society necessities and support mechanisms. The prosperity transfers of an individual to the society may contribute in reducing the income inequality and poverty as well as enriching society quality of life, inspiring the spirit of brotherhood and uplifting the ummah wellbeing. Both waqf and zakat have been instrumental in reducing poverty levels. Zakat, by redistributing wealth, provides immediate relief to the needy, while waqf generates ongoing benefits through its endowment-based projects, such as education, healthcare, and infrastructure.

Abdullah, M., & Ismail, A. G. (2017) conducted a study to evaluate the socioeconomic impact of waqf-managed properties in Malaysia. The study concluded that well-managed waqf properties significantly contribute to poverty reduction by providing free or subsidised services in education and healthcare, and creating employment opportunities. Meanwhile, Wahid, H., Ahmad, S.,

& Kader, R. A. (2009) analysed the effectiveness of zakat distribution in alleviating poverty in Malaysia. The study found that zakat distribution had a significant positive impact on the income and living standards of recipients. It also highlighted the importance of efficient zakat management and distribution for maximising its impact. In addition, Ali, I., & Hatta, Z. A. (2014) study proposed and tested an integrated waqf-based microfinance model aimed at poverty alleviation. The model successfully provided financial support to small entrepreneurs, which led to increased business activity and improved economic conditions for participants.

6. GLOBAL PRACTICES OF THE THIRD SECTOR

This section provides a comparative analysis of the third sector's practices worldwide and in Malaysia, highlighting key similarities, differences, and contributions to societal development. Globally, the third sector is characterised by its diversity in function and form. In developed countries, the sector is often well-established, with robust legal frameworks, substantial funding sources and significant public engagement. In contrast, in developing nations, the third sector might be more informal, operating with limited resources and facing greater challenges in regulatory environments and sustainability.

The third sector in United States

In the United States, the third sector, encompassing non-governmental organisations (NGOs) and charitable organisations, represents a fundamental aspect of the socio-economic landscape. The country's extensive network of nonprofits is largely attributed to its robust culture of philanthropy and volunteerism (Salamon & Anheier, 1998). This sector is underpinned by a comprehensive legal framework that offers tax incentives for donations and supports the establishment and operation of nonprofit entities (Boris & Steuerle, 2016). Prominent foundations such as the Bill & Melinda Gates Foundation and the Ford Foundation significantly influence the sector by funding and steering largescale social initiatives (Gates Foundation, 2020; Ford Foundation, 2019). These organisations play a pivotal role in addressing social issues and fostering community development across various domains.

The third sector in Europe

In Europe, the third sector is similarly influential, though practices vary across countries. In the United Kingdom, for instance, the third sector, also known as the voluntary sector, is characterised by a high degree of professionalism and significant government collaboration. The UK government actively partners with third sector organisations to deliver public services, particularly in healthcare and social welfare (Kendall, 2003). This collaboration is seen as essential for achieving comprehensive social service delivery and enhancing the effectiveness of public welfare programmes (Alcock, 2010). The professionalism within the UK's third sector has been fostered through a range of policies and frameworks that support the development of skills and capacities within nonprofit organisations (Macmillan, 2010).

In Scandinavian countries, the third sector is deeply integrated into the welfare state model. Organisations in this region often focus on social equality, environmental sustainability and community welfare, benefiting from substantial government funding and support (Wijkström & Zimmer, 2011). The integration of the third sector into the welfare state framework is a hallmark of Scandinavian social policy, where nonprofit organisations play a critical role in implementing welfare services and promoting social cohesion (Sivesind, 2017). Government support in these countries is robust, providing not only financial resources but also policy frameworks that facilitate the effective operation and sustainability of third sector organisations (Kuhnle & Selle, 1990).

The third sector in Asia

In Asia, the third sector is rapidly evolving, with significant growth in countries like India and Japan. In India, the sector is vibrant and diverse, addressing issues ranging from education and healthcare to women's rights and environmental conservation (Sen, 1999). Despite its dynamism, the Indian third sector faces challenges related to regulatory frameworks and financial sustainability (Sundar, 2013). These challenges are compounded by a complex legal environment and fluctuating funding sources, which can hinder the sector's long-term stability and effectiveness. Nevertheless, the sector continues to play a crucial role in addressing pressing social issues and driving development initiatives across the country.

In Japan, the third sector is well organised, with a focus on community-based initiatives and disaster response. The sector gained prominence following the

2011 earthquake and tsunami, showcasing its crucial role in crisis management and recovery efforts. The effectiveness of nonprofit organisations in Japan during the disaster highlighted their capacity for rapid mobilisation and the delivery of essential services (Avenell, 2013). This event catalyzed a broader recognition of the sector's importance in addressing community needs and contributing to social resilience (Shaw & Takeuchi, 2012). The third sector's response to the disaster underscored the value of coordinated efforts between government, nonprofits, and community groups in managing large-scale emergencies.

The third sector in Malaysia

Malaysia's third sector, while smaller in scale compared to some Western countries, has a unique and growing presence. The sector includes a mix of traditional charities, modern social enterprises, community groups, and religious organisations, reflecting Malaysia's multicultural and multi-religious society.

Historically, the third sector in Malaysia has been influenced by the country's diverse ethnic and religious composition. Many early third sector organisations were established by religious groups, providing education, healthcare, and social services to their communities (Anheier & Salamon, 1998). Over time, the sector expanded to include a wider range of issues and more diverse organisational forms (Loh, 2010). This evolution reflects broader social changes in Malaysia, including increased urbanisation, economic development, and the rise of civil society movements (Weiss, 2011).

Comparative analysis between the global and Malaysia third sector

A comparative analysis of the third sector globally and in Malaysia reveals several key similarities. One significant similarity is the diverse range of organisational forms found within the sector. Both globally and in Malaysia, the third sector includes NGOs, social enterprises, and community groups, reflecting a broad spectrum of missions and structures designed to address various social needs (Salamon, 1999). This diversity allows for a wide array of approaches to address social issues, from direct service provision to advocacy and community development, enabling the sector to adapt to different contexts and challenges (Lewis, 2014).

Another notable similarity is the shared focus on addressing social issues and promoting public welfare. Third sector organisations worldwide are united in their mission to improve social conditions, whether through healthcare, education, poverty alleviation, or environmental conservation (Anheier, 2014). However, a common challenge across the sector, including in Malaysia, is financial sustainability. Organisations often rely on a mix of funding sources, such as government grants, private donations, and international aid, but securing long-term financial stability remains difficult. This challenge underscores the need for innovative funding strategies and stronger financial management practices to ensure the continued impact and viability of the third sector organisations (Fowler, 2013).

The scale and impact of the third sector vary significantly across different countries. In developed nations like the United States and the United Kingdom, the third sector is well-established and has a substantial influence on public policy and service delivery. This sector's significant impact in these countries is facilitated by a long history of philanthropic activity, substantial financial resources, and robust organisational infrastructures (Salamon, 1999; Kendall, 2003). In contrast, Malaysia's third sector, while experiencing growth, operates on a smaller scale with more limited resources. The relatively nascent state of the sector in Malaysia means that its impact on public policy and service delivery is less pronounced compared to its counterparts in the more developed regions.

The regulatory environment for third sector organisations also varies widely. In countries like the United States and the UK, the legal framework is generally supportive, providing incentives for charitable activities as well as facilitating the establishment and operation of nonprofit entities (Boris & Steuerle, 2016; Kendall, 2003). These supportive legal frameworks include tax incentives for donations and streamlined processes for organisational registration and compliance. Conversely, in Malaysia, the regulatory environment can be more restrictive and complex, posing challenges for compliance and operational flexibility. The intricate legal requirements can hinder the efficiency and growth of third sector organisations, making it difficult for them to achieve their objectives.

In conclusion, the third sector in Malaysia is heavily influenced by the country's

multicultural and multireligious context. Many organisations have religious affiliations and provide services within their communities, reflecting Malaysia’s unique socio-cultural landscape. This religious and cultural influence shapes the types of services offered and the ways in which organisations operate, often focusing on specific community needs and cultural values (Loh, 2010). In contrast, this phenomenon is less pronounced in more secular societies, where third sector organisations typically operate with a more universal, less culturally specific approach (Salamon, 1999).

Government collaboration with the third sector also varies significantly across countries. In the UK, there is a high degree of collaboration between the government and third sector organisations, often partnering to deliver public services (Alcock, 2010). This partnership is facilitated by supportive policies and funding mechanisms that encourage cooperation. In Malaysia, while there are instances of collaboration between the government and third sector organisations, the level of support and partnership could be further enhanced. Strengthening these collaborations could improve the effectiveness and reach of third sector initiatives in addressing social issues. Table 1 below highlights the contributions of the third sector in various countries.

Table 1: Contributions of the Third Sector in various countries

Country	Number of NGOs / Nonprofits	Sector Contribution to GDP (%)	Volunteer Workforce (%)	Key Focus Areas	References
United States	1.5 million+	5.4%	25.3%	Education, Health, Social Services	NCCS, 2021
United Kingdom	168,000+	0.9%	22.0%	Health, Social Services, Environment	NCVO, 2021

Germany	600,000+	4.1%	30.0%	Social Services, Education, Culture	Statista, 2020
India	3.3 million+	N/A	2.5%	Education, Health, Poverty Alleviation	PRS India, 2020
Japan	50,000+	N/A	26.8%	Disaster Response, Community Welfare	JNPOC, 2020
Kenya	10,000+	N/A	N/A	Health, Education, Economic Empowerment	NGO Coordination Board Kenya, 2021
Malaysia	50,000+	N/A	N/A	Poverty Alleviation, Health, Education	RoS Malaysia, 2020
Brazil	780,000+	1.4%	6.7%	Social Services, Education, Environment	IBGE, 2021

7. POLICY RECOMMENDATIONS

Waqf and zakat play a vital role in strengthening Malaysia's third sector by providing a reliable source of funding for non-profit organisations and social enterprises. These supports enable the organisations to implement various initiatives aimed at social and economic development. Although there are successes, the implementation of waqf and zakat in Malaysia still faces several challenges, such as governance issues, lack of awareness, and inefficient management of resources. Addressing these challenges requires a comprehensive approach involving policy reforms, capacity building, and increased public awareness. The establishment of organisations with religious affiliations that provide services within their communities enables the growth

of the third sector. In moving forward, below are some of the recommendations that may further support the growth of the third sector and integration with waqf and zakat:

• **Enhance Governance**

Establishing robust governance frameworks for waqf and zakat institutions is essential to ensure transparency, accountability, and efficient management. This includes clear regulations, effective monitoring, and regular audits. Clear governance will also facilitate the integration of waqf and zakat with the third sector.

• **Capacity Building**

Investing in capacity building for waqf and zakat administrators can improve the effectiveness of these instruments. Training programmes and workshops can enhance their skills in managing resources and implementing projects as well as in establishing networking in the third sector.

• **Public Awareness**

Increasing public awareness about the significance of waqf and zakat can encourage more participation and contributions. Educational campaigns and community engagement initiatives can play a crucial role. The link with the third sector may also create more interest for the society to participate and contribute in enhancing the wellbeing of the society.

• **Innovative Approaches**

Exploring innovative approaches, such as digital platforms for zakat collection and waqf management, can enhance efficiency and reach. These technologies can streamline processes and make it easier for individuals to contribute. The adoption of technology will also enable expansion of more programmes and projects.

8. CONCLUSION

The third sector plays an important role in promoting social welfare, addressing socioeconomic challenges, and fostering community resilience worldwide. There are commonalities in the sector's focus on social issues and the challenges of sustainability, significant differences exist in scale, impact, regulatory environments, and cultural influences. Malaysia's third sector,

with its unique blend of traditional charities, modern social enterprises, and community organisations, reflects the country's diverse and dynamic socio-cultural context. As the sector continues to grow, it holds great potential to contribute to Malaysia's socioeconomic development, particularly through enhanced collaboration, supportive regulatory frameworks, and sustainable funding models. By learning from global practices and adapting them to local contexts, Malaysia's third sector can further strengthen its role in building a more inclusive and resilient society. Successful examples of waqf and zakat contributing to socioeconomic development can be abundantly found across the Muslim world. The waqf system in Turkey has funded numerous educational and healthcare institutions, while zakat programmes in Malaysia and Indonesia have significantly reduced poverty rates. Empirical studies highlight the positive impact of these instruments on social welfare and economic development. The integration of these instruments with the third sector will further promote socioeconomic development.

In conclusion, the successful implementation of waqf and zakat in Malaysia has demonstrated their potential as powerful tools for socioeconomic development and poverty alleviation. By addressing current challenges and leveraging opportunities, Malaysia can further enhance the impact of these Islamic socioeconomic instruments, solidifying their role in the third sector and contributing to a more just and equitable society. The experience of Malaysia can also serve as a model for other countries looking to integrate Islamic socioeconomic principles and third sector development into their development planning.

9. REFERENCES

- Abdullah, M., & Ismail, A. G. (2017). The potential of waqf in enhancing the economic well-being of the ummah. *International Journal of Islamic and Middle Eastern Finance and Management*, 10(1), 88-99.
- Alcock, P. (2010). *Building the Big Society: A New Policy Environment for the Third Sector in England*. *Voluntary Sector Review*, 1(3), 379-389. <https://doi.org/10.1332/204080510X538365>
- Ali, I., & Hatta, Z. A. (2014). Zakat as a poverty reduction mechanism among the Muslim community: Case study of Bangladesh, Malaysia, and Indonesia. *Asian Social Work and Policy Review*, 8(1), 59-70.
- Ali, N. A., & Markom, R. (2020). The challenges in implementing cash waqf in Malaysia. *Journal of Islamic Finance*, 9(2), 1-12. Retrieved from <https://journals.iium.edu.my>
- Anheier, H. K. (2014). *Nonprofit Organizations: Theory, Management, Policy* (2nd ed.). Routledge.
- Anheier, H. K., & Salamon, L. M. (1998). *The Nonprofit Sector in the Developing World: A Comparative Analysis*. Manchester University Press.
- Avenell, S. A. (2013). Disaster Relief and the New Civic Activism: The 2011 Tōhoku Earthquake and Japanese Nonprofit Organizations. *The Journal of Asian Studies*, 72(2), 363–387.
- Boris, E. T., & Steuerle, C. E. (2016). *Nonprofits and government: Collaboration and conflict* (3rd ed.). Urban Institute Press.
- Daud, M. Z., Hanafi, H., & Adu@Hussin, M. F. (2020). Literature on current development of waqf practices in Malaysia. *Journal of Islamic Finance*, 9(1), 45-55. Retrieved from <https://journals.iium.edu.my/jif/index.php/jif/article/view/123>
- Economic Planning Unit. (2015). *Eleventh Malaysia Plan, 2016-2020: Anchoring growth on people*. Economic Planning Unit, Prime Minister's Department, Malaysia. Retrieved from <https://www.epu.gov.my/en>
- Economic Planning Unit. (2021). *Twelfth Malaysia Plan, 2021-2025: A prosperous, inclusive, sustainable Malaysia*. Economic Planning Unit, Prime Minister's Department, Malaysia. Retrieved from <https://www.epu.gov.my/en>

- Evers, A., & Laville, J.-L. (2004). *The third sector in Europe*. Edward Elgar Publishing.
- Ford Foundation. (2019). *Annual Report 2019*. Retrieved from <https://www.fordfoundation.org>
- Fowler, A. (2013). *Striking a Balance: A Guide to Enhancing the Effectiveness of NonGovernmental Organisations in International Development* (2nd ed.). Earthscan.
- Gates Foundation. (2020). *Annual Report 2020*. Retrieved from <https://www.gatesfoundation.org>
- Hassan, R. (2016). The role of non-governmental organizations (NGOs) in poverty alleviation: Case study of Malaysia. *International Journal of Social Economics*, 43(3), 261-271.
- IBGE (Brazilian Institute of Geography and Statistics). (2021). IBGE.
- JNPOC (Japan NPO Center). (2020). JNPOC.
- Kendall, J. (2003). *The Voluntary Sector: Comparative Perspectives in the UK*. Routledge.
- Kuhnle, S., & Selle, P. (1990). Meeting Needs in Welfare States: Relations between Government and Voluntary Organisations in Norway. *European Journal of Political Research*, 18(3), 231–250.
- Lewis, D. (2014). *Non-Governmental Organizations, Management and Development* (3rd ed.). Routledge.
- Loh, F. (2010). Building Bridges, Crossing Boundaries: Everyday Forms of Inter-Ethnic PeaceBuilding in Malaysia. *Kajian Malaysia: Journal of Malaysian Studies*, 28(1), 1-26.
- Macmillan, R. (2010). *The Third Sector Delivering Public Services: An Evidence Review*. Third Sector Research Centre, University of Birmingham.
- Muhammad, N., & Noor, N. A. M. (2018). Social entrepreneurship: An emerging trend in Malaysia. *Journal of Southeast Asian Research*, 2018, 1-10.
- NCCS (National Center for Charitable Statistics). (2021). NCCS.
- NCVO (National Council for Voluntary Organisations). (2021). NCVO.
- NGO Coordination Board Kenya. (2021). NGO Bureau. PPZ-MAIWP Annual Report, 2021 PRS India. (2020). PRS India.
- RoS (Registrar of Societies) Malaysia. (2020). RoS Malaysia.
- Salamon, L. M., & Anheier, H. K. (1998). *The third sector: Comparative studies of nonprofit organizations*. Manchester University Press.
- Salamon, L. M. (1999). *The Global Civil Society: Dimensions of the Nonprofit Sector*. Johns Hopkins University Press.
- Salamon, L. M., Sokolowski, S. W., & Haddock, M. A. (2017). *Explaining civil society development: A social origins approach*. Johns Hopkins University Press.

- Selangor Waqf Corporation Annual Report, 2020.
- Sen, S. (1999). The Indian Voluntary Sector and Its Changing Role in National Development. *Nonprofit and Voluntary Sector Quarterly*, 28(4), 632-647.
- Shaw, R., & Takeuchi, Y. (2012). *East Japan Earthquake and Tsunami: Civil Society and NGO Responses*. Springer.
- Sivesind, K. H. (2017). The Roles of Nonprofits in the Welfare Mix: Comparing the UK, the USA, Germany, and Norway. In L. Geyer & A. Heinz (Eds.), *International Perspectives on Volunteering* (pp. 25-45). Springer.
- Statista. (2020). Statista.
- Sundar, P. (2013). *Business and Community: The Story of Corporate Social Responsibility in India*. SAGE Publications.
- Wahid, H., Ahmad, S., & Kader, R. A. (2009). The impact of zakat distribution on social welfare in Malaysia: A case study of Majlis Agama Islam Wilayah Persekutuan. *Journal of Islamic Economics, Banking and Finance*, 5(2), 9-28.
- Weiss, M. L. (2011). *Civil Society in Malaysia: The Struggle for Democratization*. Lynne Rienner Publishers.
- Wijkström, F., & Zimmer, A. (2011). *Nordic Civil Society at a Crossroads: Transforming the Popular Movement Tradition*. Nomos Verlagsgesellschaft.