# Mapping the Malaysian Third Sector

## Using Organisational Data to Obtain an Improved Account of its Scope and Size

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## Declaration

In accordance with the Regulations for Higher Degrees by Research, I hereby declare that the whole thesis now submitted for the candidature of Doctor of Philosophy is a result of my own research and independent work except where reference is made to published literature. I also hereby certify that the work embodied in this thesis has not already been submitted in any substance for any degree and is not being concurrently submitted in candidature for any degree from any other institute of higher learning. I am responsible for any errors and omission present in the thesis.

Candidate: _____

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# Abstract

Reviews of the literature found that the Malaysian Third Sector lacks basic descriptive information. Not being adequately described could make the sector's impact and contribution to the economy difficult to quantify and may give the impression that its functions and contributions are less significant. It could also be difficult to develop policies that effectively address the needs of the stakeholders without sufficient knowledge of what the sector entails. An in-depth understanding of the sector could also make resource allocation more efficient.

This research asks: who are the constituents of the Malaysian Third Sector, how are they regulated, what are their activities and who are their beneficiaries? What are the motivations for their existence? The study employed a convergent parallel mixed method to address these questions and conducted the qualitative and quantitative strands concurrently but independently.

Interviews with Third Sector actors and Regulators were undertaken to obtain a deeper understanding of the sector. The respondents, apart from the Regulators, were selected via a nonprobability purposive sampling method and was selected from the stratified population of Malaysian Third Sector organisations. Theories explaining the Malaysian Third Sector were identified based on data obtained from the interviews.

The quantitative exercise involves merging the organisational databases of seven different Regulators to come up with a unified Malaysian Third Sector Dataset and classified according to the categories of the International Classification for Non-Profit Organisations (ICNPO). The statistical software 'Stata' was employed to classify Malaysian Third Sector organisations into the relevant ICNPO categories and was done based on keywords in their names that describe their activities and/or beneficiaries.

This research contributes to the body of knowledge in the form of an improved account of the Malaysian Third Sector including theories applicable to the sector. It concludes with suggestions of potential areas for further research to enhance these findings.

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# Chapter 1: The Malaysian Third Sector

## 1.1 The Third Sector

The Third Sector is generally defined as the segment of the economy which does not neatly fit into either the public or private sectors and is often equated with the voluntary, non-profit or charitable sectors (Weisbrod 1972; Etzioni 1973; Salamon and Anheier 1992; Evers and Laville 2004; Moulaert and Ailenei 2005; Defourny and Pestoff 2014). The sector is also referred to as the non-profit sector in the United States (Salamon and Anheier 1998), voluntary sector in the United Kingdom (Brenton 1985; Kendall and Knapp 1995) and social economy in France (Defourny and Develtere 2009). The Third Sector plays a central role in the delivery of collective goods and services, promotion of civic action as well as policy development (Barman 2013; Casey 2016). Its existence, therefore, suggests the presence of gaps in the provision of social welfare needs as well as evidence of citizen empowerment. The voluntary, charitable and non-profit nature of the sector also suggests that its existence is not driven by monetary rewards but instead is fuelled by altruistic intentions and the aim of fulfilling societal needs.

## 1.2 The Third Sector in Malaysia

Voluntary activities undertaken in an informal way without the involvement of a structured organisation is common in Malaysian life. The concept of '*gotong royong'* or mutual help is common especially in Malaysia's rural communities (Thompson 2004). Clan associations commonly known as 'secret societies' are common among the Chinese community from as far back as the late 1800s (Heng 1996) and there have been records of Indian societies during the same period (Khoo 1992). Although there are evidence of Malay associational life during the middle of the 18th century (Musa 2006), growth of formal associational life amongst the Malays only began towards the middle of the 20th century (Weiss 2005).

This research found close to 80,000 organisations in Malaysia that meet the definition of a Third Sector organisation (TSO) (Chapter 7) but despite its sizeable presence, not much is written about its theory or practice. Hasan (2015) found only four English language papers on the Malaysian Third Sector published between 2001 and 2013. Although more English language papers on the Malaysian Third Sector were written over the past five years; they mainly focus on specific micro aspects of the sector such as accounting and financial disclosure. Many of the papers were products of an Accounting Research Institute at a Malaysian university hence the focus on financial reporting. The large number of registered Third Sector organisations in Malaysia suggest a flourishing sector and the lack of published research demonstrates the wide gap between Third Sector practice and research.

Reviews of the literature suggest that research on the Malaysian Third Sector are rare (Nga and King 2006), indicating the lack of effort to define and describe the Malaysian Third Sector. A well-described sector would assist policy development and could also play a part in improving the sector's delivery system and resource allocation, increase its efficiency and the overall effectiveness of the sector and its activities (Mohan 2011; Barman 2013). Appropriate policies could ensure the sector is free from abuse and fraud, the interests of the beneficiaries are protected and the intentions of the donors and funders are fulfilled. In order to understand and provide an in-depth account of the Third Sector, its constituents, activities and scope need to first be identified and its boundaries clearly demarcated.

A number of cross-national studies have been undertaken to better understand the Third Sector such as the Johns Hopkins University Comparative Nonprofit Sector Project (JHU-CNP), CIVICUS Civil Society Index and the European Third Sector Impact. All these projects have a common objective – to increase knowledge of the Third Sector, its organisations, activities and unique characteristics. They also aim to standardise the definitions of the sector and determine its boundaries. The largest of the studies is the CIVICUS Civil Society Index involving 72 countries and territories across the world. The earliest study is the JHU-CNP which began in 1991 and covered 45 countries. Sixteen of the countries in the JHU-CNP was also part of the National Satellite Accounts study undertaken by the Johns Hopkins University together with the United Nations and the National Statistics Agencies of the participating countries. Samiul Hasan and Jenny Onyx edited a volume titled 'Comparative Third Sector Governance in Asia', examining Third Sector regulations in six Asian nations. Another extensive analysis on the sector, in this instance its regulatory environment, was undertaken by Professor Mark Sidel who presented an analysis on non-profit self-regulation discussions, experiments and initiatives in seventeen Asia-Pacific countries at the Asia Pacific Philanthropy Consortium conference in 2003. All these cross-national studies saw the participation of several South East Asian nations, Thailand, Indonesia, the Philippines and Vietnam. Malaysia, however, was not involved in any of the studies, including Professor Sidel's study of Third Sector regulation in the Asia Pacific region and the CIVICUS study where most of the participating nations were from the developing world. This non-participation in international studies further limits the development of Malaysian Third Sector knowledge and this thesis aims to overcome this predicament and spur research on the sector in Malaysia.

This is however not to say that no noteworthy studies have been undertaken on the Malaysian Third Sector. The first large scale study, which was part of a larger, international comparative study, was done in 1973 by Douglas and Pedersen of the Ohio University Center for International

Studies. Their study mainly focussed on a descriptive analysis of organisations and activities of Malaysian voluntary associations, but also included an extensive examination of historical events contributing to the emergence and growth of the non-state, non-market, voluntary sector in colonial Malaya. Douglas and Pedersen concluded that ethnicity and religion are the driving forces behind the establishment and growth of voluntary organisations in Malaysia. Despite being a ground-breaking study, the environment in which it was based is no longer representative of the Malaysian Third Sector landscape. Their research was based only on organisations registered with the Registry of Societies (ROS) and did not take into account organisational and population data of Sabah and Sarawak. Nevertheless, their account on the historical aspects of the sector is extensive and invaluable.

Malaysia has seen a lot of development since its formation in 1963[1]. Her gross domestic product grew from RM7.68 billion[2] (approximately £1.42 billion) in 1963 to RM1.1 trillion (£203.7 billion). In 2017, 75.4% of the population live in urban areas compared to only 28.6% in 1963[3] and literacy rates have increased from 69.52% in 1980[4] to 94.5% in 2015[5]. This development can in most part be attributed to the government's efforts to develop and modernise the country by instituting structured industrialisation programmes mostly through a comprehensive 5-year programme, known as the 'Malaysia Plan', which was first introduced in 1965. However, this rapid growth and development could not have been achieved without the contribution from the other sectors in the economy and while the role played by the government and private sectors is well documented (Drabble 2000; Zainal Abidin 2004; Yusof and Bhattasali 2008), the role of the Third Sector is not as clear. In most developed nations, the Third Sector forms a sizeable portion of the economy both in terms of employment and contribution to GDP (Casey 2016). Coming up with a 'map' of the components of the Malaysian Third Sector is a first step towards a better understanding of the sector, paving the way for its contributions to be recognised. The exploration of Malaysia's Third Sector in this project is referred to as 'mapping' because it presents a structured overview of the sector, its organisations, activities and beneficiaries, knowledge that could provide an improved account of the sector (Twombly et al. 2000). Mapping is not limited to data collection and presentation; it has also been undertaken by sector actors as a means to provide legitimacy and develop collaboration opportunities (Appe 2013).

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[1] Although Malaya obtained independence from Britain in August 1957, Malaysia which is made up of Malaya, Sabah, and Sarawak and up to 1965, Singapore, was officially formed on 16 September 1963.
[2] Department of Statistics Malaysia, in 2014 prices
[3] https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=MY [Accessed on 31/01/2019]
[4] https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=AF-MY&name_desc=false [Accessed on 31//01/2019]
[5] UNESCO Institute of Statistics, Adult and Youth Literacy: National Regional and Global Trends 1985-2015 report

## 1.3 Research objectives and questions

The objective of this research is to provide an improved account of the Malaysian Third Sector by uncovering its components and understanding its characteristics. This is achieved by:

1. Documenting its components and activities

2. Identifying historical, political, demographic and economic factors influencing its composition, role and character across different regions in the country, and

3. Providing a database of Third Sector data that can be used to carry out further research on the sector

This objective is achieved by coming up with a detailed map of the sector describing its constituents and their activities which is then used to build knowledge of the Malaysian Third Sector. The map is structured around the International Classification of Non-profit Organisations (ICNPO) where organisations within the Malaysian Third Sector are arranged according to the ICNPO categories. This allows the Malaysian Third Sector to be presented in an internationally recognised classification method and enables it to be compared against Third Sectors cross-nationally.

In addition to providing an overview of the constituents of the Malaysian Third Sector, this research will also investigate the history of the Third Sector in Malaysia. Factors contributing to the emergence, growth and development of the sector is investigated as the knowledge of its origins could enable a better understanding and appreciation of the sector's current state and help predict its future direction.

To achieve its objectives this research asks the following questions: what makes up the Malaysian Third Sector and how are they regulated; what is the relationship between the distribution of Third Sector organisations and the ethnic and religious distribution of the Malaysian population and; what is the relationship between the distribution of Third Sector organisations and the socio-economic characteristics of Malaysia. These three broad questions aim to uncover the characteristics of the sector and understand the sector's relationship with social and economic characteristics of the country. Answers to these questions could also contribute towards understanding the theories explaining the sector and determine whether existing theories apply to the Malaysian Third Sector landscape.

## 1.4 Scope of research

For the purposes of this study, the boundaries of the Malaysian Third Sector are limited based on available data and guided by the definition outlined by Salamon and Anheier (1992, 1996) which was also used to guide the ICNPO classification. Included in this study are registered

organisations which are formal, self-governing, constitutionally separate from the government, non-profit distributing and involves meaningful degree of voluntarism, both in human resources and finances.

Many scholars especially from Europe are of the opinion that cooperative societies are an integral part of the sector (Evers and Laville 2004; Monzon and Chavez 2008; Defourny and Develtere 2009; Defourny and Pestoff 2014). However, applying Salamon and Anheier's structural-operational definition of Third Sector organisations would exclude cooperatives but include trade unions into the sector. The ICNPO includes trade or labour unions under Group 11, classifying them as '*organisations that promote, protect and regulate the rights and interests of employees*' (1996:21). The main activity of a trade union is to protect the welfare of its members by ensuring fair wages and good working conditions. Despite suggesting that activities of a trade union are closer to the for-profit sector, Douglas (1987) agrees that non-excludability in their activities makes it part of the Third Sector. Their role of providing mutual aid and acting as pressure groups also meet the criteria of a voluntary, Third Sector organisation stipulated by Brenton (1985:11). Unions are included in the scope of the Third Sector in Sweden (Lundstrom and Wijkstrom 1997), Thailand (Pongsapich 1997), New Zealand (Tennant et al. 2006) and in NCVO's UK Civil Society Almanac. 6 and Fieldgrass, quoted in Hedley (1995:96) also include trade unions in their computation of the UK voluntary sector. Trade unions are included in this research based on the core philosophical notions of the Third Sector: they are formal and institutionally separate from the State, serve a public benefit, albeit 'the public' is mainly limited to its members. It also meets the 'voluntary' criteria based on the assumption that there is no compulsion for workers to be members of unions.

The position taken for this research is that cooperative societies and known social enterprises are excluded from the definition of the Malaysian Third Sector. This conclusion is arrived at based on the following arguments:

### 1.4.1 Cooperative societies

Cooperative societies are included as part of the European solidarity economy model and Mohan (2010) identifies cooperatives as a subset of the Third Sector population and is included in the Third Sector Research Centre's classification scheme. The scope of this study however, excludes cooperative societies. The Malaysian Co-operative Societies Act 1993 defines a cooperative as a society consisting of individuals with the objective of promoting economic interest of its members in accordance with cooperative principles. The Malaysian Co-operative Societies Commission (SKM) identified financial services, retail and wholesale, tourism and health, and agriculture and farming as high value economic areas to be entry point projects (EPP) for the Malaysian economic

transformation programme[6]. In addition, and the National Co-operative Policy identifies participation in high value economic sectors as its first 'strategic thrust'. SKM reports that 80% of total income of Malaysian cooperatives came from financial services and one of the largest banks in Malaysia with RM105 billion (£19.4 billion) in assets[7] is Bank Kerjasama Rakyat Malaysia, which is a cooperative bank.

Non-profit firms and cooperatives are very distinct organisations as the roles and functions of non-profits are directed towards social issues while cooperatives' role is to serve its members and allocating profits to its 'patron-owners' (Hansmann 2013). Allocating profits to its owners puts cooperatives in contravention to the non-distribution constraint and in a sense makes them very similar to the capitalist firm. They are very much part of the market sector, seen either as socially responsible alternatives to the investor owned, shareholder based capitalistic firm (Kalmi, 2007) or an option in areas where capitalist activity is weak or absent (Evers and Laville 2004:25). Being alternatives to commercial enterprises suggests that cooperatives strive for similar goals which is the pursuit of profits. Birchall and Ketilson (2009) defines cooperatives as 'member-owned businesses' and sees cooperative banks, savings and credit cooperatives, and credit unions in the same light as private (or State) owned banks and other financial institutions. Throughout the report, cooperatives were referred as businesses and described in commercial, for profit terms. In the UK, some financial cooperatives such as mutual insurance companies and building societies are very similar to and virtually indistinguishable from commercial for-profit organisations (Salamon and Anheier 1992).

Artz and Kim (2011) presented three main reasons why cooperatives are in essence a profit motivated organisation. They suggest that a cooperative has more economic advantages over a sole-proprietorship or partnership. Secondly, cooperatives can be set up as a non-profit for tax purposes and corporate taxes are imposed upon distributable profits of which there is none in a non-profit and finally, having no owner means it cannot be considered a worker cooperative. The Cooperative Information Report published by the United States Department of Agriculture Rural Development[8] describes a cooperative as a business that distributes benefits to their owners. Nilsson (2010) summarised the US Department of Agriculture's definition of cooperatives as user-owned, user-benefiting, and user-controlled businesses. The International Cooperative Alliance[9] describe cooperatives as member-focussed for-profit enterprises which are owned and

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[6] See: http://www.skm.gov.my/index.php/my/mengenai-skm/gerakan-koperasi/projek-penggerak-ekonomi-epp-nkea
[7] Source: Bank Kerjasama Rakyat Malaysia 2017 annual report
[8] See: https://www.rd.usda.gov/files/cir55.pdf
[9] See: http://ica.coop/en/whats-co-op/co-operative-identity-values-principles

run by and for their members driven by both values and profits. The Cooperative UK website[10] defines cooperatives as 'businesses owned and run by their members' and 'range from multi-billion-pound businesses to small community enterprises' and when providing examples of social cooperatives, the network for Britain's thousands of cooperatives speak of them in commercial terms making cooperatives appear closer to the market then it is to the Third Sector.

The definitions by cooperative umbrella bodies highlight the element of economics and commerce in cooperative societies, in some developed countries they have evolved so much to look very much like conventional private enterprises (Defourny and Develtere, 2009), their financial structure reflects that of a profit-oriented firm (Fajardo García 2012).

### 1.4.2 Social enterprises

Social enterprises are commercial entities that use market mechanisms to achieve social purposes (Salamon and Sokolowski 2016) such as employing disabled or disadvantaged employees. According to the Malaysian Social Enterprise Blueprint[11], it is estimated that there are 100 social enterprises in Malaysia operating mostly in education, poverty eradication, environmental sustainability, rural development, and employment for the marginalised and at-risk youths. The blueprint found that more than 75% of Malaysian social enterprises were established during the last five years, making it a relatively new phenomenon. It also commented that there is no clear legal definition of what makes a social enterprise in Malaysia nor are there any details on the legal forms of Malaysian social enterprises. The common practice is to incorporate companies and modify the company articles to emulate the structure of social enterprises. They are registered as businesses with the Companies Commission, either as sole proprietorships, partnerships or companies limited by shares[12]. These social enterprises are recorded as commercial entities and cannot be distinguished from a regular profit maximising enterprise. Despite its charitable intentions, known social enterprises are excluded from this research of the Malaysian Third Sector for breaching the non-distribution constraint. However, if such enterprises are registered as Companies Limited by Guarantee, they would be included in the Malaysian Third Sector Dataset due to them not being explicitly identified as social enterprises.

Having identified the boundaries, this research concludes that Malaysian Third Sector organisations are:

1. Societies registered with the Registrar of Societies (ROS),

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[10] See: https://www.uk.coop/about/what-co-operative
[11] Published by the Social Entrepreneurship Unit of the Malaysian Global Innovation and Creativity Centre (MaGIC)
[12] See: https://www.socialenterprise.org.my/emulating-social-enterprise-structure-malaysia/

2. Companies Limited by Guarantee (CLBG) registered with the Companies Commission of Malaysia (known by the Malay acronym SSM),

3. Sports associations registered with the Sports Commissioner (SCO),

4. Youth associations registered with the Registrar of Youth Societies (ROY),

5. Trusts and foundations registered with the Legal Affairs Division of the Prime Minister's department (BHEUU),

6. Charitable foundations registered with the Labuan Financial Services Authority (LFSA), and

7. Trade unions registered with the Department for Trade Union Affairs (JHEKS).

All organisations registered with any of the seven Regulators are included in this study as they meet all five criteria outlined by Salamon and Anheier (1996).

## 1.5 Structure of thesis

This thesis is structured into three main sections with a total of nine chapters. The first section presents the research framework, the second section presents the findings from both the qualitative and quantitative exercises and the final section presents the conclusions of the research.

The first section is made up of the first four chapters of this thesis. Chapter 2 presents a literature review including a discussion on the legal and regulatory environment of the Malaysian Third Sector. The chapter also examines theories on the sector and Third Sector mapping exercises undertaken by other researchers. The literature review not only presents a critical review of the relevant literature but also identifies gaps within the literature and body of knowledge on the Malaysian Third Sector which this thesis will attempt to address. Chapter 3 looks at the origins of the Third Sector in Malaysia and explains its existence by identifying historical, political as well as socio-economic factors that influenced the sector's emergence and its subsequent development and growth. Chapter 4 presents the legal and regulatory aspects of the Malaysian Third Sector. The methods employed to guide this study including the rationale and justification of the design, sampling, data collection and analysis methods is presented in Chapter 5.

The second section of the thesis presents and discusses the findings of the data collection exercise. Chapter 6 presents the data management and classification process including the basis and rationale for the selection of keywords. A dataset consisting of Malaysian Third Sector organisations assigned to the relevant ICNPO codes is analysed in Chapter 7 presenting a descriptive and statistical analysis of the Malaysian Third Sector, showing the distribution of organisations according to Regulators, States where registered, organisation age and activities.

Relationships between number of registered organisations and population demographics are also presented in Chapter 7. Chapter 8 analyses the interview findings which provide partial answers to the first research question. The chapter discusses Third Sector literature and theories to explain the interview findings and concludes with a general overview of the sector form the eyes of the actors.

The third section presents the conclusions of this research. Chapter 9 merges the qualitative and quantitative analyses and discusses the key findings of the study. This chapter concludes with an improved and in-depth account of the Malaysian Third Sector based on the results of the interviews and organisation mapping exercise. The chapter concludes the thesis with a reflection of both the key findings and contributions made to the body of knowledge as well as the limitations of this research. Suggestions for further studies are also included in the concluding chapter.

# Chapter 2: Literature Review

Given their structural, functional, and definitional diversity (Salamon and Anheier 1992a, 1992b; Kendall and Knapp 1995, Appe 2013), the collection of information on Third Sector organisations (TSO) would be an important first step towards understanding the Third Sector. This research asks: what is the Malaysian Third Sector - who are its constituents, how are they regulated, and what are their activities? To answer these questions, this study will identify its components and activities, present an analysis of its relationship with the country's socio-economic characteristics to explain its characteristics and existence. This chapter presents a critical review of the literature on the Third Sector. Due to the shortage of Malaysia-specific literature, most of the contents had to be drawn from international literature. The reviews and analysis presented are not meant to be exhaustive but covers enough ground to provide links to the research questions and to guide the research process. The review begins with a discussion on the definition of the sector and theories explaining the sector followed by an overview of mapping exercises undertaken by other researchers.

## 2.1 The Third Sector defined

Different terms are used by scholars to describe the segment of the economy that does not neatly fit into either the public or private sectors. Non-profit, non-governmental, voluntary, charitable, social economy, civil society and Third Sector are the common terms found in many literature (Kendall and Knapp 1995; Salamon and Anheier 1992a, 2000; Morris 2000; Evers and Laville 2004; Defourny and Develtere 2009; Alcock 2010; Salamon and Sokolwski 2016). These terms however tend to be exclusive and individualistic in nature as each tends to exclude certain types of Third Sector organisations or activities while others can be rather vague (Salamon and Anheier 1997). Charities and voluntary organisations look at the sector from an altruistic perspective; it describes what the sector 'should do'. Non-profit and non-governmental describe the characteristics of the organisation, with the former emphasising that it does not distribute excess income while the latter highlighting that it is not part of the public sector. The term 'non-profit' however, does not indicate restrictions on making profits, it only restricts the distribution of any excess income back to its shareholders, what Hansmann (1980) terms as 'non-distribution constraint'. While the term 'non-governmental' explicitly exclude profit distributing cooperatives and social enterprises, it is however not as clear on its relationship with the private sector. For the purposes of this research, the term 'Third Sector' will be used to denote all the above listed terms but when quoting work of other researchers, terms used by them will be applied.

While forms of Third Sector organisations in the shape of mutual benefit societies such as European charitable brotherhoods and English friendly societies have existed since the middle

ages (Archambault, 2009), extensive modern research on the sector only began in the early 1970s. Despite numerous research undertaken since the early 1970s, debate on its structure and constituents continued until the 1990s. Kendall and Knapp (1995) describe the sector as a 'loose and baggy monster' due to the multitude of organisations within the sector making understanding them a complex affair. Weisbrod (1972) acknowledged the existence of a Third Sector supplying public goods to the economy and Etzioni (1973), one of the earliest authors to use the term 'Third Sector', asserts that its role is to complement both the State and the market by filling the gaps in provision of public goods and services. Most early scholars focussed on the non-distribution constraint when identifying and describing the Third Sector and its organisations (Hansmann, 1987; Salamon and Anheier, 1992; Pryor, 1994). The non-distribution constraint is central to the American definition of the sector where the prohibition of distributing excess income to shareholders determines its tax status and is the primary criteria for a TSO. Evers and Laville (2004) suggest 'civil and solidarity-based economy' to be a better description as they view the sector being based on solidarity and hybridisation of different economic principles. Salamon and Sokolowski's (2016) re-conceptualisation of the Third Sector/social economy sector agrees that the 'non-distributing constraint' is a narrow description of the sector and suggests expanding the scope to include mutual benefit societies, cooperatives and social enterprises into the definition. The core philosophical notions of the Third Sector proposed by Salamon and Sokolowski are: private and outside the sphere and control of government, serves a public purpose, not primarily to generate profit and no compulsion on the part of the actors and donors. The components of the Third Sector therefore include, but are not limited to, non-profits, charities, voluntary groups, non-governmental and civil society organisations, mutual benefit organisations and self-help groups. For this reason, terms such as 'non-profit', 'non-governmental', 'voluntary', 'charitable' and 'civil society' are often used interchangeably to describe the Third Sector.

However, some see the civil society as distinct from the Third Sector hence cannot be used interchangeably or to mean the same thing. Bunyan (2014) argues that the civil society is a political process that engages society in the pursuit of social justice while the Third Sector includes all associational forms both civil and uncivil and may not necessarily have the objective of pushing for social or political change. The World Bank's definition of civil society includes *'the wide array of non-governmental and not for profit organizations that have a presence in public life, express the interests and values of their members and others, based on ethical, cultural, political, scientific, religious or philanthropic considerations'*[13] which includes most if not all organisations covered by the other terms. Civil society therefore can be seen as the wider view of society where civic-ness is not only society's quality but also appear in all sectors in

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[13] http://www.worldbank.org/en/about/partners/civil-society

different ways and degrees hence should not be narrowed down to just the Third Sector (Evers 2010).

Organisations that make up the Third Sector come in many forms, with charities being one of the most common (Ott and Dicke 2012:10-11). By definition, charities are organisations that provide services to the poor and needy but in some jurisdictions such as the UK, their activities include other seemingly non-altruistic endeavours such as managing museums and universities, and providing public broadcasting. The UK Charities Act 2011 defines a charitable purpose, explicitly, as one that falls within 13 descriptions of purposes, broad areas of potentially charitable activity and is undertaken for public benefit. The National Council for Voluntary Organisations (NCVO) adds 'public benefit'[14] to Salamon and Anheier's definition of Third Sector organisations in setting the criteria for inclusion in their civil society almanac. However, organisations providing services to only their members may also be deemed to provide a public benefit if the service offered replaces one that is normally provided by the state (Kane and Mohan 2010). In the United States, the classification of a third sector organisation is defined by its tax status; they are grouped under section 501(c)(3) of the tax code and these organisations form the American charitable non-profit sector. Hansmann (1980) presents a four-way categorisation of non-profit firms based on income source and management style. A 'donative' non-profit is one that receives most of its income from donations while 'commercial non-profits' revenue is from sales of goods and services. A 'mutual' non-profit is controlled by their patrons while 'entrepreneurial' non-profits' boards are self-perpetuating. There will be however non-profits with both features, one that relies on both donations and sales and whose boards comprise of both chosen by patrons and some who are self-perpetuating which makes Hansmann's categories idealistic but nevertheless useful for categorisation purposes. This distinction is crucial to understanding the different activities offered by TSOs and why certain organisations such as education or health providers can depend on sales income while others such as orphanages cannot.

Hall (1987) identifies three main functions of a TSO: undertaking tasks delegated by the state, meeting demand which is not fulfilled by the state and performing an advocacy role with the aim of influencing state policies, all of which is linked to or involves the state. He suggests that the existence of the Third Sector is not only motivated by shortcomings of the state but also due to the State's need for them as service delivery partners. Brenton (1985) lists five functions of voluntary organisations: service provider, mutual aid, pressure group, resource function and, coordinating function. Both Hall and Brenton suggest a complementary relationship between the state and the Third Sector in particular where public services are financed by the state but

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[14] https://data.ncvo.org.uk/a/almanac17/methodology-8/

delivered by the Third Sector. Mutual aid, pressure groups and umbrella organisations coordinating smaller TSOs or those providing expertise or other resources the Third Sector would likely be donative while service providers can be both commercial and donative.

Public-private partnerships was also included in the scope of the Third Sector (Etzioni 1973) but this notion of two units overlapping was however not shared by Lorentzen (2010) who is of the opinion that classifications should be mutually exclusive. His view is based on the premise that cooperation between the state and market causes the borders between them to be blurred and could eventually eliminate the concept of an independent Third Sector. Although seen as a distinct segment within the economy, the Third Sector often has direct links with the both the public and private sectors especially if their activities are funded by government grants or corporate social responsibility funds (Goodin 2003). Organisations whose source of funding are both donative and commercial is an example of a hybrid organisation if seen from its sources of funds. Hybrid organisations are also defined by the overlapping interactions between the State, private and Third Sector in relation to the organisation's governance, accountability, control, and role of its employees (Evers 2005; Brandsen et al. 2005; Billis 2010). These hybrid organisations therefore blur the distinctions between sectors especially when they are seen to be part of or assuming the functions of two or more sectors.

Salamon and Anheier (1997) exclude all profit-making enterprises such as cooperatives and mutual benefit societies from the scope of the Third Sector. The European definition of the sector on the other hand includes not only non-profits but also cooperatives and mutuals. Evers and Laville (2004) contend that these two types of organisations are very much part of the sector because their existence is to serve a social purpose and sharing of surplus income is not their main objective. Defourny and Develtere (2009) also look at the sector from a European viewpoint and include cooperative societies, mutual help organisations and other social economy elements into their definition of the Third Sector. Moulaert and Ailenei (2005) and the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) also consider the Third Sector to be a component of the social economy. Monzon and Chaves (2008) group the sector within the social economic sphere despite viewing it as not having the democratic structure of one member one vote. However, despite their contention, they concede that the definition of the Third Sector as social economy is not universally agreed nor used. These arguments suggest that the non-distribution criteria have a North American bias as it was developed against the American tax regulations.

A definition often cited in academic literature is the one developed by Salamon and Anheier (1992) where the sector is defined as the independent, non-state, and non-market segment of the

economy, occupying an autonomous social space outside both the government and private sectors. They propose a structural-operational definition to classify a non-profit or Third Sector organisation. The five criteria are:

1. A formal structure, at least in its governance structure even if the organisation itself is not officially registered;
2. Organisationally distinct and not part of the state apparatus;
3. May be profit making but must not distribute profits to employees or owners;
4. Must have internal governance procedures in place; and,
5. Significant voluntary input in its operations and management

This definition which was developed by Johns Hopkins Comparative Nonprofit Sector Project (CNP) and used in the United Nations System of National Accounts however defines the sector mainly from a North American perspective. Morris (2000) is critical of this structural-operational definition where she contends that it does not take into account the diversity of organisations that make up the sector especially during the earlier periods, in particular mutual aid organisations which are historically a key component of the sector. Mohan (2011) notes that the CNP's structural-operational definition ignores the purpose of the organisations, it does not take into account the objectives and intended beneficiaries of some non-profit organisations. Not being able to consider the diversity or purposes of the organisations is seen as a limitation of the activity based structural-operational definition, in addition to being biased on the North American structure of organisations and activities.

Many definitions and theories of the sector (Etzioni, 1973; Weisbrod, 1977; Hansmann 1980, James 1987, Salamon and Anheier 1998) suggest that it makes up for the shortcomings of the public and private sectors but Corry (2010) on the other hand views the Third Sector as residual because it is not seen as initiating incentives, instead it mainly serves to fill gaps and cover failings of the State and private sectors. However, both demand and supply side theories of the sector demonstrate that actions are driven and initiated by the actors to overcome the shortcomings of the other two sectors, and for this reason the sector should be seen as proactive instead of residual.

Defining the sector is nevertheless important in order to know what it entails and to guide the measurement of both its financial and human resource size. It will also facilitate the measurement of its impact, both positive and negative. Coming up with a common definition is challenging due to different stakeholders presenting differing views and definitions of the sector (Alcock 2010) and these differing and often overlapping definitions are results of the discourse on the sector brought by researchers from different worldviews and cultures and diverse academic backgrounds. Salamon and Anheier view it from the governance angle hence its focus on the non-

distribution constraint, Evers and Laville look at its social purpose while Mouleart and Ailenei sees the social utility provided by the organisations as central to the definition. The sector was also described based on its objectives and activities (Reed and Howe 1999; Morris 2000) suggesting that the function and output of its actors determines its definition. Hansmann (1980) when describing TSOs by its function, distinguishes the 'operating non-profits', those producing goods and services form the 'advocacy' organisations which are primarily pressure groups. Characterisation of the sector is also influenced by regional traditions, culture and policy regimes and these need to be complemented by a historical-dynamic approach in order to understand it in the different settings (DiMaggio and Anheier 1990; Evers and Laville 2004). In the UK context, the Third Sector is not only a product of its particular era but also the result of the strategic interests of its actors, this 'strategic unity' ensures the sector's continued presence (Alcock 2010). Following Alcock's idea of strategic unity, Macmillan (2013) suggests 'boundary work' to explore how boundaries are established, investigating how similarities lead to the formation of alliances and how strategies develop within the sector and to understand why Third Sector actors pursue the idea of distinctiveness when identifying the sector.

### 2.1.1 Non-Governmental Organisations

The phrase 'Non-Governmental Organisations' (NGO) is widely used in Malaysia as a descriptor for the Third Sector (Section 8.2). NGOs are Third Sector actors in many areas of public action, from humanitarian to human rights (Lewis 2010). The term 'non-governmental organisation' has many uses and many connotations but it is suggested that they serve as alternatives to the State, providing in areas where governments do not or have not yet begun to provide (Princen et al. 1995). Origins of the term can be traced to the end of the Second World War when the United Nations (UN) used the term to describe international organisations providing cross-border development assistance, giving the term global connotations (Willets 2009; Lewis 2010). Sociological studies have not come up with a common definition for NGOs, often describing them by identifying what they are not and some have negative, anti-government connotations (Martens 2002). There are also inconsistencies in the usage of the term, often equating it with private voluntary organisations and non-profits (Vakil 1997; Lewis 2010) or used as a 'catch-all' term for all that is non-government (Martens 2002). NGOs are primarily understood as international development organisations by the United Nations charter (Martens 2002) and often discussed in developing country context (Werker and Ahmed 2008; Lewis 2010) where it is common in parts of the developing world for the non-profit or Third Sector to be defined as 'NGOs' (Salamon and Anheier 1992). From the terminology perspective, NGOs clearly state that the organisation is not part of the State machinery but does not explicitly indicate its relationship with the private sector.

Quasi-NGOs (QUANGOs) are independent State funded agencies performing a public function (Greve et al. 1999). Government-organised NGOs (GONGOs) are a cross between a State agency and an NGO with close working relationship with the State (Wu 2003). These types of organisations are often established by the government to facilitate the implementation of its policies (Wu 2003; Alterman and Hunter 2004; Lewis 2010, Salamon and Sokolowski 2016) or to channel aid funding to the NGOs (Vakil 1997) but institutionally could be separate from the government due to their legal status. While NGOs are conventionally included in the Third Sector sphere, QUANGOs and other 'para-state' organisations such as GONGOs are usually excluded (Salamon and Anheier 1992; Salamon and Sokolowski 2016).

## 2.1.2 Summary

The differing terminologies used to describe the sector, despite being relatively accurate, tend to only highlight certain characteristics of the sector and overlook other aspects. Some terminologies have negative connotations, describing what the sector is not such as 'nonprofit' and 'nongovernmental', while others suggest a collection of 'leftover' entities that does not fit into the other two sectors (Najam 1996). In spite of the differing definitions, the common characteristic agreed by a majority of researchers is that despite its linkages with the other two sectors, the Third Sector is the '*realm of independent citizen activity outside both government and business*' (Ott and Dicke 2012:2). It lies outside the full control of the public and private sectors despite in some cases being dependent and indirectly linked to them (Salamon and Aneheir 1998; Lyons 2003; Evers and Laville 2004; Salamon and Sokolowski 2016). Evers and Leville (2004) demonstrate the Third Sector's position within the economy in the following model:

*Figure 2-1: The Welfare Mix*
Source: Evers and Laville 2004

The model shows that components of the third sector overlap with the public and private sectors with quasi-government organisations, cooperatives and social enterprises fitting in more than one sector. The portion of the Third Sector included in this study is that which is exclusively outside the public and private sectors, represented by the shaded triangle in Figure 2-2.



*Figure 1-2: The Malaysian Third Sector*
Adapted from Evers and Laville 2004

In this study, the term 'Third Sector' is used as the umbrella term for the sector and organisations that do not fit neatly into the public or private sectors and are outside the ambit of full state or market control. 'Third Sector' suggests a more universal, all-encompassing nature compared to the other narrower and more specific terms. 'Third' should not be taken as rank or residual but instead merely denotes that are at least three sectors in the economy, namely the public, private and those that could fit neatly into the other two sectors. Nevertheless, there will be organisations which despite not being controlled by the public and private sectors are linked to or are collaborating with the other two sectors in terms of funding, personnel or on an ad-hoc project basis and these organisations are also included as part of the Third Sector.

Being a sector on its own, it has an important social and economic role - to supplement and complement the other two sectors, making up where the others are short and providing an alternative for certain segments of society. The third sector is not in competition with the other two and often are partners or contractors in the provision of collective goods and services, they are what Salamon et al. (2000) term the component of the economy that presents the middle ground between sole reliance on the State or market.

## 2.2 Theories on the Third Sector

Researchers have sought to understand why TSOs emerge, what are the motivations of those running those organisations and factors that lead to them being the choice provider of certain collective or public goods and services. Early challenges in the development of a sociological theory of the Third Sector was the diversity of the sector where it is seen as the locus of values: volunteerism, pluralism, altruism, and participation (DiMaggio and Anheier 1990). A common theme in discussions among Asian scholars is the appropriateness of western concepts and theories derived from the study of western societies (Lyons and Hasan 2002), one of the objectives of this research is to test the applicability of western derived theories on the Malaysian Third Sector. This section looks at four prominent theories that attempt to explain the sector namely the government failure theory, the market failure theory, the stakeholder theory and the social origins theory.

### 2.2.1 Government Failure Theory

Weisbrod's government failure theory (1977) posits that the failure of the government to provide sufficient public goods leads to the emergence of alternative providers in the form of Third Sector organisations. He began with the assumption that the demands of the median voter determine the type and quantity of public goods or services supplied by the government. Median voters in this context are those whose votes bring victory to a political party. These are large group of voters

with similar characteristics and demands, in other words, the typical or majority voter instead of the fringe voters. Malaysian politics especially during the rule of the United Malays National Organisation[15] led coalition had always promoted policies that promote the interests of the Malays and Bumiputeras by virtue of them being majorities in most electoral constituencies and are in the position to determine the outcome of an election (Gomez 2007). One example of government action that is directed towards to the welfare of the Malaysian median voters is the government managed investment agency, Permodalan Nasional Berhad which has a number of investment funds open only to Malays and Bumiputeras[16] Another example is Universiti Teknologi Mara, the largest public university in Malaysia only admits Malay and Bumiputera students[17].

The focus to meet the demand of this select group potentially results in other sections of society being dissatisfied with the State's provision of public goods and services at a given tax rate. Weisbrod argues that the degree of homogeneity within the community also influences the demand for collective consumption goods. Differences in income, ethnicity and religious belief of the population are factors influencing the degree of dissatisfaction with the State's provision of public goods. To overcome the dissatisfaction, the population could take any one of the four options: migrate to a jurisdiction where the demand is met at the prevailing tax rate, or demand the provision from a lower level government, or purchase from the private sector, or turn to the voluntary sector to meet the shortage. The first two options involve cost, mobility and only practical if moving from one local government to another. Purchasing from the private sector may only provide poor substitutes in sub-optimal quantities and of unknown quality. This leads the under-satisfied demanders to turn to the voluntary sector to meet their demand for public goods and services. The relative size of the voluntary sector therefore depends on the heterogeneity and diversity of population demand; the less able the public sector to satisfy the demands of the population, the larger the expected size of the voluntary or Third Sector (Gordon and Babchuk 1959; Weisbrod 1977; Matsunaga and Yamauchi 2002; Slavinski 2003). The theory proposes that the size of the public sector is a function of the heterogeneity of demand for collective goods, a more heterogeneous demand leads to a larger voluntary sector and a relatively smaller public sector. This assertion is further strengthened by Salamon and Anheier (1998) who found that the size of the non-profit sector is positively linked to the degree of heterogeneity and greater ethnolinguistic diversity in a given country makes it more likely for the non-profit sector to be funded by donations. In addition, the government failure theory also suggests that the size of the Third Sector would grow or decline according to the size of government provision of public goods

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[15] A political party whose membership is exclusive to Malays and Bumiputeras
[16] See: Amanah Saham Nasional Berhad master prospectus, pp. 10-40
[17] See: https://www.uitm.edu.my/index.php/en/about-uitm/university-profile/motto-vision-philosophy-objectives

and services (Slavinski 2003). However, there is a possibility of zero provision of collective goods by the State especially if a political decision rule is applied instead of a majority vote rule which will make the under-satisfied demanders turn to the voluntary sector causing it to develop first with provision by the State coming later (Weisbrod 1977). He further argues that the sector is not short of funding due to the presence of 'social pressure' to donate as well from individuals who derive pleasure simply from giving or from those who want to be praised for donating.

The government failure theory is extended by Dollery and Wallis (2002) to include disadvantaged customers into the group of non-median voters. This group is made up of the poor, disabled, stigmatised, or those living in areas where civil structures have broken down like slums or ghettos. These groups get less attention from the State and therefore require support from the Third Sector, especially 'donative' TSOs to meet their needs.

The theory is however reliant upon certain economic conditions. In order for the minority or even the majority, in the case of if a political decision rule is applied, to demand the Third Sector provide them with public goods and services, the society must first have the means to provide such goods and services. If individuals or groups with stronger finances or knowledge are present among the under-satisfied demanders, the emergence of Third Sector organisations providing the collective goods could be more likely compared to a poorer or less educated community. While the theory may very well be applicable in a developed, high income economy, its applicability in a less developed and poorer economy may not yet be proven.

### 2.2.2 Market/Contract Failure Theory

The market failure theory explains why public goods are not provided by the for-profit sector. There are two main features of a public good. Firstly, it is non-excludable, which signifies that it is not possible to exclude anyone form consuming the same good or service. Secondly, it is non-rivalrous where the consumption by one person does not prevent others from enjoying the same good at the same time. These two attributes bring forth the problem of free riders. This is so because non-excludability allows almost anyone to enjoy the benefits of a public good without having to pay for it, for as long as it has been paid for by someone else because the cost of producing the good is the same regardless of the number of users or beneficiaries. In addition, the absence of saleability of public goods makes it unlikely for it to be provided by the for-profit sector.

Hansmann's (1980) market failure theory suggests that society turns to TSOs when production by the market is not optimal due to information asymmetry and the profit motive. He models Third Sector organisations as providers of 'trust goods' whose quality cannot be reasonably

determined if produced by profit maximising firms. The issue of 'trust' is also a factor for the establishment of TSOs by religious groups (James 1987) which will be discussed further in the stakeholder theory section. It is therefore assumed that public trust would be higher in organisations which are not allowed by law to distribute profits to their shareholders, and the incentive to charge high prices for substandard products or services is removed due to their inability to enjoy the resulting profits. This is more evident what it comes to services, such as childcare or education, because they are more difficult to evaluate compared to the standardised manufactured goods, especially in cases where the recipient of the service is not the person responsible for the payment like in the case of childcare. Therefore, the providers of trust goods would typically be commercial non-profits as defined by Hansmann (1980). However, he cautioned that the disadvantage of not having a profit motive is potential inefficiencies in the production process, which could cause slower responses to customer demand, and the possibility managers engineering personal benefits, such as higher salaries or other perks, particularly in organisations where control is weak.

### 2.2.3 Stakeholder Theory

Unlike the earlier two theories, the stakeholder theory is a supply side theory focussing on the supply of collective or social goods and services. Ben-Ner and Van Hoomissen (1991) propose that demand side stakeholders, i.e. the users or donors of charitable goods, set up Third Sector organisations with the aim of ensuring charitable goods and services are provided to their standards in terms of quantity and quality. In other words, the stakeholders are taking control of the supply of these goods and in the process eliminating the problem of asymmetric information and avoiding exploitation by producers, thus solving a key issue behind the contract failure theory. The stakeholder theory also arises from the conflict between the producer and consumer where both are only concerned about their own welfare, the former's goal is to obtain the highest price and the lowest cost while the latter wants the highest quality at a low price (Krashinsky 1997). However, Ben-Ner and Van Hoomissen note that the idea of stakeholders organising production themselves does not depend merely on the heterogeneity of preferences but is dependent upon the size of the population with the same preferences or demands for a certain collective good or service, sufficient demand must first exist for the stakeholders to assume production.

This theory builds on the premise that due to the conflict between demand and supply side stakeholders, the former assumes control but only if the benefits outweigh the cost and these benefits are measured against the benefit of purchasing elsewhere. Similar to the choice faced by the under-satisfied demanders in Weisbrod's theory, the presence of government or market failure prevents some stakeholders from obtaining charitable goods from the State or market. They then

are faced with three alternatives: do nothing and able to enjoy the benefits of the good, lobby the State to provide sufficient amounts of the good or band together with other under-satisfied demanders to produce the good themselves (Ben-Ner and Van Hoomissen 1991).

The conflict of interest between demand and supply side stakeholders not only is reflected in the demand side wanting quantity and quality at a lower price but also in cases where asymmetric information leads to the disadvantage of demand side stakeholders. Taking a non-rival trust good as an example, stakeholders will prefer non-profits as providers as the organisation would not have the incentive to deceive due to the absence of the profit distribution element. A stakeholder-controlled organisation further cements the trustworthiness of a non-rival trust good because any attempt by the controlling stakeholder to deceive would mean deceiving themselves as well.

James (1987) proposes another take at the supply side explanation for non-profit organisations: support by religious or ideological groups. The objective of these groups entry into the Third Sector is not to achieve economic goals but to promote or defend their religious belief and increase their followers. Religious institution backed schools, hospital or orphanages have the advantage of having a market from among a semi-captive audience not only as consumers but also funders through donations. They may also command higher level of trust due to the religious element in their establishment and also have access to a pool of low cost or perhaps even free labour from among the existing adherents.

The capitalist idea of entrepreneurship within the third sector can also be viewed from a Schumpeterian perspective where innovation is key element and is evidenced by need driven new services being introduced by the sector (Badelt 2003). The stakeholder theory is however dependent upon the presence of a 'managing' stakeholder or a 'social entrepreneur' either in the form of a user-producer or a religious group who will take charge of the production and distribution process. In cases where the stakeholders are not able to act as controllers, the potential and efficiency of stakeholder controlled Third Sector organisations may not be met.

### 2.2.4 Social Origins Theory

Salamon and Anheier (1998) offer the social origins theory which *'provides a bridge between the economy and simplicity of the economic theories and the complex and often inconclusive world of comparative historical work'* (1998:241), claiming to provide a more explanatory rationalisation of the sector. They argue that existing theories fail to explain 'cross-national' variations due to the great variations in size, composition and sources of income. While the theories may explain the sector in individual countries' perspectives, they were unable to do so across countries. They further argued that historical and political factors play a role in developing

the characteristics of the sector in a given country. Salamon and Anheier also suggest that the other theories only provide single-factor explanations which only applies in certain circumstances.

The social origins theory supports the government failure theory where unsatisfied sections of the community turn to the voluntary sector to meet their needs. Salamon et al. (2000) however did not find evidence of a relationship between the population's religious heterogeneity and the size of the non-profit sector and observed that the sector tends to be larger in countries were government social welfare spending is higher. They also found that third sector revenue sources were mostly from fees and government grants which was contrary to the hypothesis that the sector would be funded through philanthropic means. Salamon et al. (2000) concluded that data from their cross-national survey did not support both the government and market failure theories.

Guided by the ideas of Barrington Moore, Jr. (1966) on the 'social origins' of fascism and democracy and in the work of Gøsta Esping-Andersen (1990) on the origins of the modern welfare state, Salamon et al. (2000) identified four models of 'non-profit regimes' characterised by the Government's role and the consequences of its actions on the development of the third sector. The four models are presented in Table 2-1:

*Table 2-1: Four Models of non-profit regimes*

| Government Social Welfare Spending | Non-profit (Third Sector) Scale | |
|---|---|---|
| | Small | Large |
| Low | **Statist** | **Liberal** |
| High | **Social Democratic** | **Corporatist** |

Source: Salamon at al. (2000:16)

Central to the social origins theory is the idea that social phenomena such as the emergence of the 'welfare state', 'democracy' or in this case, the Third Sector is a result of complex interaction between social classes and social institutions. The *liberal* model suggest States with low government social welfare spending has a relatively larger Third Sector. This is the model where most prevailing theories were based upon. At the other end of the spectrum is the *social democratic model* where social welfare services are extensively provided by the State and there is little room or need for service providing TSOs. Salamon et al. (2000) suggest that under this model, the Third Sector plays a slightly different role, as vehicles for the expression of political, social or recreational interests. In a *corporatist* model, the State has either been forced or induced to work together with TSOs to both retain the support of social elites and to respond to social

welfare demands. The final model is the *statist* model where the State retains control of social policies either on its own behalf or that of the elites. In this model both government-provided social welfare services and Third Sector are highly constrained. Salamon et al. found all four regime types were represented among the countries surveyed and consistent with the social origins theory where the role and scale of the Third Sector is a result of a complex mix of social, political and historical factors.

The theory was however criticised by Evers and Laville (2004) stating that it did not take into consideration organisations that are historically part of the European Third Sector such as mutuals and cooperatives. Salamon and Anheier made some revisions to their 1998 work in 2000 by adding more countries but Donoghue (2010) argues that they have yet to address a number of important critiques, in particular the cross-national differences and omissions. The theory is also seen as being built upon the Christian-Western perspective (Kabalo 2009).

### 2.2.5 Summary

Sociology studies aspects of human social behaviour including the social dynamics of institutions while economics is the science that studies how individuals, firms and governments allocate and distribute resources and wealth. The Third Sector if looked at from the economic perspective will be discussing how resources are being distributed minus the profit motive. The '*Third Sector economic man*' is no longer acting in self-interest nor will he be guided by the invisible hand. He will instead incorporate social and philanthropic aspects in his decision-making process providing a very normative view of the Third Sector which is infused with social values such as altruism hence making it a hybrid sector with both sociological and economic elements.

The government failure, market failure and stakeholders theories address the sector from a mainly economic perspective, looking at it from the demand and supply aspects while the social origins theory attempts overcome what it calls the 'one-dimensionality' of the other theories by adding sociological, historical, social and political elements in its efforts to explain the sector. Despite the initial development of the Social Origins theory covering many countries, it still lacks coverage of developing nations and in particular those which were once colonised by Western powers. Chapter 4 of this research looks at the origins of the Malaysian Third Sector to provide a historical perspective in the attempt to present a better understanding of the sector.

### 2.3 Mapping the Third Sector

Maps provide a 'big picture' of the Third Sector landscape by giving a bird's eye view of the sector, presenting a 'statistical portrait' of its characteristics and resources (Kane and Mohan 2010). Mapping is not only useful to obtain a better understanding of the Third Sector, it can also

be used by policymakers, research communities, donors and beneficiaries as well as the Third Sector organisations to develop policies, evaluate the effectiveness of activities and allocate resources to where they are needed most (Twombly et al. 2000).

Mapping in the context of this research refers to the systematic arrangement of the components of the Third Sector according to a predefined classification or criteria. A map of the Third Sector could show the different categories of activities, the number of organisations in each category, their employees and volunteers, revenues and expenses and geographical coverage of their services. Mapping to describe and explain the Third Sector is not a recent phenomenon. The Johns Hopkins Comparative Nonprofit Sector Project is according to their website, '*the largest systematic effort undertaken to analyse the scope, structure, financing, and role of the private nonprofit sector in countries around the world*'[18]. Similarly, The Third Sector Impact is a Europe-wide research project with the objective of refining the concept, and measuring the contribution and impact of the Third Sector to European society. Other efforts to map the Third Sector include Van Til (1988), Salamon and Anheier (1994), Kendall (1996), Twombly et al. (2000), Daly (2007), Kane and Mohan (2010), Appe (2011), Mohan (2011), Woolvin (2012) and TiuSonco II and Mangahas (2017). On-going mapping projects include LePere-Schloop, Zook and Bawole[19] (Ghana), and Dipendra[20] (Nepal).

Mapping the Third Sector and its organisations involves bringing together and organising data on TSOs and often making the resulting database publicly available (Appe 2013). Mapping presents the location of individuals and organisations within an identified area with the objective of extracting and summarising its constituents (Nickel and Eikenberry 2016). Knowledge of sub-sectors of the Third Sector such as 'below the radar organisations' can be made possible via mapping of the sector (Soteri-Proctor and Alcock 2012). Third Sector mapping describes organisations according to their classification and describing the patterns observed in relation to the demographics and economic characteristics of the community they are in (Mohan 2011). Maps provide data on products and services provided by TSOs according to geographical region and when the information presented together with the map of required services in each of the geographical area, stakeholders can make informed decisions on resource allocation (Never 2011). Mapping the sector could also reveal its size and significance, expose gaps in its distribution and provide data for comparative and policy development purposes (Barman 2013; Banks and Brockington 2019).

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[18] http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector-project/
[19] Their efforts to map the Ghanaian Third Sector was presented at the 13th ISTR International Conference in Amsterdam in July 2018
[20] Personal communication, 17 August 2018

A widely referenced map of the Third Sector is the UK Civil Society Almanac, published annually by NCVO which gives a detailed account of the UK's voluntary sector's scope and characteristics, information that is crucial for decision making and policy development by policymakers, sector leaders, researchers, and users of Third Sector products and services. While almost all literature argues the case for mapping, Appe (2011, 2012) postulates that knowledge of who is undertaking the exercise is also crucial to understanding the sector, as different mappers map for different reasons and the story told by the maps reflect the objectives of the mappers.

Maps can be presented form the supply side to highlight the distribution, activities and size of TSOs and they can also be presented from the demand side to illustrate geographical regions and the demand for Third Sector products and services in each. This research focuses on the former where a map of the Malaysian Third Sector is presented to highlight the distribution of TSOs and their characteristics. The absence of a comprehensive map of the Malaysian Third Sector is the missing tool for knowledge development and this research aims to overcome this shortcoming.

### 2.3.1 Mapping the Malaysian Third Sector

Since the efforts of Douglas and Pedersen in 1973, the Malaysian Third Sector has never been presented in totality as many studies did not take into account all the possible organisations that make up the sector. A volume describing and analysing several key social movements in Malaysia edited by Meredith Weiss and Saliha Hassan (2003) presents a good overview of issues and themes surrounding the Malaysian civil society but does not include a detailed description of the sector constituents. Arshad and Haneef (2016) suggest that the European model of social economy reflects the Malaysian Third Sector better, in addition to being able to fit the ideals of *waqf* into the sector. Tumin and Nurhadi (2007) present a detailed account of the history of NGOs in Malaysia, defining them as non-violent, non-profit voluntary organisations championing the rights of society without the intention of gaining governmental positions. Chapter 4 of this thesis takes their efforts further by providing an improved account of the origins of the Malaysian Third Sector.

It was a challenge to find literature on the Malaysian Third Sector especially in peer reviewed journals. As mentioned earlier, many of the research outputs on the sector are produced by an Accounting Research Institute and mainly revolve around financial reporting. However, despite the volume, the consistency is somewhat lacking. A major shortcoming of the literature on the Malaysian Third Sector is the inconsistencies in defining the components of the Malaysian Third Sector. Most papers did not include organisations registered with the Registrar of Youth Societies (ROY), the Office of the Sports Commissioner (SCO), Labuan Financial Services Authority

(LFSA) and the Department of Trade Union Affairs (JHEKS). The exclusion of these organisations was due to the scope of sector not being adequately identified and results in the sector being under-described. Some literatures were rather inaccurate, with one study stating that Malaysian TSOs with less than RM1 million (£185,000) in revenues are required to register with the Registrar of Societies (ROS), while those with revenues exceeding RM 1 million must register as Companies Limited by Guarantee with the Companies Commission, these financial conditions were never imposed by any of the two Regulators. Another study inaccurately stated that the ROS is the sole registrar for non-profit organisations while another had a table showing 48,954 organisations or 76% of Malaysian TSOs are registered under ROS' 'politics' category which is not the case as will be seen in Chapter 7.

In 2006, Asia Pacific Philanthropy Information Network[21] (APPIN) published a background paper titled 'Philanthropy and the Third Sector in Malaysia'. While it attempted to provide a thorough description of the sector, the information is now mostly obsolete and not reflective of the current landscape. The Registrar of Youth Societies[22] did not exist when the report was prepared. The Office of the Sports Commissioner, despite being established in 1998 was not mentioned in the report. Instead, the National Sports Council was stated as the registrar of sports bodies. It also stated that the only source of data on the Third Sector in Malaysia is the Registrar of Societies (p. 8), but it was not the case in 2006 and is definitely not the only source of Third Sector data today. There were some inaccuracies in the report, in page 23 it stated that the Scouts and Girl Guides are registered with the ROS when in fact they are governed by individual Acts of Parliament: The Boy Scouts Association of Malaysia (Incorporation) 1968 and Girl Guides Act 1953 (Revised 1991) respectively. The paper somewhat inaccurately includes a number of government agencies as part of the Third Sector. One example of this is the student loans corporation (PTPTN) which is a government agency and part of the state apparatus. Another unusual inclusion involves State-governed and funded universities, these institutions were somewhat inaccurately classified as 'non-profit universities'. Labelling these government institutions as 'non-profit' may be accurate but they should not be included as part of the Third Sector due to them being a government provided public service. Similarly, the National Heart Institute (IJN) is included in the Third Sector when it is in fact a government hospital which started as a unit of the Kuala Lumpur General Hospital[23]. Furthermore, on page 29, the paper

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[21] The Asia Pacific Philanthropy Information Network (APPIN) is no longer active, it was funded by The Ford Foundation through the APPC (Asia Pacific Philanthropy Consortium). APPIN's research output were available on the APPIN website from 2001-2007. In 2008 the website domain expired and was taken over by an unrelated third party and all materials disappeared from the website. See: https://ssrn.com/abstract=3010039

[22] ROY was established in 2007 upon the enforcement of the Youth Societies and Youth Development Act

[23] See: https://www.ijn.com.my/about/

stated that 'there is no non-profit private hospital' which is not entirely accurate as there are a few in Malaysia such as the Assunta Hospital[24], Hospital Fatimah[25] and Tung Shin Hospital[26] (Chapter 7). The APPIN paper at best provides a very sketchy overview of the Malaysian Third Sector but does not provide any relevant or in-depth data or analysis on the sector. This research aims to improve upon the work undertaken by APPIN and present a more accurate and up to date account of the Malaysian Third Sector.

## 2.4 Conclusion

This chapter provided 'an interpretation and synthesis of published work' (Merriam, 1988:6) highlighting the definitions and theories of the Third Sector. Rationales, methods and results of mapping the third sector was also discussed.

The Third Sector can be understood from a number of different perspectives. Its actors come together voluntarily driven by a sense of responsibility in order to solve a problem. Their objective is public benefit and this benefit is seldom measured in monetary terms. TSOs are platforms, vehicles used to address social welfare issues either through service provision, advocacy or by providing necessities such as food, medicine and medical equipment, temporary housing, and other material assistance without waiting for the government to act. The Third Sector is therefore able to supplement the other two sectors due to it being motivationally and organisationally distinct (Goodin 2003).

The sector can also be viewed from the perspective of 'funding conditions', where each type of funding comes with different conditions and obligations. The State's main source of funding is taxes, where payment is obligatory by law and non-compliance will lead to prosecution. In return, taxpayers expect the State to provide them with public goods and services. The private sector source their funding from investors or lenders and both require repayment in the form of dividends or interest. The Third Sector on the other hand, does not compel anyone to provide them with funds nor are they required to repay their funders. Funding a TSO or a Third Sector activity comes with no conditions or obligations. The Third Sector therefore can be defined not only by its place in the economy but also by its motivation and funding conditions. Another way to differentiate the sector is to look at their resource mobilisation methods:

> *Government organizations mobilize resources through the mechanisms of authority*
> *and legitimate coercion ... Commercial organizations produce goods and services*

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[24] See: http://www.assunta.com.my/about-us/our-history/
[25] See: http://www.fatimah.com.my/HospitalFatimah/index.html
[26] See: http://www.tungshin.com.my/about-us/overview/

*through the mechanism of exchange ... Organizations in the voluntary sector, in contrast, mobilize resources and social energy through the mechanisms of shared values and expectations* (Brown and Korten 1989:5)

Mapping the constituencies of the sector is a step up from defining its characteristics and functions. Mapping provides additional information about a sector and goes beyond theoretical and conceptual discussions by providing details on the constituents of the sector, its activities, service coverage, finances, actors and beneficiaries. Mapping provides legitimacy to the sector by presenting its realities and this thesis aims to be the first step in providing that recognition to the Malaysian Third Sector.

# Chapter 3: Origins of the Malaysian Third Sector: An Investigation from the Socio-economic and Socio-political Perspective

## 3.1 Introduction

This chapter looks at the origins of the Malaysian Third Sector to uncover factors contributing to its emergence and growth through an updated account on the origins of the Malaysian Third Sector. This is achieved by undertaking a thorough review of the literature on the political and administrative history of Malaysia, pre- and post-independence government policies, and Malaysian cultures and religions. This knowledge could enhance the sector's legitimacy and may also help forecast its future direction. Awareness of its roots could also provide a clearer understanding of the state of the sector today. As Liu and Hilton have said:

> *History provides us with narratives that tell us who we are, where we came from and where we should be going. It defines a trajectory which helps construct the essence of a group's identity, how it relates to other groups, and ascertains what its options are for facing present challenges. A group's representation of its history will condition its sense of what it was, is, can and should be, and is thus central to the construction of its identity, norms, and values* (2005:537).

The study of its history could help determine the origins and identity of the Malaysian Third Sector, and may also identify sub-groups or unearth peculiarities within the community. Understanding of these characteristics would further enhance the construction of its identity, norms, and values.

This chapter begins with a review of the Malaysian historical landscape followed by a discussion on the policies introduced by the British colonial administration. Next, developments after the Second World War and post-independence government policies will be discussed. An analysis of the Malaysian cultural and religious landscape is undertaken before concluding the chapter.

## 3.2 Historical background of Malaysia

British political influence in the Malay States began in 1786 and by 1914; the Malay Peninsula was under British rule (Hamid 2004). Sabah and Sarawak, on the other hand, only came under direct British rule after the Second World War. Prior to the war, the British owned North Borneo Company and the Brooke[27] family ruled the two Borneo states respectively (Hooker 2003).

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[27] Sarawak was ruled by three Rajahs ('Kings') of English origin. James, Charles and Charles Vyner Brooke from 1841 to 1941.

Between 1786 and 1963, the only period when the British did not have control over what is now known as Malaysia was during the Japanese occupation from 1942 to 1945. Given the long association between the two countries, it is no surprise that Malaysian laws, politics and administration are largely based on the British legal and political system. The Malaysian political system is modelled on the Westminster parliamentary system (Kumarasingham 2016) and many of the regulations currently in place today had their origins in laws enacted by the colonial administrators. One such example is the Privy Council which was the highest court of appeal for Malaysia until 31st December 1984[28].

The present borders between Malaysia and her neighbours Thailand and Indonesia are to large extent drawn by the British and the Dutch. The Anglo-Dutch Treaty of 1824 defined the borders between Malaysia and Indonesia (Trocki 2000), an event described by Kana (2004) as an *'indication of the extent of European domination and arrogance in the Malay world where the future of Malaya and Indonesia were decided by two European powers conferring in a foreign land half way across the world without any regard whatsoever for local sentiment and sensitivities'.* The Anglo-Siam treaty of 1909 outlined the border between the northern Malay states of Kedah, Perak and Kelantan with the Kingdom of Siam (Kuroda 2002) and these two events effectively split villages and Malay provinces into different countries (Yazid 2014; Noh 2010).

*Figure 3-1: Map of Malaysia*

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[28] See:
https://web.archive.org/web/20090114000836/http://www.kehakiman.gov.my/courts/judicialEN.shtml

### 3.2.1 Policies of the British colonial government

Colonialism brought industry and immigration to Malaysia; rubber was introduced by the British to Malaya in the late 19th century (Wycherley 1958) and the tin mining industry was enhanced by the introduction of modern mining technology with the arrival of the British (Yap 2007). By the 1920s, rubber and tin enabled Malaya to be the largest dollar earner in the British overseas empire with the highest GDP per capita in Asia (Drabble 2000: 113). The growth of these new industries attracted labourers and entrepreneurs from China and India and by 1921 the combined Chinese and Indian populations in Malaya outnumbered the native Malays (Hooker 2003). Official estimates of 1934 showed that Malays only make up only 36% of the population in the Federated Malay States of Selangor, Perak, Pahang and Negeri Sembilan (Cheah 2012:4). However, the British administration's labour and immigration policies were not the only reason for the influx of foreign labour. The reluctance of Malays to accept conditions of wage-earning employment coupled with the colonial government's need for them focus on rice cultivation were reasons for the encouragement of the immigration of Indians and Chinese to work in the rubber plantations and tin mines (Alatas 1977).

Despite maintaining the status quo of the Malay Sultans and political leaders, the British practiced a policy of 'divide and rule', a policy that discourages the integration of different peoples and cultures (Weiss 2005; Yazid 2014). As a result of this policy, British companies and rich Chinese migrant entrepreneurs dominated trade and industry while the Indian migrant labourers were mostly restricted to working in European and Chinese owned rubber plantations. The majority of Malays lived in rural areas, making a living mainly by small scale farming or fishing and not involved in modern or mainstream economic activities (Hirschman 1986). This lead to urban areas being mainly populated by the Chinese, the Malays lived in rural villages and Indians were mostly confined to the rubber plantations. This 'divide and rule' policy shaped the landscape of early Malaysian society; different ethnicities lived in separate, ethnically defined neighbourhoods; worked in different sectors; operated schools in their native languages and formed trade, social and political organisations based on their individual ethnicities (Douglas and Pedersen 1973; Hirschman, 1986; Yazid 2014). This geographical and occupational divisions was cited by Denker (2007) as one reason for the economic and social imbalance between the three major ethnicities in Malaysia. This imbalance later became one of the major catalysts for the development of the Malaysian Third Sector. The divide was further compounded by the communist insurgency[29] where the British colonial government was forced to undertake a resettlement programme. Known as the 'Briggs Plan[30]', the Chinese were moved into fortified

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[29] The Malayan Emergency was declared in June 1948 and lasted until 31 July 1960
[30] Named after Lt. General Sir Harold Briggs the Director of Operations of the British Army in Malaya who devised the plan to relocate the Chinese community in newly set up villages.

and defended settlements called 'new villages' to prevent them from assisting the communist guerrillas, at the same time further alienating them from the rest of society (Shamsul 2000), and facilitated the strengthening of ethnic group boundaries (Muhamat et al. 2012).

The British government encouraged Chinese migration in support of the mining industry and one of the incentives given was by providing free land to Chinese agricultural colonies. However, despite encouraging migration of the Chinese to Malaya, the British colonial government provided little assistance to the community, allowing them to operate their own welfare and educational system without government participation (Noh 2010). This effectively contracts out the Chinese affairs administration duties to the Third Sector which led to the Chinese community developing an independent political and socio-economic institutions which included schools and chambers of commerce (Heng 1996). One consequence of this policy is the establishment of the Chinese education system, by 1938, 996 Chinese primary and 36 secondary schools in the Malay Peninsula were funded through independent financial resources of the local Chinese community (Tan 1988).

While the Third-Sector-managed Chinese education institutions emerged by design, the sector's role in the Malay/Muslim education system was a result of a policy change by the colonial government. Richard O. Winstedt, the Assistant Director of Malay Education from 1916 to 1921, recommended to end Islamic religious education in government funded schools. This decision led to Muslim parents having to make separate religious education arrangements for their children, forcing them to hire and pay religious teachers themselves (Hamid 2004). Winstedt's action inadvertently created an independent *'community-based education scheme'*, where religious education is provided by non-State action groups, a trend that still persists today. At the same time, the colonial government maintained the status quo of independent Malay madrassas. These madrassas, also known as '*pondok*' schools, were independently managed by local religious leaders (Hamid 2004), another example of the Third Sector acting as a provider of alternative education option.

Early non-government funded Tamil schools were also established via the Third Sector, financed by wealthy individuals of Indian descent, Hindu organisations and Christian missionaries. In the 1910s, pressure from the Indian government forced the British administration in Malaya to compel plantations with more than ten resident children of school-going-age to provide a Tamil school. These schools were funded by the plantation owners, with minimal, if any contribution from the colonial government (Sundara Raja n.d.).

Nga and King (2006) generalised that Malayan Third Sector organisations during the pre-war period are either ethnic based or local operations of Western organisations. The international charities include the St. John Ambulance (1908), Scouts Association (1910), Young Women's Christian Association (1914), Girl Guides Association (1916), Salvation Army (1938), Malayan Nature Society (1940) and the British Red Cross[31] (1948). The Selangor Engineering Mechanics Association (1928) was one of earliest trade union-like associations to be established in British Malaya (International Labour Office 1962). The formation of trade unions was not explicitly prohibited by the colonial government but at the same time they were not formally recognised as unions (Bahari 1989) and were registered under the Malayan Registration of Societies Ordinances as The Registrar of Trade Unions did not exist until 1946 (International Labour Office 1962). There was no record of any new societies being registered during the Japanese occupation of Malaya between 1942 and 1945 (Douglas and Pedersen 1973) and no societies or associations were allowed to exist unless they co-operated with the Japanese authorities (Cheah 2012).

### 3.2.2 Post Second World War period

The Second World War left the country, especially in the urban areas, with numerous social problems, high unemployment, malnutrition and a smallpox epidemic (Hatta and Saad 2014). To address these issues, the British Military Administration set up the Department of Social Welfare to look after the sick and disabled (Ibid, Shaffie 2016). A Central Welfare Council was also established to co-ordinate the welfare activities undertaken and to cultivate voluntary efforts by local welfare and charitable organisations (Jayasooria and Ooi 1994). After the return of civil administration on 1st April 1946, many welfare initiatives were taken over by private individuals and non-governmental organisations (Hatta and Saad 2014). These organisations were mainly headed by wives of senior government officials including Lady Gent, wife of the Governor General of the Malayan Union, Mrs. Newboult, wife of the chief secretary of the Federated Malay States[32] and Lady Mountbatten, wife of the Commander of the South East Asia Command.

Many of the earliest voluntary organisations not only were led by women but also championed women's rights and welfare (Lai 2003). Despite the Malay Women Teachers Union being established as early as 1929, it was not until after the Second World War that women's organisations started to flourish. In 1946, The Federation of Women, an association comprising mainly of Chinese women, was established to 'educate women to take part in public life' (Lai 2003). During the same year, the '*Persatuan Kaum Ibu Selangor'* (Women's Association of

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[31] Renamed the Malaysian Red Crescent Society in 1975
[32] See: http://www.mpksm.org.my

Selangor) became one of the founding members of the United Malay National Organisation (Loh 2002).

The 1950s saw the establishment of apolitical social welfare organisations such as the Malaysian Association for the Blind (1951). The Malayan Youth Council was formalised in 1950 and Dong Zong, an organisation supporting Chinese-language education was also established in the 1950s. The Pure Life Society, established in 1950, is one of the earliest non-governmental organisations in Malaysia caring for orphans and underprivileged children. Interestingly, it was converted into a statutory body governed by an Act of Parliament in 1957 despite starting life as a society registered under the Societies Ordinance. Many early Malaysian civil-society organizations had their origins during the final years of the colonial regime when philanthropic, educational and religious associations were set up to engage in public discourses on the planning and meaning of the identity of independent Malaya (Harper 1999:224-5).

Many civil society organisations established prior to the 1970s were mainly focussed on supporting specific ethnic or linguistic groups and most philanthropic activities were also ethnic specific, often religious or cultural preservation of the ethnic group of the donors (Winder 1998; Cogswell 2002). By the 1970s however, advocacy-oriented civil society organisations based on issues instead of communal interests began to take root and were attracting a more cross-racial membership (Weiss 2005).

The period after the Second World War marks a significant milestone in the development of the Malaysian Third Sector. The establishment of the social welfare department, the subsequent involvement of the public and non-governmental organisations in the provision of social services, and the establishment of local and international charities set the foundation for the sector's subsequent growth.

### 3.2.3 Post-independence government policies
The eleven states of Malaya gained independence from Britain in 1957 and were joined in 1963 by the island city state of Singapore and the Bornean states of Sabah and Sarawak to form Malaysia. Singapore however left the federation in 1965 to become an independent nation.

Independence and the centralisation of government ended the Chinese community's autonomous administration of their socio-economic affairs (Heng 1996). In the early 1960s however, a breakaway group of independent Chinese secondary schools (ICSS) was established in response

to the Malay language education policy proposed by the 1960 Rahman Talib Report[33]. The ICSS were established to safeguard and promote education in the Chinese language, independent of state interference (Raman and Tan 2015). The desire to deliver education in the Chinese language was also the reason for proposing an independently funded Chinese-medium university (Tan 1988). However, during the late 1960s falling enrolments caused the ICSS to face financial difficulties. One of the main reasons for the decline in enrolment was most ICSS lack basic physical infrastructure, some having to share teaching facilities with government funded Chinese schools. To overcome this predicament, Chinese educationists organised a successful fund-raising exercise and built spacious, fully equipped schools (Raman and Tan 2015). This demonstrated the ability of organisations outside the government or private sector to provide society's basic needs.

Another major factor contributing to the development of the Malaysian Third Sector was post-1969 government policies designed to help the Malays and other indigenous peoples (collectively known as 'Bumiputera'[34]) catch up economically. This affirmative action known as the 'New Economic Policy' (NEP) was designed to 'restructure Malaysian society' and eradicate poverty regardless of racial background[35]. Its aim is to increase Bumiputera equity participation by encouraging and assisting them to participate in the commercial, industrial and financial sectors. This however caused the NEP to be viewed as an ethnically-oriented policy that was pro-Malay and pro-indigenous peoples (Torii 1997; Jomo 2004). The early 1970s also saw the government actively supporting the Malay community by setting up societies that promote Malay interests (Douglas and Pedersen 1973). Government policies and the NEP's focus on Malay and Bumiputera development resulted in disadvantaged Malaysians from other ethnicities turning to independent, non-government backed initiatives to fulfil their educational, social and other basic needs (Tan 1988; Heng 1996; Raman and Tan 2015). The pro-native policies were also cited as the main reason for non-Malays preferring to direct donations to their own communities (Cogswell 2002) which could also be interpreted as a reaction to the government's focus on the median voters.

The well-established civil service left by the British colonial administration enabled Malaysia to pursue a pro-development strategy that, coupled with the robust economic growth throughout the 1970s, 80s and 90s, limited the scope for independent NGOs and civil society organisations to

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[33] The Education Review Committee led by the Minister of Education, Abdul Rahman Talib was appointed to "review the 1956 Education Policy; its implementation, its future, to consider the national and financial implication of the policy including the introduction of free primary education; and to make recommendations." Report of the Education Review Committee, p.1
[34] Bumiputera literally translates to 'children of the soil'.
[35] See: http://www.epu.gov.my/sites/default/files/chapt%201.pdf

directly serve the public. Instead, NGOs with close connections to the ruling political parties were the ones given the opportunity to provide public assistance, leaving very little space for truly independent Third Sector organisations to operate (Farouk 2011). State sponsored NGOs are common in Malaysia, often located within a government department or agency and are fully dependent on the state for human resource and funds (Hassan 2003). These quasi-NGOs are conduits of government policy and were established to assist disadvantaged rural communities. Some are used as vehicles for political support and although not officially part of the government, they do work closely with and contribute to, the State's policy development and decision making (Alatas 2003). Some organisations could also be taking what Brown et al. (2004) terms as *'effecting changes from within'* approach by aligning themselves with the government in the hope of influencing policy changes through governmental channels.

The Malaysian government also sponsors a number of Islamic NGOs, both to counter the influence of independent grassroots Islamic NGOs and to connect directly with the Malay Muslim electorate. These 'government-linked' organisations seldom if ever publicly express evaluative or critical opinions on government policies touching upon Islam and the Muslim community, and most simply function as service and welfare organisations (Hassan 2003). This is consistent with Alterman and Hunter's (2004) observation that State interference on religious management often leads to State-sponsored philanthropic institutions promoting the government's interests.

A significant attempt to control the activities of societies occurred in 1981 when the government attempted to amend the Societies Act, to give the State power to ban any organisation, remove its office bearers and amend the society's constitution[36]. The incumbent Deputy Home Affairs Minister at the time claims that even organisations that appear harmless have the potential to become a security threat. He stressed that the government needs keep a tight rein on all organisations in order to monitor for dangerous trends in their activities[37]. The events of 1981 were not unusual as efforts to monitor and regulate the activities of non-governmental and civil society organisations have been present since the British colonial administration (Douglas 1972). Fear of secret-society activities, communist penetration, foreign subversion and communal violence are among the reasons given for imposing such controls (Barraclough 1984). Government restrictions on the activities of NGOs compelled consumer groups to undertake responsibilities outside their normal scope of activities such as highlighting social issues and participating in socio-political campaigns on behalf of the needy and the disadvantaged (Hilton 2007). Weiss (2003) counts the restrictive political environment, shortage of funds, difficulty in

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[36] See '*The New Scientist*', 9 April 1981, p.71
[37] Reported in '*The Star'* newspaper on 9 December 1980.

getting public support, ethnic and religious differences as the major constraints faced by NGOs in Malaysia. Despite these challenges, visibility and impact of NGOs was felt from 1980s onwards, a consequence of the creation of a new Malaysian middle class (Harding 1992).

In addition to the restrictive policies and strong direct state participation in the Third Sector, NGOs also faced obstacles in obtaining approvals to register their organisations. This is illustrated by the following two scenarios involving NGO registration approval. The first one involved HAKAM, a Malaysian human rights NGO, whose application took three years to approve (Khoo 2013). The other scenario saw the Registry of Societies (ROS) approving the registration of the Sarawak Progressive Democratic Party (SPDP) within three days, yet Parti Sosialis Malaysia (the Malaysian Socialist Party) had to wait for ten years before approval was granted[38]. NGOs however have found ways to overcome this obstacle. They either register as a business or a company (Section 8.4) or do not register at all (Harding 1992). The latter option renders them an illegal society but in the short run is the most convenient option. The first two options are faster and less bureaucratic methods of achieving legal status.

Many Malaysian NGOs are identified with a particular individual or a small group of intellectuals, with comparatively little public involvement (Harding 1992). While it may still be common to see NGOs identified with prominent personalities, public involvement is much higher today given the more educated population as well as the advent of social media. Many charitable organisations try to have a prominent personality on its board to provide legitimacy and visibility (Cogswell 2002). A prominent or religious personality lending their image to an NGO is also viewed as a public relations exercise, it gives the impression that the NGOs is more trustworthy and donors can be more confident of proper use of their donations (Alterman and Hunter 2004). In recent years, Malaysia has also seen a rise in the number of corporate and corporate personality backed charities (Backman 2008).

## 3.3 Religion, ethnicity and culture

The non-profit sector tends to be larger in countries where the population is more diverse in terms of ethnicity and religion (Salamon and Anheier 1997). Malaysia is one such country (Section 7.1) and the aforementioned finding rings true where ethnic and religion based TSOs are highly visible (Chapter 7). Religion was found to have made a significant contribution to the development of European social economy (Defourny and Develtere 2009) and is also a factor that drives philanthropy (Ghaus-Pasha 2004).

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[38] See https://www.malaysiakini.com/news/13627

Ethnicity is defined by common ancestry and culture, linked by a homeland and held together by a sense of camaraderie (Hutchinson and Smith 1996:6). A native Malay or Bumiputera is recognised as the indigenous population due to their homeland being Malaysia, similarly, the Chinese and Indians are ethnically defined by their homeland. Elements of Hutchinson and Smith's definition is also present Article 160 of the Malaysian constitution where a "Malay" is constitutionally defined as a person who professes the religion of Islam, habitually speaks the Malay language, conforms to Malay custom and the issue of a person born in the Federation of Malaysia.

Early Malaysian associations oriented around ethnicity and religion (Winder 1998; Nga and King 2006). Their links with places of worship and clan networks explain the continuing communal tendencies seen today (Weiss 2003). Philanthropy in Malaysia is also mostly ethnic and religion specific, and the donor and recipient tends to be from the same racial or religious group (Cogswell 2002), proceeds of religion-based charities are often distributed along religious lines. Individual philanthropic acts in the Muslim community are more likely to be through religious institutions especially the mosques (Mazlan et al. 2015) or directly from giver to recipient (Alterman and Hunter 2004). Giving behaviour among Muslims and Christians in Malaysia were also found to be motivated by religion (Nga 2015). Religious celebrations often include charitable acts, something which suggests either religion being the driver of such acts or traditional calls for donations to be made during religious festivals (Cogswell 2002).

Malay/Muslim-run social organisations were slow to emerge as the expectation amongst the Malays is that rulers and governments are responsible for welfare of the people (Weiss 2003). Islamic movements emerged in Malaya during early 1900s and often began as associations focused on non-partisan religious activities such as communal welfare, religious education and social issues (Hassan 2003). In Muslim societies, professional private-sector funeral directors or undertakers do not exist as funeral services are undertaken by the local community on a voluntary basis. There are 6,586 mosques[39] in Malaysia and each would have their own 'funeral assistance association' known as *khairat kematian*[40]. However, this research only found 1,238 such associations, suggesting that a large number of them are not registered.

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[39] Figure as of 21 November 2018. Source: Department of Islamic Development, Malaysia. http://www.data.gov.my/data/ms_MY/dataset/senarai-masjid-di-seluruh-malaysia [accessed 11/03/2019]
[40] 'Khairat kematian' is categorised as a mutual benefit organisation by the Registrar of Societies. See:https://www.academia.edu/8261480/Khairat_Kematian_Dalam_Komuniti_Islam_Death_Fund_Concept_in_Muslim_Society_

*Waqf*[41] is another example of Islam-based Third Sector concept. *Waqf* is the benevolent act of transferring the ownership of a property from private individuals to the general public (Alhabshi 1991). Once an asset is made a *waqf* it cannot be returned to the owner or sold to a private buyer, and can only be used in the way intended by the benefactor (Sadeq 2002). *Waqf* assets in Malaysia until recently, were mostly used for religious purposes; mosques, religious schools, orphanages and cemeteries being some of the most common (Perai 2005). *Waqf* has seen a revival in Malaysia during the past decade. In 2006, Johor Corporation established the Waqaf An Nur Corporation (WANCorp) with an initial endowment of RM250 million worth of listed and unlisted company shares. They are an example of a successful corporate *waqf*, at the end of 2015, their assets had grown to RM786 million[42]. Numerous cash *waqf* schemes have been launched by State religious authorities[43] and corporate bodies such as Perbadanan Wakaf Selangor (PWS) and Yayasan Waqaf Malaysia (YWM) were set up to professionally manage and develop *waqf* properties. Even the financial services industry supports *waqf*; Bank Muamalat is a *waqf* collection agent for Perbadanan Wakaf Selangor. In 2014, Maybank Islamic announced it will provide RM20 million seed capital to a Waqf Fund which will be invested into investment portfolios, to include fixed income, equities, balanced fund and real estate[44]. UDA Waqf Sdn. Bhd., a subsidiary of UDA Holdings was set up in 2015 to develop *waqf* land in Malaysia as part of the company's effort to ensure growth and diversification of *waqf* assets[45].

Christian missionaries were also active participants in the early Malaysian Third Sector, establishing independent non-state education institutions and care homes such as 'Home for Handicapped', established in 1911 and St. Nicholas home for the blind established in 1926 (Jayasooria and Ooi 1994). Some of the earliest recorded mission schools include St. Thomas' School and St. Mary's School, in Sarawak (1848); St. Xavier's Institution and Convent Light Street, in Penang (1852); and Infant Jesus Convent in Melaka (1860). The Anglican Church, Methodist Church and The La Sallian Brothers are among the biggest education providers in pre-independent Malaysia. The Mission Authorities however lost control of the schools in 1971, when almost all of the teachers in mission schools opted to join the civil service (Tay 2012).

Community work has been part of the traditional Malay community's customs and practices but participation in associational life appeared limited because their communal activities tend to be less formal and organised around religious institutions. The Malays subscribe to the concept of

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[41] Foundation or endowments, based on Islamic principles.
[42] See: IKIM views, *The Star*, 18 October 2016
[43] Every state has their own cash waqf scheme, source: department of Islamic religious affairs websites of individual states.
[44] See www.malaysianreserve.com – "Maybank Islamic's RM20m to Waqf fund", 29 October 2014
[45] See sunbiz@thesundaily.com, 21 January 2015

'*gotong royong*' which loosely translated means voluntary mutual assistance. Thompson (2004) observed that in rural Malay communities, *gotong royong* is common during festivities such as weddings where family and neighbours contribute effort, food, decorative items as well as money. *Gotong royong* is also evident during religious festivals, especially Eid ul Adha. The construction of public infrastructure and religious amenities, such as small bridges and mosques, are also sometimes undertaken through *gotong royong* (Thompson 2004; Hatta and Saad 2014). This is seen as a manifestation of the spirit of '*ummah*' (unity) amongst the rural Malays (Denker 2007). While *gotong royong* may be an informal activity it serves as the catalyst for more structured and formal organisations aimed at mutual help. Malay associations only grew post 1910 when more rural Malays became urbanised and educated (Weiss 2005). These early Malay membership-based recreation, sports and studies clubs were mainly run along economic and educational lines. These societies, initially focussed on social, cultural and economic activities, became more political in 1930s as the efforts towards independence and self-government began to intensify. This was also a period when newspapers started to play a major role, becoming catalysts of the Malay civil society movement (Weiss 2003; Hassan 2003). From the 1950s onwards, Malay associations were either led by bureaucrats and aristocrats, or teachers and journalists; the former tend to be political while the latter are mostly cultural and literary oriented (Weiss 2005). These organisations focus mainly on nationalistic, cultural and ethnic specific welfare issues.

Living in a foreign land necessitates the creation of a support system to help the newcomers adapt to the new environment and this is often in the form of non-governmental, Third Sector organisations catering for the needs of the specific immigrant groups. Support systems that help immigrants adapt to a new environment may be religion, clan, cultural or language-based associations which are set up to preserve the culture, language and religion of the migrants. Among the Chinese community, this includes clan associations known as secret societies (Heng 1996). These societies were formed for both economic and welfare functions to meet the everyday needs of Chinese immigrants, including providing job security and financial aid to assist emergency and ceremonial needs. The societies are headed by a '*Kapitan Cina*' (Chinese Captain) who as the local leader, wields considerable power. He polices the community and holds court to settle disputes; keeps a register of arrivals, births and deaths, and conducts religious rites and ceremonies. Until the Second World War, registration of these societies was undertaken by the Secretary of Chinese Affairs, a government department whose primary objective was to monitor Chinese secret societies (Douglas 1972). Chinese secret societies were not only seen as a means to community self-reliance but also alternatives to overcome the shortcomings in the legal system (Weiss 2003). Secret societies however were not exclusively Chinese. Musa (1999, 2006) found evidence of Malay secret societies in Penang during the early 19th century, and in

the 1920s some Malay societies in the southern state of Johor were registered under Chinese Protector Act - an Act that governs Chinese secret societies (Abdullah 2003).

Although most Indian migrants worked in rubber plantations, a number also came as professionals or to work in the civil service. These English-educated professionals established Indian associations in Penang in 1892 and a Pastor of Indian descent at the Methodist Episcopal Tamil Church was instrumental in setting up Indian associations in the towns of Ipoh and Taiping during the early 20th century (Khoo 1992). Early Indian associations were mostly caste-based but by the early 1970s they were all but extinct as caste differences became less relevant (Douglas and Pedersen 1973). A significant amount of Indian associations are organised around the Hindu religion. However, efforts to unite the Indian community under one association were not successful as they are made up of many different ethnic subgroups such as Tamils, Telugus, Malayalis, Punjabis, Gujaratis and Bengalis, and their individual needs cannot be fulfilled by a single association (Kailasam 2015).

During the early part of the 20th century; educated and urban Malays, Malayo-Muslims and Indians were the drivers of their respective Third Sector activities while the Chinese Third Sector was led by influential merchant-entrepreneurs (Weiss 2003). This pattern is consistent with Hilton's (2007) observation that NGOs in South East Asian countries were developed mainly among the educated, urban middle classes.

## 3.4 Conclusions

This chapter investigated the origins and factors influencing the development of the Malaysian Third Sector.

Dynamics of the Third Sector in Malaysia cannot be understood without reference to ethnicity (Douglas and Pedersen 1973; Hilton 2007) not only due to the colonial policies of divide and rule but also post-independence government policies. The polarisation of Third Sector organisations and activities along ethnic and religious lines still persists today (discussed in greater detail in Chapter 7), and is not limited to the TSOs as senior business leaders were also found to act along ethnic lines (Selvarajah and Meyer 2008). Fractionalisation is also prevalent in Malaysian politics and government. The nation's political shape is strongly influenced by racial politics particularly from the 1960s (Lewis 2012) although the seeds were sown much earlier when ethnic based political parties lead the negotiations for independence. In 1984, delineation of the parliamentary constituencies resulted in 70% having Malay majorities (Heng 1996). The previous federal government's ruling coalition was anchored by ethnic based parties representing the Malays, Chinese, Indians and native Borneans. Kelantan is ruled by an Islamist party, PAS, since 1990

and after the 2018 general election, the other eastern State of Terengganu was also won by PAS. NGOs linked to these parties tend to also be established along racial and religious lines.

Another striking feature of the origins and drivers of Third Sector activities and organisations in Malaysia is religion, either through awareness brought about by religious belief or as a means of spreading the religion (Winder 1998; Denker 2007). This is also consistent with the findings that that religion is a major driver of Third Sector activities (Salamon and Anheier 1997; Defourny and Develtere 2009; Nga 2015). In the case of Muslims in Malaysia, religion is also a reason why Third Sector, charitable activities and organisations are unrecorded[46]. However, the full extent and impact of philanthropy in Malaysia is difficult to assess, due in part to the spontaneous and ad-hoc nature of the act (Cogswell 2002) as well as the fragmentation of the regulation that governs it.

The Malaysian social, political and economic structure today is the product of policies constituted during the colonial era throughout the 19th and early 20th centuries. The country's public administration and government policies are also influenced by colonialism. British policies of minimal assistance also contributed to the development of independent and self-sustaining organisations to address social, educational and trade issues especially amongst the Chinese. Colonialism therefore not only brought immigration and industry to Malaysia but also contributed towards the emergence of the Third Sector. Imperialism calls for a different approach in describing the Third Sector in the developing world as theories describing Third Sectors in Western countries may not be entirely relevant to the developing world as it is influenced by different needs and factors (Bidet 2002; Salamon and Anheier 1997).

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[46] An example of a religious injunction calling for good deeds to be done unnoticed is found in verse 271 of chapter 2 of the Quran which reads *"If you disclose your Sadaqaat (almsgiving), it is well; but if you conceal them and give them to the poor, that is better for you."*

# Chapter 4: Regulating the Malaysian Third Sector

## 4.1 Introduction

The right to associational life is guaranteed by the Malaysian constitution under article 10(1)(b): all citizens have the right to assemble peaceably and without arms, and 10(1)(c): all citizens have the right to form associations. Third Sector organisations in Malaysia can come in many forms; individuals or corporations may set up charitable associations, foundations, non-governmental organisations or civil society organisations.

Regulation of non-governmental and non-commercial organisations in Malaysia began in 1869 with the enactment of Ordinance XIX of 1869: An Ordinance for the Suppression of Dangerous Societies. This legislation was a response to the frequent riots between Chinese secret societies (Cheng 1972). The 1869 ordinance however only served as a means of registering secret societies and did very little to control their activities. Registrations of societies other than Chinese secret societies were not compulsory prior to the enactment of the Societies Ordinance in 1949 which required all societies in the federation of Malaya to be registered or apply for exemption from registration (Douglas and Pedersen 1973).

To understand the Third Sector legal and regulatory environment better, an overview of the Regulators, and their governing laws is presented.

## 4.2 Malaysian Third Sector Regulators

Third Sector organisations in Malaysia have a number of registration options to choose from. There are seven regulatory agencies and multiple individual Acts of Parliament regulating Malaysian Third Sector organisations. A Third Sector organisation can either be registered as an association with the Registrar of Societies (ROS), or a non-profit company limited by guarantee (CLBG) with the Companies Commission of Malaysia (SSM), or as a foundation with the Legal Affairs Division of the Prime Minister's Department (BHEUU). Section 7(2)(3) of the Youth Societies and Youth Development Act 2007 compels youth societies[47] to register with the Registrar of Youth Societies (ROY) while sports associations are required by the Sports Development Act to register with the office of the Sports Commissioner (SCO). Charitable trusts and foundations can also be registered at the Labuan International Business and Financial

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[47] By law, a 'youth society' is an organisation whose members must be between the ages of 15 to 40 as per Section 2 of the Youth Societies and Youth Development Act 2007, failure to comply may be subject to a fine under Section 122 of the same Act.

Centre[48]. Trade unions are regulated by the Department for Trade Union Affairs (JHEKS), a department in the Ministry of Human Resources.

While the ROY and SCO only regulate youth and sports organisations and JHEKS, trade unions, any other TSOs are free to choose their preferred platforms from amongst the other Regulators. A Malaysian Third Sector organisation can only be registered with one Regulator; dual or multiple registrations is not allowed.[49]

### 4.2.1 The Registrar of Societies

The Registrar of Societies (ROS) is an agency under the Ministry of Home Affairs and is responsible for enforcing the Societies Act 1966, and registering and overseeing the activities of societies, clubs, associations, mutual benefit societies and political parties. One of the main roles of the ROS is to monitor the activities of registered societies to ensure they are in accordance with their stated purposes and do not contravene any laws or threaten public order and security. Other duties of the ROS include approving the appointment of societies' office bearers, inspection of societies' financial accounts and minutes of meetings, and taking legal action against office bearers and officials of registered societies found to have breached the provisions in the Societies Act. The ROS previously regulated the registration and activities of trade unions (prior to 1966), sports associations (prior to1998) and youth societies (prior to 2007)[50].

The 1949 version of the Societies Ordinance was used until 1966 when it was replaced with the Societies Act. The 1966 Act was itself a merger of three ordinances; the 1949 Ordinance for the Federation of Malaya, the 1957 Ordinance for the State of Sarawak and the 1961 Societies Ordinance of the State of Sabah. Resulting from the Act, the Trade Unions Registration Office was removed from the purview of the newly established Registrar of Societies[51].

The Societies Act 1966 stipulates that any association of seven or more persons other than trade unions, cooperative societies and parent teacher associations must register with the Registrar of Societies. Section 2 of the Societies Act defines "society" as any club, company, partnership, or association of seven or more persons whatever its nature or object, whether temporary or permanent, but does not include any company or association registered under any other written law, trade union or co-operative society. The Act does not impose any restrictions on the activities

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[48] Labuan is a Malaysian midshore financial centre.
[49] This research however found a few organisations with 'dual' registrations, but only among youth or sports organisations, their ROS registrations are still recorded even after migrating to ROY or SCO. This is not a case of dual registration but probably more of administrative oversight on the part of ROS.
[50] http://www.ros.gov.my/index.php/en/maklumat-korporat/sejarah-penubuhan
[51] http://www.ros.gov.my/index.php/my/maklumat-korporat/sejarah-penubuhan

of a registered society for as long as they are in accordance with and adherence to the provisions of the Federal and State Constitutions. Malaysian political parties are also registered with the ROS and governed by the Societies Act. ROS registered associations are allowed to undertake any commercial activity provided that it was not formed specifically for the purpose of engaging in commercial activities for profit.[52] The Act also states that founders of associations must be Malaysian citizens; non-citizens, refugees or stateless persons are not permitted to set up associations in Malaysia.

Associations registered with the ROS may choose to be classified into one of the following categories[53]:

1. Welfare
2. Social
3. Religion
4. Recreation
5. Commerce
6. Art and Culture
7. Mutual benefit
8. Professional
9. Security
10. Rights
11. Politics

*Sabah*

The Sabah State Registry of Societies, initially known as the Registrar of Societies, Colony of North Borneo, was set up in 1948 under the Sabah State Labour and Welfare Department. The State Labour and Welfare Department enforced the Societies Ordinance 1947, 1949 and 1961 and the Societies Act 1966.The Sabah State Registry of Societies was separated from the State Labour and Welfare Department on 1 March 1974. Prior to 1 May 1974, the designation of Sabah Assistant Registrar of Societies was Deputy Registrar of Societies.

*Sarawak*

Laws relating to societies in Sarawak were first introduced by the Brooke administration in 1870 to curb illegal societies known as '*Secret Hueh*'. The laws were later repealed and replaced by Order No S-1 (Societies) 1927 and Order No S-1 (Societies) 1930. During British rule, the

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[52] http://www.ros.gov.my/index.php/en/soalan-lazim
[53] http://www.ros.gov.my/index.php/my/semakan-pendaftaran to view list and 'semasa pendaftaran' in https://www.eroses.gov.my/faq/#

registration of societies in Sarawak was under the responsibility of the Chinese and native affairs officers appointed by the British administration in the state. Registration and monitoring of societies in Sarawak were later placed under the responsibility of the Police Department which was known as the Sarawak Constabulary. The officer entrusted with the task was known as the Sarawak Registrar of Societies. Several years later, society affairs were placed under the National Registration Department until the establishment of the Registrar of Societies in Kuala Lumpur in 1966.

The Sarawak Societies Ordinance 1947 was introduced to replace Order No S-1 (Societies) for the registration and monitoring of societies. It was replaced by the Sarawak Ordinance 1957. Following the formation of Malaysia in 1963, application of the Societies Act 1966 was extended to Sarawak, replacing the Sarawak Societies Ordinance 1957.

### 4.2.2 Companies Commission of Malaysia

The Companies Commission of Malaysia (known by its Malay acronym SSM) is a statutory body regulating companies and businesses in Malaysia established in 2002 from the merger of the Registrar of Companies and the Registrar of Businesses. Its main activity is to facilitate companies' incorporation, register sole proprietorships and partnerships, and provide company information to the public. SSM is responsible for the administration and enforcement of the Companies Act 2016.

Under Section 45 of the Companies Act, non-profit distributing private entities can be formed for promoting charitable and socially useful objectives, enabling Malaysian TSOs to register as Companies Limited by Guarantee (CLBG). CLBGs are formed for non-profit activities and in the event of a winding-up, liability of the members is limited to the amount they have undertaken to guarantee in the memorandum of association[54].

Unlike associations registered with the ROS, CLBGs registered with the SSM are not allowed to engage in political activities. TSOs registered as CLBGs with SSM have the same statutory obligations as other companies under the Companies Act 2016. A CLBG is however not allowed to distribute any dividends to its members and must reinvest its profits into the operations of its activities. The downside of registering a TSO or charity as a CLBG is that the Companies Act requires CLBGs to secure RM1,000,000 (£185,000) worth of cash donations within six months of incorporation[55].

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[54] Section 10(3) Companies Act 2016
[55] ibid; 8(h)(i)(j)

A CLBG can only be formed for the following purposes:[56]

1. Provide recreation or amusement;

2. Promote commerce and industry;

3. Promote art;

4. Promote science;

5. Promote religion;

6. Promote charity;

7. Promote pension or superannuation schemes; or

8. Promote any other objects useful for the community or country, such as:

   i. environment;

   ii. health;

   iii. education;

   iv. research;

   v. social; or

   vi. sports

CLBGs registered with the SSM are exact duplicates of societies registered with the ROS in terms of permitted activities. Also, CLBGs can be incorporated as bodies engaged in amateur sporting activities which is a duplicate of sports associations registered with office of the Sports Commissioner.

### 4.2.3 Office of the Sports Commissioner

The Office of the Sports Commissioner (SCO) was established in January 1998 after the enactment of the 1997 Sports Development Act. The SCO is an agency under the Ministry of Youth and Sports and its role is to enforce the Sports Development Act, register and monitor the activities of sports associations and promote the development of sports in general. It is also tasked with ensuring the proper management and development of sports bodies and associations. Section 15(1) of the Act requires all sports bodies to be registered with the Commissioner before being allowed to carry out any sporting activity.

Section 2 of the Act defines 'sports body' as an association, club, society or company which acts as the governing or representative body of a sport in Malaysia whether at district, State or national level. The Act also defines 'sporting activity' to include:

1. organising sporting competitions, seminars, clinics or courses;

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[56] Section 45 Companies Act 2016

2. sending participants to sporting competitions or events

With the establishment of the SCO, the registration and supervision of sports associations cease to be under the purview of the ROS[57]. However, amateur sporting organisations can still choose to be registered either as a CLBG with the SSM or a foundation under the Labuan Financial Services Authority which somewhat dilutes the role of SCO as the main regulator of sports associations in Malaysia.

### 4.2.4 Registrar of Youth Societies

The Registrar of Youth Societies (ROY) is also an agency under the Ministry of Youth and Sports. It was established in 2007 in upon the enactment of the Youth Societies and Youth Development Act. The role of the ROY is to enforce the Act, register and monitor the activities of youth societies, establish rules and guidelines pertaining to the management of youth organisations. The Registrar also acts as an intermediary in disputes between youth organisations.

Similar to the SCO, the ROY takes over all registration and supervision responsibilities of youth societies from the ROS[58]. However, despite the requirement for youth organisations to be registered with the ROY, this research found some still registered with the ROS.

Section 2 of the Youth Societies and Youth Development Act 2007 states that a "youth society" means any society having the following criteria:
1. Has a name which contains the word "youth" or a word with similar meaning;
2. Ages of members between 15 and 40 years old;
3. Has the objective of conducting youth activities;

The Act also defines "youth activity" as any activity involving youths whose objectives include the following:
1. Character building;
2. Develop patriotism among youths;
3. To spread the principles of the "*Rukun Negara*[59]";
4. Create the awareness of negative elements and values amongst the youth;
5. Create awareness of culture, the environment, sports, health, spirituality and social welfare amongst the youth;
6. Youth participation in community development programmes;

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[57] Section 16 of Sports Development Act states on the date the Act comes into force, any sports body registered under the Societies Act 1966 shall cease to be registered under the Societies Act 1966.
[58] Section 7(3) of the Youth Societies and Youth Development Act
[59] Pledge of National Principles; was formulated with the intention of providing guidance for nation-building efforts in the aftermath of the 1969 racial riots.

7. Leadership skills and entrepreneurship training

In addition to the age limit for members, a person appointed or elected as a head in any youth society at the national level is not allowed to hold office for a period exceeding six years continuously.

## 4.2.5 Legal Affairs Division of the Prime Minister's Department

Any individual, society or company may set up a foundation by applying to the Minister in the Prime Minister's Department. One of the roles of The Legal Affairs Division of the Prime Minister's Department (known by its Malay acronym BHEUU) is to administer the Trustee (Incorporation) Act 1952[60]. Section 2 of the Act requires trustees registered as a body corporate (foundations) to only be established for religious, educational, literary, scientific, social or charitable purposes and are not allowed to engage in any activities with the intention of making profits. The BHEUU however allows foundations under its purview to classify themselves under more than one category, and may even identify themselves as operating under all six categories if they so wish. This however may make classification for analysis difficult due to the overlapping categories raising the possibility of 'organisations with multiple objects' being the most populated category. The Trustees (Incorporation) Act however, only applies to foundations established in States in the Malaysian Peninsular. It does not govern a private charitable trust which is established via either a trust deed, declaration or through wills. Charitable trusts in the state of Sarawak are governed by the Charitable Trusts Ordinance 1994 while the Trustee (incorporation) Ordinance governs trustees in the state of Sabah.

BHEUU registered foundations are allowed to invest excess funds in any financial instrument deemed fit by the trustees but must use the returns from the investment on activities stipulated in the foundation's deeds. They also have perpetual succession and the power to sue and be sued in in its name.

## 4.2.6 Labuan Financial Services Authority

Labuan Financial Services Authority (LFSA) oversees the Labuan International Business and Financial Centre (IBFC), a midshore[61] financial centre offering a wide range of business and investment structures including wealth management solutions supported by internationally-recognised legal framework. The Labuan Foundation Act 2010 was introduced to diversify the investment structures offered by Labuan IBFC by enabling the use of foundations as an

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[60] http://www.bheuu.gov.my/index.php
[61] A "midshore" jurisdiction combines offshore traits such as zero (low) taxes and banking secrecy with the robust regulatory framework of an onshore financial centre.

alternative to trusts. As a result, the number of new Labuan trust registrations have reduced drastically since the introduction of the Labuan Foundations Act in 2010[62].

According to the LFSA 2016 annual report, 44 charitable foundations and 144 non-charitable foundations are registered with the Labuan IBFC in 2016. However, as at 31st March 2018, the LFSA website[63] only lists 17 active charitable foundations. Due to the nature of the jurisdiction, not much information can be obtained on the 17 organisations apart from those freely available on the internet.

Charitable foundations in Labuan are set up for various non-profit or philanthropic goals while the non-charitable foundations are geared towards wealth management or estate planning. As per the Guidelines on the Establishment of Labuan Foundation, a 'charitable purpose' means and includes any of the following description of purposes[64]:

1. Prevention and relief of poverty;
2. Advancement of religion, profession or education;
3. Advancement of health including prevention and relief of sickness, disease or human suffering;
4. Social and community advancement including care, support and protection of the aged, people with a disability, children and young people;
5. Advancement of culture, arts and heritage;
6. Advancement of amateur sports;
7. Promotion of human rights, conflict resolution and reconciliation;
8. Advancement of environmental protection and improvement;
9. Advancement of animal welfare; or
10. Advancement of facilities for recreation or other leisure-time occupation in the interest of social welfare.

### 4.2.7 Department for Trade Unions

The Department for Trade Union Affairs (known by its Malay acronym JHEKS) is a unit of the Ministry of Human Resources set up with the objective of regulating trade unions and to administer the Trade Unions Act 1959. The role of the department is to register trade unions, monitor their activities to ensure that they are operating within the confines of the law. The department also organises programmes to educate union officers on matters relating to the

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[62] Labuan FSA Annual Report 2016, p.51
[63] https://www.labuanibfc.com/areas-of-business/financial-services/wealth-management/list-of-labuan-foundation-charitable-solicit-public-donation [Accessed 31/03/2018]
[64] https://www.labuanibfc.com Guidelines on the Establishment of Labuan Foundation Including Islamic Foundation, revised 4 April 2016 [Accessed 31//03/2018]

management of unions. Section 26 of the Trade Unions Act 1959 states that any person over the age of eighteen who is employed or engaged in any establishment, trade, occupation or industry qualifies to be a member of the trade union representing the establishment. The Act states that the object of trade unions is to regulate the relations between employees and employers for the purposes of promoting good and harmonious industrial relations, improving the working conditions or enhancing their economic and social status, or increasing productivity including representing either party in matters relating to trade disputes. Similar to the Societies Act, the Trade Unions Act also requires the application to be made by a committee of seven persons and the Director General of JHEKS may reject the application if the objectives stated in the union's constitution are not in line with the regulations of the Act. While trade unions are allowed to employ management staff, Section 28(1)(b) of the Trade Union Act 1959 stipulates that union officers must be employed for at least one year in the industries or institution they represent; therefore, their main careers are not with the union. Their role in the union could be seen as an additional service given to help promote and advance the industries' or the employees' cause.

### 4.2.8 TSOs governed by specific Acts of Parliament

This however does not present the complete picture of the Malaysian Third Sector. A number of TSOs are not registered with any of the above-mentioned statutory bodies but are instead governed by individual Acts of Parliament. The following is the list of TSOs governed by Acts of Parliament:

1.   Parent-Teachers Associations (under the Education Act)
2.   Boy Scouts Association of Malaysia (Incorporation) Act
3.   Girl Guides Ordinance
4.   Malaysian Red Crescent Society (Incorporation) Act (formerly known as Red Cross)
5.   St. John Ambulance of Malaysia (Incorporated) Act
6.   Pure Life Society (Shudda Samajam) (Incorporation) Ordinance
7.   Salvation Army (Incorporation) Ordinance
8.   Farmer's Association Act
9.   Fishermen's Association Act
10.  Planter's Association of Malaya (Incorporation)

Table 4-1 below lists the types of organisations regulated by each regulator. The Legal Affairs Division only regulates trusts and foundations domiciled in Peninsular Malaysia while the LFSA regulates trust and foundations regardless of where they are domiciled.

*Table 4-1: Regulators and Organisation type*

| Regulator | Organisation type |
| --- | --- |
| Registrar of Societies | Associations |
| Registrar of Youth Societies | Youth associations |
| Commissioner of Sports | Sports associations |
| Companies Commission of Malaysia | Companies Limited by Guarantee |
| Legal Affairs Division of the Prime Minister's Department | Trust / Foundation |
| Labuan Financial Services Authority | Trust / Foundation |
| Department for Trade Union Affairs | Trade unions |

Table 4-2 lists ministries overseeing each regulator and its governing law. Apart from ROY and SCO all other Regulators report to different ministries.

*Table 4-1: Regulators, ministers and governing laws*

| Regulator | Ministry | Governing Act |
| --- | --- | --- |
| Registrar of Societies | Home Affairs | Societies Act 1966 |
| Registrar of Youth Societies | Youth and Sports | Youth Societies and Youth Development Act 2007 |
| Commissioner of Sports | Youth and Sports | Sports Development Act 1997 |
| Companies Commission of Malaysia | Domestic Trade, Co-operatives and Consumerism | Companies Act 2016 |
| Legal Affairs Division of the Prime Minister's Department | Prime Minister's Department | Trustee (Incorporated) Act 1952 |
| Labuan Offshore Financial Services Authority | Finance | Labuan Foundation Act 2010 or Labuan Trust Act 1996 |
| Department for Trade Union Affairs | Human Resources | Trade Union Act 1959 |

The following section discusses variations between the different Regulators when dealing with identical issues.

## 4.3 Regulatory requirements and treatments

The seven regulatory bodies are governed by different Acts of Parliament. While some of the clauses have similar terms, they generally have differing treatments to most aspects of governance as each type of organisation is meant to serve different purposes. Societies under the ROS are conduits for social and associational life while trusts and foundations registered with BHEUU and LFSA have charitable objectives. CLBGs can undertake commercial transactions but not

allowed to distribute its profits while ROY, SCO and JHEKS oversee organisations with very specific purposes. This section details the differences in regulatory requirements and treatments imposed by each regulator.

### 4.3.1 Registration requirements

Different Regulators have different registration requirements; BHEUU only requires a minimum of two individuals, a society or company to act a founding trustees while the Companies Commission requires a CLBG to have a company secretary and at least one director. The ROS, ROY and JHEKS require a pro-tem committee of seven founding members to submit the application for a society, youth association or trade union. This may not be a problem for trade unions or groups with a large base but for a small or s a 'start-up' type of organisation, getting seven people to commit may be difficult. The Sports Commissioner requires the minutes of a 'sponsor's meeting' be signed by two pro-tem committee members for an application to establish a sports association to be considered. There is however no mention of the minimum number of founding members in the Sports Development Act.

The founder of a Labuan charitable foundation has to appoint a registered Labuan trust company to be the secretary of the proposed Labuan foundation who will then manage the registration process. The trust company appointed as the secretary to the foundation shall maintain and ensure all records are kept up-to-date to be inspected by the Labuan FSA whenever requested. A Labuan charitable foundation that intends to solicit donation from the public must appoint a council of at least three fit and proper persons and while the founder may be a council member, the majority of the council members shall be independent of the founder. In addition, they are also required to submit a proposed general operating plan, which include the management of the property in regard to the utilisation and distribution of the property, the strategy of the foundation including its investments and other related information. This requirement is not explicitly stated by all the other Regulators.

At the moment, a foundation registered with the Legal Affairs Division only requires RM1,000 in initial funds but TSOs wishing to register as CLBGs with the Companies Commission require RM1 million[65]. There are no financial requirements imposed by the ROS, ROY or SCO, apart from the nominal registration fee. A Labuan foundation is required to specify in its charter the type of initial assets endowed for the establishment of the foundation at the point of its registration, there is no explicit limit on the amount or type.

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[65] Only for CLBGs wishing to omit the word 'Berhad/Bhd.' which is the Malaysian equivalent to 'Limited/Ltd., from their names.

## 4.3.2 Assets

CLBGs are not allowed to acquire or dispose any real estate without the approval of the Minister of Domestic Trade, Co-operatives and Consumerism. A society registered with the ROS has the status of an unincorporated entity, it cannot hold properties unless it is vested in the name of the trustees[66]. Being a body corporate, a foundation registered with the BHEUU may, subject to the terms contained in its certificate of registration, purchase, sell or transfer movable and immovable property[67]. Section 11(1) Labuan Foundations Act stipulates that any assets endowed to a Labuan foundation shall be the properties of the foundation and is to be utilised solely for the purposes and objects stated in the charter of the foundation. Being assets of the foundation, they may not be withdrawn throughout the lifetime of the foundation. Section 11 of the Youth Societies and Youth Development Act requires the movable property of any youth society, to be vested in the name of the trustees or the society's governing body. The Sports Act does not have policies regarding ownership of assets.

## 4.3.3 Permissible activities

Foundations registered with the BHEUU are allowed the most flexibility to decide its activities, they are allowed to list their activities under six different categories but are not allowed to engage in any activities with the intention of making profits. They may however invest excess funds in any financial instrument deemed fit by the trustees but returns from the investment can only be used for activities stipulated in the foundation's deeds.

CLBGs are required to specify their principal activity from the list of eight objectives hence grant making organisations registered as CLBGs tend to have more than one objective listed in their constitution[68].

A society under the ROS can only choose one type of activity and is prohibited from undertaking certain specified activities such as trade unions, managing educational institutions or cooperatives[69]. Unlike CLBGs and BHEUU foundations, associations registered with the ROS are allowed to undertake political activities, Malaysian political parties are registered under the ROS and governed by the Societies Act 1966. In general, there is no restrictions on the recipients of a charity's services but Section 2 of the Societies Act stipulates that mutual benefit societies

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[66] Section 9 Societies Act; see also: Societies' right to own property, *The Star*, 18 April 2000.
[67] Section 2(3) Trustee (Incorporation) Act 1952
[68] For example a large corporate backed grant making foundation funds programmes on education, the environment, sports, arts and culture and community and health.
[69] See http://www.ros.gov.my/index.php/en/perkhidmatan

registered under the Act are not allowed to provide any benefits to persons other than the families of its members.

A sports association registered with the Sports Commissioner is restricted to the specific sport identified in its constitution. They are not allowed to organise any other sporting, recreational or welfare activity. Activities undertaken by the youth association must be within the specified objectives outlined in the Act and only intended for persons defined by the Act as 'youths'.

### 4.3.4 Naming conditions

The ROS has no restrictions on association's names provided they are not misleading or vulgar. Duplicate names are not allowed but the use of English language is permissible. Acronyms must also be officially registered with the ROS for it to be used by the association[70].

The SSM is rather strict on the choice of names for CLBGs. Approvals or permission in writing is required if the company intends to use an individual's name or a name already in use by a corporation, even if the CLBG is sponsored by the said corporation. CLBGs are not allowed to include *Persatuan* (Association), *Kesatuan* (Union) or *Pertubuhan* (Society) in their names[71]. If the CLBG wishes to omit the word '*Berhad*' (Limited) from its name, approval from the Minister of Domestic Trade, Co-operatives and Consumerism is required. A CLBG cannot have '*Berhad*' if it wishes to include '*Yayasan*' (Foundation) in its name.

The Sports Commissioner requires the names of sports associations to reflect its geographical coverage, whether it is a district, state of national organisation. The word 'Royal' cannot be used in the names of any sport association. Youth societies are compelled to have the word 'youth' or any other word with a similar meaning in their name.

The name of a Labuan foundation must end with the words 'Labuan Foundation' or '(L) Foundation' and may include words in any language for 'foundation' in Romanised characters. Foreign characters, alphabet or language is also allowed provided that its meaning is accurate and certified[72].

The Trustee (Incorporated) Act does not explicitly state naming conditions or requirements.

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[70] See https://www.eroses.gov.my/faq/ search 'nama'
[71] Companies Limited by Guarantee Guidelines, SSM; attachment B,2(g).
http://www.ssm.com.my/sites/default/files/guidelines/GARISPANDUAN%20SBMJ_0.pdf
[72] Section 13(1)(2) Labuan Foundation Act 2010

### 4.3.5 Reporting requirements

The ROS requires societies to submit their annual returns within 60 days of their annual general meeting. Documents forming part of the annual returns include the financial statement, minutes of the annual general meeting, particulars of the office bearers, statement of assets, list of foreign organisations affiliated to the society and list of funders[73].

Companies are longer compelled to hold annual general meetings under the Companies Act 2016. Annual Returns is to be lodged on the anniversary of its incorporation and the date for the lodgement of Financial Statements is within seven months from the financial year end of the company.[74]

Sports bodies are required to submit annually to the SCO the minutes of their annual general meeting, annual financial statement, report on activities undertaken during the previous year, and current membership list. Section 22 of the Youth Development Act requires all youth associations to submit the minutes of their general meeting, list of office bearers, annual financial statement, statement of assets, report on activities undertaken during the previous year, and current membership list. The requirement is almost similar to that of a sports association as they are both under the purview of the Ministry of Youth and Sports.

In addition to the audited accounts, the BHEUU requires the foundation's board of trustees to submit a pictorial report detailing the foundation's activities over the past year. Clause 8 of the Guidelines on the Establishment of Labuan Foundation requires a Labuan charitable foundation that solicits donation from the public to submit their annual audited accounts to Labuan FSA within six months after the close of each financial year of the foundation. Trade unions are required by the Trade Union Act 1959 to submit annual accounts before 1st October every year.

### 4.3.6 Tax exemption status

Any registered TSO may apply for tax exempt status. However, approval for the exemption is at the discretion of the Inland Revenue Board (LHDN). According to the data published on the LHDN website[75], there are currently 1,550 organisations accorded the status, which is very low given that there are almost 80,000 registered TSOs in Malaysia.

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[73] http://www.ros.gov.my/index.php/my/direktori/54-orang-awam/perkhidmatan/147-penghantaran-penyata-tahunan
[74] See: http://www.theedgemarkets.com/article/first-phase-companies-act-2016-kicks-today
[75] Accessed on 17 July 2017

## 4.4 TSO regulation in South East Asia

Multiple agencies regulating the Third Sector organisations is not unique to Malaysia. This section looks at the TSO regulatory environment in four countries who shares their borders with Malaysia.

There are four types of TSOs in Indonesia; foundation, association, mass organisation, and education legal entity (Radyati 2008). A foundation is established by submitting a notary deed to the Ministry of Justice and Human Rights while mass organisations are registered with the Ministry of Home Affairs if they are based in Jakarta or the regional governor's office if the organisation is based outside Jakarta. Associations and education legal entities are formalised by registering with the local or regional judicial office. Governance issues are only specifically addressed by the law governing foundations while laws for other types of TSOs only addresses general matters such as registration, activities and funding sources (ibid).

Foundations and associations are the two main types of TSOs in Thailand. Registration is required with the relevant ministries depending on their activities and services but can only be done after obtaining a permit from the National Culture Commission. The Civil and Commercial Code of 1925 governs the registration of both foundations and associations. The code stipulates that both types of organisations must be established for charitable purposes and perform communal activities without the intention of making profits and cannot directly benefit its founders, managers or members (Vichit-Vadakan 2008).

The requirement to set up a TSO in Singapore is very similar to Malaysia; to apply for registration as a charity, an organisation has to be a legal entity registered as either a society under the Singaporean Registrar of Societies or company limited by guarantee or a trust under the Office of Commissioner of Charities[76]. However, despite the different platforms, the issue of differing regulations may not be much of a concern due to the presence of a central charities regulatory agency to oversee the sector.

The Philippines allows TSOs to operate without having to officially register with any government agency. Despite not being mandatory, registration will give TSOs benefits such as tax exemption and access to government funding. TSOs are encouraged to register with the Securities and Exchange Commission as a non-stock, non-profit corporation. However, despite having a single registration agency, approval and accreditation to offer services has to be obtained from different

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[76] See https://www.charities.gov.sg/setting-up-a-charity/Registering-for-a-new-charity/Pages/Other%20Requirements%20for%20Registration%20as%20a%20Charity_IPC.aspx

government departments and agencies, depending on the type of activity undertaken or services provided and these multi-layered regulatory requirements are often overlapping (Domingo 2008).

Apart from the Philippines which has only one registration authority, the other neighbouring countries have a similar regulatory pattern to Malaysia which is multiple registration and supervision agencies, with the exception of Singapore which has a Charities Commission to act as the central supervisory body for Third Sector organisations and activities.

## 4.5 Conclusion and summary

Depending on the circumstances, a nongovernmental organisation, society, foundation or a charitable organisation established in Malaysia may choose to be registered under any of the statutory bodies. The choice of which legal form to choose depends on a number of factors and is discussed further in section 8.4.

Different ministries oversee these different regulatory agencies, other government bodies that oversee Third Sector organisations include the Inland Revenue Board which approves and regulates organisations with tax exempt status and the Central Bank (Bank Negara Malaysia) which monitors TSOs to prevent them from being used as vehicles for money laundering or terrorist financing. As a consequence, different TSOs are governed by different regulations and laws. Multiple regulators overseeing TSOs in Malaysia may lead to administrative difficulties especially if there is no uniformity in the supervision and regulation of the sector. Problems could arise when different laws provide different treatments or penalties for similar issues. For example, Section 42 of the Societies Act 1966 states that any person who continues to manage a society whose registration has been revoked is liable upon conviction to a fine not exceeding RM15,000 or imprisonment for a term not exceeding five years, or both. However, Section 81 of the Youth Societies and Youth Development Act 2007 states that any person managing a youth society whose registration has been revoked will only be fined RM5,000 or imprisonment for a term not exceeding one year, or both if convicted.

Lack of transparency could also arise from the differing reporting standards and requirements. Analysis of the sector for policy development and improvements may also be difficult if different agencies have differing record keeping requirements which could result in inconsistent databases. The situation is further aggravated as many organisations which are considered to be part of the Third Sector are not under the purview of any of the statutory bodies or government department and thus may not be included in sector masterplan. During a seminar on NPO Compliance in 2014, the Compliance Director of the SSM admitted that multiple Regulators of TSOs in Malaysia resulted in the sector not having a standard reporting requirement as well as lacking in

transparency as not all information are publicly available. Studies have also found that Malaysian TSOs face minimum regulatory requirements with no financial reporting and governance framework (Hasnan et al. 2012; Arshad et al. 2013; Atan et al. 2012), with current accounting standard not catering to the nature of TSO activity such as value creation, elements within the organisation that should be reflected beyond its financial terms (Othman at al. 2012; Bakar et al. 2014).

Different legal forms may be appropriate or required for different activities or functions such as trade unions but in the context of this research, the issue is not about the legal form per se but more on regulation of the TSO. The regulatory inconsistency especially on treatment of certain offences or interpretation of laws (Chapter 8 discusses this from the perspective of Third Sector actors) could lead to a lot of uncertainty amongst Third Sector practitioners and donors especially when they are unsure of the governing laws and their status and rights. While it may be necessary to have different laws to regulate different types of organisations, efforts should be taken to ensure uniformity of at least the basic governing rules to ensure adequate monitoring, standardised treatment, transparency and accountability of all stakeholders. This could also plug any legal or regulatory loopholes, minimising the possibility of TSOs being misused for unlawful purposes.

# Chapter 5: Methods

This chapter presents the methods applied to address the research questions and to achieve the research objectives. The first section recaps the research objectives and questions. The second section explains the rationale for choosing mixed methods to guide the research, and the third explains the process undertaken during the qualitative phase including sampling, development, transcription, and coding of interviews. Section four discusses the procedures undertaken during the quantitative phase of the research including data collection, approaches to ensure data quality, and the statistical tests undertaken to address research questions two and three. This chapter concludes with a discussion of the limitations of the methods vis-à-vis this study.

The ethics approval for this study was obtained from University of Stirling's Ethics Committee via a letter dated 13 May 2016. The approval was considered as a Light Touch Review as both qualitative and quantitative data collection did not involve any interaction with vulnerable groups or take place in locations deemed to be dangerous or the handling of data considered to be sensitive or pertaining to national security.

## 5.1 Research questions

A research question addresses what the researcher wants to uncover (Bryman 2012:9), as it is a question that specifically addresses the issue to be investigated (Lipowski 2008) and defines the nature and scope of the research (Blaikie 2010:58). It is the most important component of the research process because it forces researchers to precisely identify what they want to find out.

In the effort to present an improved account of the Malaysian Third Sector and to better understand its existence and function, this research asks the following questions:

1. What are the constituents of the Malaysian Third Sector, what are their activities and who are their beneficiaries?
2. How is the sector regulated?
3. What are the relationships between the organisational distribution and the social and economic characteristics of Malaysia?
4. What are the relationships between the organisational distribution and the ethnic and religious demographics of Malaysia?

The first and second questions aim to address the lack of knowledge of the sector's functions by presenting a map of its constituents according to the International Classification of Non-profit Organisations (ICNPO). The map of the Malaysian Third Sector was structured based on the ICNPO categories to enable its activities and beneficiaries to be identified. The third and fourth

questions seek to improve upon the findings of Douglas and Pedersen's 1973 thesis which suggested that the Malaysian Third Sector is structured along ethnic and religious lines and to determine if Malaysia's plural society influences the composition of the Third Sector. The questions also seek to uncover which of the theories provide the best explanation for the Malaysia Third Sector.

## 5.2 Mixed methods

A mixed method design is employed in this research. This approach applies both quantitative and qualitative methods within a single project (Bryman 2012:628) and is one that *"relies on qualitative and quantitative viewpoints, data collection, analysis, and inference techniques combined according to the logic of mixed methods research to address one's research question(s)"* (Johnson et al. 2007:129). A multi method approach is chosen due to the need to obtain an in-depth understanding of the sector by capitalising on the strengths of both the qualitative and quantitative approaches. It is deemed necessary when qualitative or quantitative research is unable to satisfactorily explain the research problem on their own (Creswell and Plano Clark 2011:8-13). Mixed methods studies also provide broader perspectives than those offered by single method designs because they look at the subject from different viewpoints (Becker and Bryman 2004:98-99) and compensate the weakness of one method with the strengths of another (Azorin and Cameron 2010). Mixed method research is also used to expand and/or complement the findings of single method study (Greene et al. 1989) and is seen to provide more balanced and complete results (Johnson et al. 2007).

The choice of this method is also to overcome the lack of basic descriptive information on the sector due to the dearth of quality literature describing and discussing the Malaysian Third Sector. The most common literature on the Malaysian Third Sector tends to relate to financial reporting of charities and non-governmental organisations (Othman et al. 2012; Atan et al. 2012; Hasnan et al. 2012; Arshad et al. 2013). However, the contents of these few published papers are somewhat inconsistent especially parts that attempt to explain the characteristics of the sector, its composition and activities. The definition of the sector was also not thoroughly discussed, which rendered the identification of organisations that make up the sector inconsistent and incomplete. Despite being recently published some of the papers include old legislation and none of the literature reviewed included all seven Regulators in their discussion of the sector.

Creswell and Plano Clark (2011) suggest six major mixed methods research designs. The convergent parallel design runs the qualitative and quantitative data collection and analysis concurrently while the embedded design collects and analyses both types of data in either a qualitative or quantitative design. An exploratory sequential design starts with the qualitative

phase followed by a quantitative study while in the explanatory sequential design the quantitative phase is undertaken before the qualitative one. The transformative design allows the researcher to shape the study within a transformative theoretical framework and the multiphase design combines both sequential and concurrent strands where multiple studies are undertaken to achieve the overall research objective.

The convergent parallel design (Creswell and Plano Clark 2011) was chosen to guide this research. The convergent design is used '*to obtain different but complementary data on the same topic*' (Morse 1991, quoted in Creswell and Plano Clark 2011). Under this method, both qualitative and quantitative data are collected at the same phase of the research and the two sets of results are then merged into an overall interpretation, synthesizing both findings to develop a more in-depth understanding of the phenomenon (ibid:77).

Figure 5-1 presents the procedures and flow of the convergent parallel mixed methods design employed in this research. The process was undertaken in four stages. First, both qualitative and quantitative data were collected concurrently but independently, with neither being perceived as preceding or following the other for both sets of data are treated as of equal importance to address the research questions. Interviews with Third Sector actors aim to not only make up for the lack of literature on the Malaysian Third Sector but to also explain the patterns observed in the organisational dataset developed during the quantitative stage. Second, the two sets of data were analysed separately using methods described in 5.3, 5.4.3 and 5.4.4. Once both results were finalised, they were merged in the third stage where they were compared and synthesised to provide an improved account of the Malaysian Third Sector. During stage four, the triangulated results were analysed to identify if or to what extent they converge with, relate to or diverge from each other.

*Figure 5-1: Overview of convergent parallel design mixed methods employed in this research, based on Creswell and Plano Clark (2011:79)*

| Stage 1 | Design Qualitative strand<br>Identify Sample<br>Collect Qualitative data<br>(Interviews) | and | Design Quantitative strand<br>Identify Sample<br>Collect Quantitative data<br>(Organisational data) |
|---|---|---|---|
| Stage 2 | **QL Data Analysis**<br>Link themes to theories | and | **QN Data Analysis**<br>Descriptive statistics<br>Statistical analysis |
| Stage 3 | | **Merge findings**<br>Compare, Contrast, Synthesise | |
| Stage 4 | | **Interpret merged results**<br>Extent and ways both results converge, diverge or relate to each other | |

## 5.3 Strategies of the qualitative phase

Qualitative data could offer a depth of understanding on a subject or phenomenon that may not be available from other sources. Qualitative research tends to emphasise words over numbers although its distinction is not merely based on the lack of numerical analysis (Bryman 2012). Qualitative data comes in various forms: words, conversation, observations, text and audio visual materials (Creswell 2014:190). These can be obtained through participant observation or ethnographic methods, interviews and focus groups, language based approaches and documents. The focus of qualitative researchers is interpreting the social world from the perspective of the subjects and takes an abductive approach in providing a scientific account of the social world based on the actors' worldview (Bryman 2012). Qualitative studies also emphasise on detail when reporting the findings, Geertz (2008) recommends providing 'thick description', where rich accounts of the details and emphasis on description is adopted throughout the qualitative data presentation and analysis process. While this could add to the depth of the data, care must be taken to not be too engrossed in descriptive detail to the point of becoming irrelevant (Bryman 2012:401).

This research seeks to collate the experiences of different third sector actors, attempting to '*understand the world from the subjects' points of view and to unfold the meaning of their lived*

*world*' (Kvale 2006:481). The approach taken during the qualitative stage of this research was that of a Grounded Theory, defined by Strauss and Corbin as '*a general methodology for developing theory that is grounded in data systematically gathered and analysed*' (1994:273), in which the focus is in the collective perspective of the social unit and not the individual actors (ibid:278). The decision to use Grounded Theory was based on the need to gather the interviewees' knowledge, experiences and views on the Malaysian Third Sector. Grounded Theory focusses on everyday life experiences of the subjects and interpreting their perspectives and observations, making the research process interactive between the researchers and respondents (Strauss and Corbin 1994; Marshall and Rossman 1999). It is, therefore, for this reason that Geertz's (2008) idea of 'thick description' is employed.

Grounded Theory data collection typically involves interviews although other sources of data such as secondary data can also be used. For the qualitative stage of this research, twelve semi-structured interviews were conducted with senior executives and office bearers of Malaysian charities, non-profits, civil society, and non-governmental organisations. Three interviews were conducted with senior officials of agencies regulating the registration of Third Sector organisations, bringing the total interviews to fifteen.

This phase of the research employs the abductive research strategy as it can answer both 'what' and 'why' questions (Blaikie 2010:89). This strategy is in line with grounded theory method where it aims to describe and understand the social phenomena from the perspective and worldview of its actors (Bryman 2012:401). The qualitative phase takes the epistemological position of interpretivism in which reality is interpreted by the actions of its actors in the course of their everyday activities (Blaikie 2010; Bryman 2012). Interpretivism believes that the social world cannot be understood using methods used to study the physical world (Portrac et al. 2014). The interviews use the experience, opinions and responses of the participants to construct a picture of the Third Sector. This process requires the responses to be transformed into a social scientific frame. In essence, it involves double interpretation where the researcher interprets the interpretation of the respondents (Bryman 2012:31).

### 5.3.1 Preparatory background research

Six Third Sector actors were interviewed in May and August 2016 as part of a preparatory background study. It was not considered a pilot study because the purpose was to come up with a framework to guide the actual interview during the qualitative phase of the research. The exercise is best described as fact finding exercises undertaken informally without any structured format or questions. Due to this, the earlier interviews were less comprehensive than the later

ones. Notes were taken to record the interviews without the aid of video or audio recording equipment, with each interview lasting about half an hour.

The aim of the exercise was to explore the type of questions to ask and how best to address them. This was done to ensure questions asked during the interview proper are relevant and able to answer the research questions. It therefore did not attempt to obtain answers to the research questions. Nevertheless, questions posed to the respondents were relevant to the research and the findings managed to provide some insights into the Malaysian Third Sector. The interviews centred on the following themes: the general understanding of the term 'Third Sector' among the Malaysian public, common types of third sector organisations and their activities, people involved, and current issues surrounding the sector. The test respondents were selected from the researcher's network of contacts. One respondent is a member of a large and established national TSO, three were from smaller, regional based TSOs, and one from a civil society organisation. The final respondent was an individual who was not aligned to any organisation, an 'independent volunteer' working pro bono to organise charity projects for various TSOs as well as matching charity projects with funders.

## 5.3.2 Qualitative sampling

Theoretical sampling where decisions on sample size are made progressively is often suggested as the method for selecting participants for research based on grounded theory (Strauss and Corbin 1998; Charmaz 2004; Blaikie 2010). However, this study selected interview participants from among Malaysian Third Sector actors by way of a purposive or judgemental sampling where selection was made based on a researcher-defined criterion. This commonly used non-probability method is suggested when it is difficult or costly to identify a particular population, or when the research question requires the selection of specific cases of a particular type or to select a variety of identified types to investigate (Blaikie 2010:178). It is a non-random sampling technique that depends entirely upon the researcher's judgement without needing an underlying theory or fixed number of respondents (Tongco 2007). While purposive sampling aims to come up with a sample that is deemed to represent the population (Battaglia 2008; Palys 2008), in this case the population of Malaysian Third Sector organisations, sampling for proportionality is not the main concern. The selection of interview subjects is to ensure they are relevant to the research questions and the sample is fixed at the early stages of the research process (Bryman 2012:418). Purposive sampling is also seen to be appropriate where only a limited number of reliable primary data sources are available to be studied, typically less than thirty (Teddlie and Yu 2007).The drawback from this convenient method is that it would not be possible to generalise the findings because it is unknown what population the selected sample represents (Bryman 2012).

In theory, the sample size would be deemed sufficient when additional interviews do not result in new information hence reaching an end point or data saturation (Corbin and Strauss 1998; Charmaz 2004; Sargeant, 2012). The suggested optimum sample sizes for grounded theory studies is very diverse, ranging from 5 to 35 which makes it difficult to determine the ideal number (Sim et al. 2018). Consensus on how many interviews is enough has also not been achieved because the sufficient number often depends on nature and purpose of the research as well as practical considerations with regards to time and resources (Baker at al. 2018). Being the exploratory phase of the study, it was difficult to ascertain how much information is required and, therefore, it was not possible to determine the number of interviews at the onset (Sim et al. 2018). While this suggests that theoretical sampling to be the appropriate sampling method as it involves identifying new samples and data sources as data analysis progresses, gathering data until saturation is reached was deemed not suitable for this research. This is primarily due to time and distance constraints as the respondents are all in Malaysia. Interviewing in person was the preferred method as it adds the 'personal connection' which otherwise would be missing if internet-based communication such as Skype or other forms of voice or video calls were used. Instability of the internet connection is also a risk and could disrupt the flow of the interviews.

One of the objectives of the interviews, being part of a mixed method study, is to guide the analysis of the organisational data and not meant to be the only source for theory development. Therefore, for practical purposes and taking into consideration the research objectives and limitations of time and finances, it was decided that the number of interviews from members of the Malaysian Third Sector be set at 12. Attempts were made to interview all regulators but only three were able to be interviewed, bringing the total of interviews to 15. Despite some of the interviews providing similar feedback and information, all of them had their own unique experience to share. While the sample selection attempts to achieve the widest possible coverage of organisations in the Malaysian Third Sector, it was restricted by the ability to obtain interview access and being entirely dependent on the researcher's reasoning, it is also subject to shortcomings in the researcher's judgement. A major challenge encountered during the qualitative phase was the difficulty in getting interviews. Non response to interview requests were more prevalent among the larger national TSOs and if a similar exercise were to be conducted in the future, strategies to obtain interviews need refinement to increase participation from this group.

A total of 13 individuals representing 12 Third Sector organisations were interviewed. Seven of the individuals were male and six females. To ensure data quality, selection of interview participants was crucial and for this reason only senior officers with decision making powers were selected to be interviewed as they are considered 'reliable and accurate witnesses'. This is

due to the assumption that they would have more inside knowledge and experience of the sector, its organisations and activities and hence are able to provide better insights on the sector (Welch et al. 2002).

Ten of the respondents are the highest ranked member of the respective TSO's management team. The other three are:  regional head, chief financial officer and operations manager. Nine of the respondents are salaried employees while the other four are volunteers. Seven of the organisations interviewed are registered with the Registrar of Societies (ROS), one with the Registrar of Youth Societies (ROY), three are Companies Limited by Guarantee (CLBG) registered with SSM and one is limited liability partnership (PLT) also registered with the SSM. In addition to the Third Sector actors, senior officials from three of the six Regulators were also interviewed bringing the total interviews to fifteen. Chart 5-1 below presents the distribution of interview respondents from the sector.

*Chart 5-1: Distribution of interview respondents from the sector (excluding Regulators)*
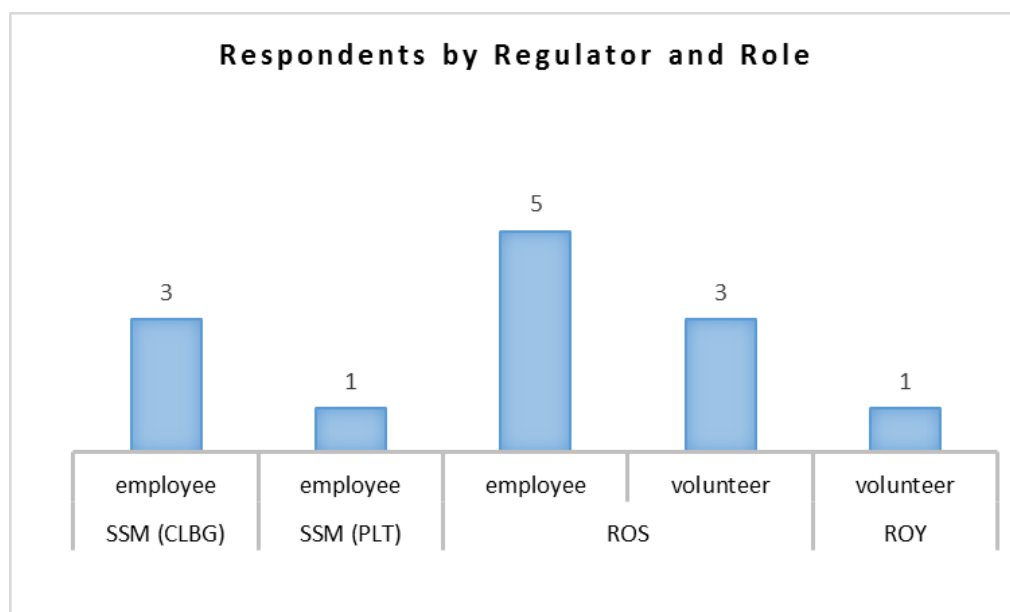


Potential participants from the sector were contacted via email and those who did not reply within ten working days were replaced by another candidate. The main recruitment criterion was that all participants must hold a senior, decision making position in their organisations. All fifteen interviews were conducted in April 2017 in Malaysia, 10 interviews were at the participants' offices, and three were at cafés. One interview was conducted while accompanying the participant during their welfare activity delivering foodstuff and other essentials to the poor residents of a rural village near the Malaysian-Thai border. Another interview was conducted over the telephone because the respondent had to cancel the meeting at the last minute due to some

unforeseen circumstances. It was done through a video call and the interview went smoothly and was not interrupted by any telecommunication signal related issues.

The interviewees were informed of the purpose of the interview and that their participation was purely voluntary and they may remove themselves from the exercise any time they wished to. The participants were also assured of their anonymity and that their responses should not be connected to their individual identities. Participants were advised to keep the contents of the discussion confidential but the researcher would not have control over information shared by respondents after the completion of the exercise. In cases where a respondent refused to answer due to confidentiality or sensitivity reasons, no further questions were asked on the matter. The responses were taken at face value as there is no way to verify the accuracy of information supplied by the interviewees. The researcher refrained from questioning the authenticity or validity of their responses during the interview because it would give them the impression that their judgements were being questioned. This might upset the interviewees and cause them to hold back from fully expressing their views or sharing their experiences.

The interviews were carried out solely by the researcher and apart from three interviews, all the sessions had only one respondent. The other three interviews (two with Regulators and the one with a TSO) were attended by two members of the respective organisations. Questions posed to the respondents were from a list prepared prior to the interview, the order was however dependent on the flow of the interview. The interviews were recorded using a portable voice recorder and minimal notes were taken during the interviews so as to not interrupt the researcher's focus. A copy of the interview was immediately transferred to secure cloud storage (Dropbox) after each session to minimise the risk of data loss. Upon returning to Stirling, the interviews were transferred to the research folder in the university's secure server. Each interview lasted between forty minutes to just over an hour except for one where interviews were conducted in parts over the three-hour charity activity.

### 5.3.3 Interview questions
The interviews take a neo-positivist conception emphasising on 'explaining' society (Bryman 2012:28) by obtaining participants' opinions, knowledge, and beliefs on the Malaysian Third Sector. The neo-positivist approach often uses semi-structured interviews and presents the findings in a thematic form supported by extracts from the interviews (Roulston 2010:217). This approach is also in keeping with the abductive grounded theory method where the interviews seek to uncover the participants' lived experiences as active members of the sector and not merely seeking answers to questions (Seidman 2013 quoted in Castillo-Montoya 2016). When applying this approach, the interviewers take a neutral role and refrain from expressing their views on the

topic by using non-leading questions. This approach however does have some shortcomings, it is difficult to ascertain if the respondents are telling the truth and whether they are expressing their true feelings. Another limitation of qualitative interviews in general is the difficulty to replicate as responses from the same respondent may vary due to many factors outside the control of the researcher (Blaikie 2010).

Preparation of interview questions for this research was guided by the Interview Protocol Refinement (IPR) Framework developed by Milagros Castillo-Montoya (2016). The four phase IPR Framework comprises of the following:

> Phase 1: Ensuring interview questions align with research questions
>
> Phase 2: Constructing an inquiry-based conversation
>
> Phase 3: Receiving feedback on interview protocols
>
> Phase 4: Piloting the interview protocol.

During phase 1, the interview questions were checked to ensure their alignment with the research questions. Interview questions are attached in Appendix I. They were guided by themes outlined in the research question: 'What is the Malaysian Third Sector?  Why does it exist and what is its function?' They also sought to understand how the sector is understood in Malaysia. Broadly, the interviews addressed the following issues:

1. Roles and objectives of Malaysian Third Sector organisations and reasons for their existence
2. Level of public awareness of Third Sector organisations and activities in Malaysia
3. Legal and regulatory issues faced by Malaysian Third Sector organisations

Phase 2 of the IPR involves designing interview questions in a language that is familiar and that is understood by participants in order to elicit maximum information. This research modifies the IPR slightly where phase 4, 'piloting the interviews' was undertaken after phase 2, the pilots were used to obtain feedback on interviews. The interviews were piloted to three test-respondents, one of them was a participant of the pre-interview background research. The feedback from the pilot exercise was then incorporated into the final interview design. Feedback from the test-respondents mainly concerned the language used, it was suggested that the English language used is made less formal and more conversational and to include common terms used when Malaysians speak in English.

## 5.3.4 Transcription

The transcripts were analysed using thematic analysis and while themes were embedded in the interview questions, additional themes did emerge during the transcription process. The analysis

of the findings applies the epistemological position of interpretivism where the understanding of a social world is obtained from the experience and understanding of that world by its participants (Blaikie 2010; Bryman 2012) and to uncover the basis for their beliefs and actions (Lin 1998). This interpretative tradition within sociology was introduced by Weber, referred to in German as '*verstehen*', which means to understand how actors explain their experiences and environment (Mcintosh 1997:157; Bryman 2012:28-29).

The transcripts were anonymised, all direct identifiers were removed, and real names of the individuals or their organisations were not used in the transcripts. Pseudonyms were instead used and great care was taken to avoid the replacement names having any connections with the real identities of the respondents. An anonymisation log was kept by the researcher but was not disclosed or shared. Text of conversations that could identify or can be linked to a certain organisation were generalised without losing its context. The recordings are stored in the university's secure server and will be destroyed once the PhD research is completed.

The transcripts omitted non-relevant conversation such as 'ice breakers' and 'small talk'. Crutch words such as *'you know'* or *'yeah'* were removed, as well as *'ummm'* or *'aaah'*. Grammar was not corrected but non-English lexical items, including those considered dialectal and slang words, were converted into Standard English. In addition, spelling was also standardised. For example, the colloquial term '*gonna*' was converted to 'going to'. However, contractions and short forms, such as 'can't' and 'stats', were transcribed exactly as they were spoken. In cases where no suitable word is available, it was stated as '(*loosely translated as …*)' in brackets.

There is a tendency for Malaysians to code-switch, so therefore it is not unusual for Malay, English, Chinese and Tamil words to be used in the same sentence. As a consequence, the transcription had to be done manually by the researcher because a UK based, English speaking professional transcriber would find the non-English words impossible to decipher. A free web-sourced version of the Express Scribe Transcription Software was used to assist the transcription.

### 5.3.5 Coding and analysis
Qualitative data management was undertaken for two main purposes: first is to organise interview data according to themes and secondly to reduce the amount of data by eliminating content which falls outside the scope of the identified themes or research questions. A theme is defined as a category identified from the data which are related to the research questions. Themes are developed from the codes in the transcripts and they provide the research with the basis for theoretical understanding and subsequent interpretation of the data (Bryman 2012:580). In this research, a different approach to thematic analysis was undertaken, the research questions

provided the themes and interview questions were designed around these identified themes. Therefore, the process of identifying themes for analysis was not necessary as they have already been identified and incorporated into the interview questions.

To ensure credibility of the findings, data analysis focuses primarily on reporting and interpreting interviewee responses to minimise researcher bias (Charmaz 2004). Analysis of the interview transcripts begins with coding the data. Due to the relatively small number of interviews (15) and each not lasting more than 60 minutes, the decision was taken to not use any qualitative analysis software such as NVivo. Open coding or line-by-line coding to discover what is contained in the transcripts was undertaken manually with pen and paper. Looking at the transcripts line-by-line keeps the researcher focussed on the data and reduces the potential of forcing them into preconceived ideas (Charmaz 2004) reducing the chances of researcher bias and enhancing reliability of the analysis. The objective of the coding process is to identify keywords used by interviewees when responding to each question. These keywords and phrases were then used to represent the respondents' view of a given theme addressed in the interview question. This coding process seeks to identify the 'main concerns' of the respondents instead of identifying themes from their responses. Once the process is completed, a list of responses together with the keywords used to express their views were listed under each theme. Each theme is then explained based on the collective responses from the interviewees. This process is an 'inverted' model of thematic analysis as themes did not emerge from the interview transcripts but were instead embedded in the interview questions and were guided by existing theories on the Third Sector.

While the findings could provide a starting point towards the development of a theory explaining the Malaysian third sector, it was however not the main objective of this exercise. The interviews undertaken during this phase has two objectives: to understand the sector from the eyes of its actors and Regulators and secondly, to aid the analysis of the organisational data.

## 5.4 Quantitative research

Quantitative research involves the collection of numerical data and measuring aspects of social life (Blaikie 2010:204). The common quantitative data sources are survey questionnaires and administrative data and unlike qualitative data sources, these types of data tend to keep the researcher away from the actual social phenomenon. Generally, quantitative researchers are often concerned with causality, by examining the causes of a social phenomenon (Bryman 2012). Another objective of quantitative research is the ability to generalise the findings beyond the sample studied and quantitative researchers are often explicit about their procedures to ensure replicability as failure to replicate could raise questions on the validity of the findings (ibid).

In a quantitative study, the absolute size of the sample is the important consideration rather than its relative size. The bigger the sample, the more representative it is of the population on the condition that it was randomly selected and increasing the sample size increases the likely precision of the sample, reducing the sampling error (Bryman 2012: 198). Large by-product datasets known as big data has recently attracted interest from researchers (Sivarajah et al. 2016; Gunther et al. 2017). However, despite the many efforts to describe its characteristics, the definition of big data however lacks conceptual clarity (Kitchin and McArdle 2016) and seems ambiguous (Connelly et al. 2016). Kitchin and McArdle lists seven papers describing the attributes of big data, the earliest by Doug Laney in 2001 who describes big data as one that is voluminous, created in real time and comes in a variety of structures. Connelly et al. (2016) however cautioned that the 'big data revolution' is not solely due to its size but on the availability of new types of data such as administrative data collected by government agencies for administrative purposes. They are usually from a known population and may also be multidimensional and brought together through data linkage. Administrative data is classified by Connelly et al. as 'found data' – large amounts of data which were not collected for research purposes. These data are large, non-systematic and messy and hence require extensive data management, cleaning and reorganisation to make them useable. The main difference between 'found data' and 'made data' is that the latter is collected for research purposes and are often highly systematic while administrative and other big data are not. Other sources of 'found data' include Google Trends, social networking sites, blogs and websites and apps (Blazquez and Domenech 2018). A challenge faced when dealing with unstructured found data is the data generation process: merging datasets, cleaning its contents and standardising its format. This was the first step undertaken to organise data collected for this research. The downside of using such data involves legal issues especially concerning privacy as they were not compiled for research purposes (Connelly et al. 2016). However, not much has been done to sufficiently address these concerns (Gunther et al. 2017).

Being a form of 'big data', administrative data provides larger sample size compared to self-administered questionnaires or other social surveys. Data is also readily available once access to the data is granted by the data custodians making for a smoother research process without having to go out to collect data in addition to the potential related cost savings. The volume of data available makes it possible to use data in many contexts beyond organisational or sectoral boundaries (Gunther at al. 2017) and this would be particularly useful for policy development and resource allocation (Barman 2013; Connelly et al. 2016).

The quantitative phase of this research involves two main stages. The first stage involves the assembly of research data followed by their classification into ICNPO categories. In the second

stage, the data is analysed by presenting descriptive statistics of the sector followed by analysing the associations between the data and the country's demographics. A section is also dedicated to analysing the number of organisations registered with the Registry of Societies ROS in 1969 and 2016 from different datasets.

### 5.4.1 Sources of Organisational Data

In this research, 'organisational data' is defined as information pertaining to the characteristics of an organisation, distinct from 'administrative data' which are generated in the course of the TSO undertaking its routine activities such as, but not limited to, revenues, expenses, number of recipients or complaints. In the context of this research, 'Malaysian Third Sector organisations' are those registered with any one of the seven regulatory agencies described in Chapter 4. These organisations possess the five criteria specified in the ICNPO definition: they are formal organisations; they are not part of the government machinery; they are deemed to be able to independently determine their direction and activities; they do not distribute profits back to owners; and their activities include a meaningful amount of voluntary involvement (Salamon and Anheier 1996).

All seven Regulators were contacted via an email requesting an electronic copy of the database of organisations under their purview. Emails were sent to Deputy Director Generals of the agencies and in the case of the Companies Commission, the Deputy Chief Executive Officer. The 'Approval to Conduct Research' issued by the Economic Planning Unit of the Prime Minister's Department was also included in the emails. The email stated that all information gathered from them will only be used for academic research purposes and the identities of the individuals or their organisations will be kept anonymous.

While most of the Regulators responded to the request for data, the amount of data released was very minimal and did not include any details on the finances, trustees and addresses of the organisations, hence the need to source additional data from alternative sources. Without detailed information on the finances and personnel, it would be very difficult to come up with any meaningful assessment on the economic and human resources size of the sector. The challenges in getting access to data was however somewhat expected as there have been news reports that Malaysian government agencies are not keen on sharing data, not only with the public[77] but also, amongst themselves[78]. This is not due to data unavailability but rather, according to the news

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[77] See: Study: Government data exists, but Putrajaya mostly keeps it locked away; *The Malay Mail*, 24 May 2017.
[78] See: Report: Government agencies confused about OSA, fear data manipulation; *The Malay Mail*, 30 May 2017.

report, was caused by the civil service's uncertainty about the secrecy status[79] of the data and the fear of data misuse. The Malaysian government launched an open data portal in 2014 (http://www.data.gov.my/) and as at December 2018 contained 12,825 machine readable datasets from 248 dataset publishers. However, searching the portal for '*Jabatan Pendaftar Pertubuhan*' (Registry of Societies) only found 12 datasets, of which only six were relevant for studies on the Third Sector. The search using the keyword '*pertubuhan belia*' (youth society) yielded six datasets, but five of the datasets were extractable form the sixth. Searching '*syarikat berhad menurut jaminan*' (companies limited by guarantee) came up with two datasets and both were used for this study. The BHEUU dataset from the open data portal was also used for this study but supplemented with information from the BHEUU website. There were nine datasets tagged under '*badan sukan*' (sports body) but only two were relevant to this study and none with a listing of all registered sports associations in the country. Labuan Financial Services Authority has 13 datasets but none were on charitable foundations. Therefore, in terms of Third Sector or NGO data, little relevant data are currently available in the open data portal. In the case of the ROS and ROY the same data obtained directly from the Regulators are now available on the open data portal which suggests that direct contact with the data custodian provided few additional benefits. As a result, the attempts to describe and analyse the Malaysian Third Sector is, as with most research, restricted by the type and quality of data available.

The ROS only provided basic organisational information: organisation name, registration number, State where the society was registered, general category of activity and specific activity. Registration dates of ROS registered organisations were extracted from their registration numbers. Organisational information on CLBGs were obtained from Malaysia's open data portal but it only included the names and registration numbers of registered CLBGs. Additional information would only be provided by the SSM for a fee but at RM20,400 (£3,610 at the time of inquiry) for the full database, it was beyond the budget of this research and thus the required information had to be sourced elsewhere. Information on the state where the company was registered, year of registration and activity of CLBGs were obtained with the assistance of Professor Alasdair Rutherford who drew up a code based on the programming language Python to electronically extract the data from the internet. The data was scraped from the websites of two Malaysian private credit reporting companies CTOS Data Systems Sdn. Bhd. and RAM Credit Information Sdn. Bhd (RAMCI). The machine-assisted web scraping was done using Python together with the BeautifulSoup library which facilitates the extraction of information from a webpage including tables and lists. The data held by these credit reporting companies were

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[79] See: Chief statistician suggests agencies could soon be made to share data; *The Malay Mail*, 13 June 2017.

sourced directly from the SSM and are used to build the credit profiles of the individual corporations and businesses. However, the names, registration number and State where the companies were registered are the only data available publicly. Other corporate data, including financial information are only available to paying customers and cannot be extracted via scraping. A disadvantage of sourcing for data from the internet is the inability to verify the quality of the data. However, the reputation and standing of the two companies (CTOS is Malaysia's largest credit reporting company with a reported 80% of the market share[80] while RAMCI is backed by Ratings Agency Malaysia, Malaysia's largest credit rating agency) provides assurance that the data contained in the websites are of reasonable quality and are assumed to be free from major inaccuracies.

Data on sports associations were obtained directly from the Office of the Sports Commissioner. Like the ROS database, it only contained the names, registration numbers, State, type of sports/activity and registration dates. The SCO database was the only one which included the registered address and contact telephone number of the associations. The database of sports associations also included those whose registration has been revoked and these associations were later excluded from the analysis. Information on youth associations were also received directly from ROY. There are less than 400 trusts and foundations registered with the BHEUU and their names, registration number, addresses, founders, trustees, activities were freely available on the BHEUU website at http://www.bheuu.gov.my/. The number of BHEUU registered organisations were small and was presented in the website in a format which was easy to copy and paste onto a spreadsheet.

The Labuan Financial Services Authority 2016 annual report stated that there are 44 charitable foundations registered but their website only lists the names of 17 of them. Checks with their customer relations unit via email confirmed that the latest number as of April 2018 is 17 foundations and data on the 17 were obtained from their respective website. Requests for more details on the charitable foundations were unsuccessful and manual internet search found information on only eight Labuan registered charitable foundations.

Request for data from the Department for Trade Union Affairs (JHEKS) was not successful therefore data on Malaysian trade unions included in this research had to be sourced from the Malaysian government open data portal. The data obtained from the portal, however, was not extensive because it only included a summary of the total number of trade unions and their affiliations. Individual names of the unions, their year of establishment or State where they were

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[80] See: CTOS to launch credit score product after BNM nod, The Malaysian Reserve, 31 March 2017

registered were not available. As a consequence, the research was not able to present any descriptive statistics on the distribution of trade unions based on the year/period of establishment or the State where there are registered.

All data were obtained and stored in a spreadsheet format and copies were saved both in the University's secured server as well as the cloud content management and file sharing service, 'BOX'.

*Table 5-1: Organisational data obtained from Regulators, official websites and third-party websites*

| | ROS | SSM | SCO | ROY | BHEUU | LFSA | JHEKS |
|---|---|---|---|---|---|---|---|
| Organisation Name | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Registration Number | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Details on Organisation's Activity | Yes | Yes | Yes | N/A | Yes | Some | N/A |
| Year of registration | Yes | Yes | Yes | Yes | Yes | Some | No |
| State where registered | Yes | Yes | Yes | Yes | Yes | Yes | No |
| Address | Some | Some | Yes | No | Yes | Some | No |
| Data Source | ROS | Data.gov.my CTOS, RAMCI websites | SCO | ROY | Data.gov.my & BHEUU website | LFSA website, foundation's websites | Data.gov.my |
| N | 59,509 | 2,040, | 9,797 | 8,386 | 358 | 17 | 734 |

Note: N/A = not applicable

Only data on the names, registration numbers and State where the organisations are registered are available for all Regulators except JHEKS. Details on the year of incorporation is available for all except for charitable foundations registered with the LFSA and trade unions. The descriptive and statistical analyses of Malaysian Third Sector organisations were therefore only based on this information and supplemented with population demographics and other socioeconomic information on Malaysia.

These individual databases were organised into one central dataset. Five of the variables were applicable to all organisations, namely regulator, registration number, organisation name, State where registered, and registration year. Data on the registration date, category of activity, sub category, sports type, and description of activity are only available on some organisations. The lack of details on the organisation's activities did not pose a problem to the classification process as the organisations were classified according to the ICNPO categories based on keywords and phrases in their names. The classification process is detailed in Chapter 6. Descriptive statistics of the organisational data address the question on what makes up the Malaysian Third Sector; it presents an overview of the sector, mapping the types of organisations that make up the sector, when and where they were registered and identifies their scope of activities as well as their beneficiaries.

### 5.4.2 Administrative data

Financial, employee and volunteer data generated by TSOs can be used to measure the sector's economic size and contribution. Map of the sector would be greatly improved with the inclusion of administrative data. In addition to regulators, activities, years of operation, and geographical areas served, the map is also able to rank TSOs by revenue, expenditure, and number of employees and volunteers. This knowledge provides a deeper understanding of the sector and could assist stakeholders in strategic planning and policy development. Financial data is able to highlight the distribution of funds, identifying areas which are under or over funded and suggesting redistribution strategies. Employee data could not only identify skill gaps and training needs but also gaps in demand and supply of human resources. Similarly, volunteer data could identify volunteering trends, demographics and distribution, allowing TSOs, policymakers and volunteers to identify opportunities to improve the sector's delivery system.

Efforts were made to gather administrative, financial, and employee and volunteer data but due to the lack of cooperation from the regulators, these data had to be sourced from other sources. Contacting TSOs directly was not the most efficient option due to the physical distance and cost constraints. The other option available was to source the data from the internet. Using the sample for the survey questionnaire (Section 5.4.7), web searches were conducted to gather financial and activity reports of the sampled TSOs. However, the availability of these reports were only limited to the larger and more established national TSOs. Many smaller and newer TSOs did not include financial or activity reports in their websites or blogs. Many of the sampled TSOs had Facebook accounts but most were dormant or out of date, there were instances where the most recent posting on the page was made more than 2 years ago.

The failure to obtain data from websites, blogs or Facebook accounts suggest that Malaysian TSOs are not making full use of the internet as a means to increase awareness of their organisations, causes or activities. Alternatively, not making their financial and activity reports publicly accessible could also suggest that Malaysian TSOs are not comfortable with sharing administrative data with the public.

The attempt acquire these data from regulators and publicly available sources were unsuccessful and as a result the output of this research was restricted to the interview and organisational data.

### 5.4.3 Third sector taxonomies

A taxonomy to classify TSOs brings coherence to the subject and legitimises its actors and activities (Najam 1996). It should identify both activity and organisational type for researchers and policymakers to develop a more complete picture of TSOs and the Third Sector (Lampkin et al. 2001). Gordon and Babchuk (1959) is probably one of the earliest study to use TSOs as the object of the research, undertaken during a period when TSOs, in particular voluntary associations, were analysed based on the characteristics of its actors. Grouping and ordering subjects is the important first step in conducting a scientific inquiry (Carper and Snizek 1980). Typologies go beyond enabling information storage and retrieval. In addition to organising, its role is to make sense of the data it holds. Typologies provide the 'universal language' to facilitate research and theory development through detailed analysis of the categories (Rich 1992).

Other than the ICNPO, a number of other classification schemes are available to sort and catalogue TSOs. In the United States, an early effort to code different types of was undertaken by the United Way of America Services Identification System who came up with the National Taxonomy of Exempt Entities (NTEE), a taxonomy based on purpose and activities. NTEE codes are the dominant classification system for the US non-profit sector and were added to the IRS form 990 files to facilitate its classification scheme. Its codebook also includes crosswalks to the Standard Industrial Classification (SIC) system as well as the ICNPO (Lampkin and Boris 2002). The NTEE is extremely comprehensive, it has 10 major categories which can be disaggregated into 26 major groups with a total of 450 sub-categories and is used by the US Third Sector stakeholders to describe the composition and scope of the sector for policy development and resource allocation (Barman 2013). This research does not have the luxury of detailed data like the one supplied by IRS' Form 990 and without extensive organisational and administrative data, having 450 subcategories would be redundant. The North American Industry Classification System (NAICS) is another classification system which group organisations into industries based on its primary activity and is designed for organisations with specific economic output. The Info Line Taxonomy of Human Services' main function is to match individuals with needed services

and is mostly used by organisations maintaining human services databases. Both these taxonomies were not designed to capture activities of TSOs and are therefore not suitable to be used in this research. The ICNPO is chosen for use in this research due to it being a recognised international classification system and its recognition is reinforced by its adoption in the United Nations System of National Accounts.

### 5.4.4 Descriptive Statistics

Descriptive statistics describes the characteristics of the sample (Gayle 2011:363). In the case of a univariate descriptive analysis, the objective is to summarise the characteristics of a phenomenon in terms of distributions on variables (Blaikie 2003:47). A descriptive analysis was undertaken to describe the main features of the Malaysian Third Sector dataset as an effort to understand its characteristics and to identify patterns within the data. A lot of can be learnt about the data by studying the descriptive statistics such as the distribution of Malaysian Third Sector organisations by region, activity or age; proportion of organisations based on regulator, activity, region and age; and patterns over time in terms of number of registrations and types of activity. The description of Malaysian Third Sector organisations provided by the descriptive statistics was also compared with the findings of Douglas and Pedersen (1973), firstly to see if their notion of 'blood believer and brother' still holds 45 years on, and if not, to present the current picture of the Malaysian Third Sector and to uncover why and how the landscape changed.

To facilitate the descriptive analysis and the subsequent mapping of the Malaysian Third Sector, the data is first classified into ICNPO categories. The datasets from all seven Regulators were merged into a single dataset and uploaded into Stata (version 15). Stata is a syntax based statistical software package and was chosen as it enables this research to be replicated. Syntax files for this research are made available on GitHub at https://github.com/nurazamperai/keyword-classification.

The next step was to identify keywords which will be used to classify the organisations into the appropriate ICNPO category. These keywords are in Malay, English, Cantonese, Mandarin and Tamil as some organisation names include words from different languages. Stata was used to assign the organisations to the relevant ICNPO category based on identified keywords in their names. In the case of multiple keywords or phrases being matched to one organisation, the dominant keyword was manually identified and the organisation was assigned accordingly. A detailed explanation of the steps taken to assign organisations into the relevant ICNPO categories is presented in Chapter 6.

The organisations were then described by frequencies and proportions according to:

1. Regulator,
2. Age of organisation in 2017,
3. States where they were registered, and
4. ICNPO code and group.

Organisations were also described according to their targeted beneficiaries, whether they are ethnic or religion based. Frequencies and proportion of Malay, Chinese and Indian organisations as well as Muslim, Buddhist, Christian and Hindu organisations were also described.

Bar charts in descending order, including side-by-side bar charts are used for categorical data when the x-axis has no numeric scale while histograms are used for quantitative data. The number of organisations according to ICNPO classification is tabulated to identify the segments served by the Malaysian Third Sector. The observations provide an indication of what Malaysians deem important or prioritise. The observations are compared with the population's ethnic and religious demographics and are tested against Salomon and Anheier's findings that diverse communities tend to have larger Third Sector as well as Weisbrod's Heterogeneity theory (1977) which states that the non-profit sector's size varies directly with the degree of heterogeneity in the population, measured in terms of religious or ethnic diversity. The patterns observed in the Malaysian Third Sector are also compared against observations in other countries, in particular, its South East Asian neighbours.

### 5.4.5 Statistical analysis

Given the heterogeneous nature of the Malaysian population (Section 7.1), this research looks at the overall profile of the sector based on the country's population characteristics. This is done by studying the relationship between the types and activities of Third Sector organisations and the population distribution to identify patterns that could explain the sector from the Malaysian context.

A statistical analysis involves collecting, analysing and presenting data to seek underlying patterns and trends that explains a phenomenon or environment. A common method used to measure the association between two variables with ordinal-level data is Spearman's rank order correlation. This non-parametric test is suited for data that do not meet the criteria for Pearson's correlation and because normality is not a requirement, it does not make any assumptions about the distribution of the data. The Spearman's rank order correlation is chosen due to the small sample size (16) and because it computes the statistic from data presented in sequential arrangement instead of the actual data values and uses ranks instead of assumptions on the distributions (Coleman 2010).

*Spearman's Rank Order Correlation*

Spearman's rank-order coefficient is a nonparametric test used to measure the degree of association or ordinal data by examining the ratio of the sum of the squared differences in the ranks of paired data values to the number of variable pairs (Altman 1990; Coleman 2010). It does not require the variables to be interval or ratio, it is sufficient that the data can be ordered in some way. The coefficient is used to measure the relationship between two variables based on the ranks of the data where the values of the variables are arranged according to ranks and then correlated. This relationship between the ranks is defined by the formula:

$$r_s = 1 - \frac{6 \sum d^2}{N(N^2 - 1)}$$

Where d is the difference in statistical ranks between the paired variables x and y, $\sigma d^2$ is the sum of the squared differences between the ranks of the paired variables and N is the number of paired data values. The coefficient will have a value between -1 and +1 where a positive correlation denotes that the ranks of both variables increase together, a negative value indicate that as the rank of one variable increases, the rank of the other decreases. The closer the Spearman rank to the extremes, the association between the variables is stronger. A correlation of -1 or +1 indicates the variables are exactly linear and zero indicate there is no relationship between the ranks (Altman 1990:285-288). The sample is the 16 States and Federal Territories in Malaysia. Being a small sample, the Student's t distribution is applied to test the significance of the Spearman rank correlation coefficient. A large t value indicates the probability of seeing a pattern is small which means the null hypothesis will be rejected.

The Spearman's rank order correlation was conducted to identify the strength of association between:

1. The number of registered organisations in each State with its population.
   The strength of association between the population sizes of each state was measured against the total number of registered TSOs in each State to determine the relationship between population numbers and registered TSOs.
2. The number of registered organisations in each State with its level of economic development and wealth.
   For the purpose of this research, economic development is measured by the Gross Domestic Product (GDP) per capita and the population's wealth by the median income of the State's population.

3. The number of registered ethnic based organisations (classified under ICNPO 7 400) in each State with its proportion of Malay population.

4. The number of registered religious-based organisations (classified under ICNPO 10 100 and 10 200) in each State with its proportion of Muslim population.

### 5.4.6 Limitations

Data availability and quality is key to the success of any research project. A study is only able to achieve its objectives if the required data is available. Lack of cooperation from data custodians was a major obstacle in the data collection process, the research had to make do with the available organisational data to come up with a map of the Malaysian Third Sector. The absence of financial and other administrative data also made it not possible to explore the applicability of the social origin theory on the Malaysian Third Sector.

Not having data on the finances and volunteers limited the analysis on Malaysian TSOs to only the country's population, ethnic and religious distribution. Reluctance of selected respondents to be interviewed was also another challenge, while replacement respondents were available, final composition of the sample was not what was initially planned. Nevertheless, input from the respondents did present a picture of the sector as seen from their eyes which enabled an improved account of the sector to be drawn.

### 5.4.7 Survey questionnaire

From the organisational data gathered and based on the findings of the interviews, a survey questionnaire was developed as an effort to further enhance the understanding of the sector. The questionnaire addressed the following questions: what are the sector's demographics, how the sector is funded, how TSOs are managed and are existing laws sufficient to regulate the sector. The questionnaire has three sections, the first captures the demographics of the respondents for descriptive analysis purposes; the second section address the questions on size and demographics of the sector and the third section seeks answers to questions on funding, management and regulation of third sector organisations.

While it is not impossible to obtain feedback from each of the eighty thousand organisations, it would be impractical and unnecessary to do so, a sample that corresponds to the population is sufficient to make inferences about the population. For the purposes of distributing the survey questionnaire, a random sample is drawn from the population of Malaysian third sector organisations.

Due to the incomplete data on organisational activities, the organisations were categorised into six broad categories loosely based on the ICNPO classification. The categories were welfare, social and recreational, religious, ethnic, professional bodies and others. These categories were further stratified based on decade of registration; those registered before 1970, those registered during the 1970s, 1980s, 1990s, 2000s and the final stratum are organisations registered between 2010 and 2016. Sixty organisations were randomly selected form each of the 36 strata providing a sample of 2160 organisations.

The next step was to obtain contact information for these organisations. Requests for postal addresses from the ROS was not successful, the (then) Deputy Director General of the ROS informed via an email communication that they have no intention of sharing postal addresses of their organisations with any party. However, despite her stance on the distribution of addresses, the ROS office of the Selangor[81] region has a portal where the postal address of most ROS registered organisations can freely be obtained. Due to the ROS head office's stance of not releasing addresses to third parties, the research is left with little to no choice but to rely on the Selangor ROS portal as the source of addresses for the ROS registered organisations. These were obtained from https://mysociety.my/societies, the web portal managed by the Selangor state office of the ROS. However, not all addresses of ROS registered organisations are available on the portal, the researcher was not able to obtain addresses of a large number of sampled organisations registered after 2014.

The addresses of SSM registered CLBGs were obtained from BASISNET, a Malaysian online credit report and financial information portal (https://www.basisnet.com.my/malaysia-company-business-credit-information-report/). The accuracy of the addresses is however entirely dependent on the accurateness of the Selangor ROS and BASISNET data. The addresses of sports associations were obtained from the spreadsheet given by the SCO and the addresses of BHEUU registered foundations were obtained directly from the BHEUU website. Other than the sports associations database, the other organisational databases did not have any details on the addresses. The contact details of the sampled organisations were obtained mainly via internet search engines, where names of organisations were keyed in to obtain details on their websites, email addresses or Facebook pages.

Next, web contact pages and general emails (such as info@ or general@ or webmaster@) were contacted to request for email addresses of a contact person within the organisation. Facebook messenger was also used to reach out to the organisations, again asking for contact details where

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[81] Selangor is one of the thirteen states in Malaysia.

the questionnaire can be sent. Requests via multiple channels were sent, emails were sent first, followed by Facebook messenger and by filling up the web contact page. Two rejections were received, the first, a social club of a private corporation notified that they do not participate in surveys as an organisation and suggested the research reach out to their employees instead. This was however not done as the targeted respondents are persons responsible for the administration of the social club instead of random employees of the parent organisation. The second rejection was from the social and recreational club of a State government department, their reply email stated that they will only respond to surveys which have been approved by their Research and Ethics Committee. One of the sampled organisation replied asking for a formal application to be made, the process includes sending in multiple declaration forms as well as a research proposal. This was not pursued.

The survey questionnaire was finalised in March 2018, a pilot was undertaken and the survey went online on 21 April 2018. The questionnaire was distributed both by regular mail and electronically via [www.onlinesurveys.ac.uk](www.onlinesurveys.ac.uk) (formerly Bristol Online Surveys), an online survey tool designed for academic research. Using online surveys eliminates the need for manual compilation of survey responses and other administrative tasks which not only saves time but also prevent mistakes in data entry. It is also fast and cost effective. However, only a small number of the respondents had electronic contact details therefore a large number of questionnaires had to be distributed via regular mail.

395 questionnaires were sent out beginning 22 April 2018. The survey period initially was supposed to end on 30th June but was extended to 31st July 2018. Despite sending four remainders the response rate was dismal, only 31 questionnaires were completed, a response rate of less than 8 percent. An assistant based in Malaysia was appointed in late May 2018 to help organise the distribution of the questionnaires via regular mail. This was done to reduce the postage costs. Administrative work including printing of questionnaires, setting up a P.O. Box and bulk mailing arrangements took a while and questionnaires were only sent out at the end of June 2018. Out of 1,397 questionnaires mailed, only 37 were completed and 71 were returned for various reasons. The response rate six weeks after the questionnaires were sent out was 1.6 percent.

A survey questionnaire would have added to the quality and depth of the study but due to not having much success with the questionnaires, it was decided that the research shall rely only on the interview and organisational data. The organisational data gathered from the regulators provide information on almost eighty thousand Malaysian Third Sector organisations while the interviews spoke to twelve Third Sector organisations and three Regulators and therefore this research believes there is sufficient data to successfully achieve the goals of this study.

*Survey questionnaire: descriptive statistics*

Combining both online and regular mail questionnaires, the response rate from the 1,792 surveys sent out was a mere 3.8%, giving a nonresponse bias of almost 96%. Such a low rate is not sufficient to enable to generalise the results to the target population. The response are as follows:

*Table 5-2: Survey questionnaire response rate*

| Mode of delivery | Sent | Completed | Response rate |
|---|---|---|---|
| www.onlinesurveys | 395 | 31 | 7.8% |
| Regular mail | 1397 | 37 | 2.6% |

The findings from the survey were not included in the analysis as they were deemed unreliable due to the high nonresponse bias. Nevertheless, this section presents some findings from the questionnaire for illustrative purposes.

*Terminology*

Consistent with the interview data, 43% of the respondents identify NGO as the most common term used to describe Malaysian TSOs, followed by charity (12%), NPO and voluntary organisation (10% each).

*Regulators and regulations*

Interviews suggested inconsistencies in regulation (Section 8.6). However, survey data found that 55% feel that the regulators are firm and regulations are strictly enforced and 62% of respondents feel that existing laws governing the sector are sufficient.

*Sources of funds*

Survey data suggested that public donation boxes, standing instructions for salary deductions, government grants and online donations are not major sources of income for Malaysian TSOs. Charity events such as dinners or bake sales, corporate social responsibility activities and membership fees are identified as major sources of income by most respondents. Table 5-3 shows the respondents' views on the major source of income.

*Table 5-2: Survey respondents' views on the major source of income, column percent*

| Major Source of income | Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree | Depends on circumstances | Don't know |
|---|---|---|---|---|---|---|---|
| Donation boxes | 3.17 | 17.46 | 14.29 | **38.1** | **7.94** | 14.29 | 4.76 |
| Salary deduction | 4.69 | 15.63 | 7.81 | **25** | **28.13** | 4.69 | 14.06 |
| Government grants | 4.62 | 18.46 | 16.92 | **33.85** | **9.23** | 10.77 | 6.15 |
| Online donations | 0 | 18.46 | 18.46 | **35.38** | **13.85** | 6.15 | 7.69 |
| Charity events | **6.15** | **32.31** | 21.54 | 16.92 | 6.15 | 9.23 | 7.69 |
| CSR | **6.15** | **32.31** | 16.92 | 18.46 | 6.15 | 10.77 | 7.69 |
| Membership fees | **23.08** | **35.38** | 12.31 | 15.38 | 6.15 | 4.62 | 3.08 |

## 5.5 Summary

Discussion on methods employed and description of data concludes the first section of the thesis. This chapter presented the design and strategies employed in this research and the discussion on the procedures undertaken and challenges encountered. This study employs a multi-method design in which both the qualitative and quantitative elements were undertaken concurrently but independently. The findings of both strands were then triangulated to come up with an improved account of the Malaysian Third Sector.

# Chapter 6: The Classification Process

This chapter presents a detailed account of the data cleaning and ICNPO classification process. The data management process involves merging the seven organisational datasets into one central dataset. This is then followed by classifying the organisations into the relevant ICNPO categories based on their activities.

The chapter begins by describing the components of the International Classification for Nonprofit Organisations (ICNPO) followed by the data management and cleaning process. A detailed account of keywords used to identify and assign organisations to the relevant ICNPO categories are discussed next. Rationale and basis for the keywords and categories assigned are also explained in this section. The classification process and steps are discussed before the chapter concludes with a discussion on the challenges encountered during the process.

## 6.1 International Classification for Nonprofit Organisations (ICNPO)

In order to map and describe the Malaysian Third Sector, the data was organised according to the International Classification of Non-profit Organisations (ICNPO). It was developed by the Johns Hopkins Comparative Nonprofit Sector Project with the aim of classifying entities that make up the non-profit or Third Sector according to their activities. The ICNPO is a classification system where TSOs are categorised according to its major economic activity. In the case of organisations with multiple activities, the 'major economic activity' is the one that consumes the largest share of the operating budget (Salamon and Anheier 1996:3). The classification enables Third Sector organisations to be grouped together for descriptive and comparative purposes and was adopted by the United Nations to present data on non-profit institutions within the System of National Accounts (SNA) 1993. The classification consists of eleven major activity groups plus one group for organisations not covered by the other eleven groups or for those without a distinctive activity. The eleven groups are further divided into 27 subgroups of specific activity or beneficiary to enable more detailed classification to be made. The classification enables the distinction between 'member-serving' organisations which caters exclusively to the needs of their members and 'public-serving' organisations which serves the general community to be made thus enabling a more in-depth analysis to be undertaken (Salamon and Anheier 1996:4). Hatch (1980, quoted in Kendall and Knapp, 1995) defines 'member-serving' as those which pursue only their members' interests and 'public-serving' organisations as those oriented towards helping non-members. Unless specifically stated in their mission statement or constitution, identifying member or public serving organisation can be difficult and controversial but one could argue that looking at stakeholders' actions could provide an indication of the organisation's type. However, actions linked to the promotion of public benefit may not be the only motive for participation in the Third

Sector and taking this as a primary motive for participation would risk masking the limitations of the Third Sector (Kendall and Knapp 1995). Member and public serving organisations are distinct from the 'mutual' and 'entrepreneurial' categories of Third Sector organisations proposed by Hansmann (1980) as they are defined based on organisational and management control. For example, mutuals are controlled by beneficiaries while entrepreneurial TSOs' management and control are under the supervision of professional administrators (Ben-Ner and Gui, 2003:5). The INCPO classification is detailed in Table 6-1 below.

*Table 6-1: International Classification of Nonprofit Organisations (Salamon and Anheier, 1996:7)*

| Group | Subgroup | |
|-------|----------|---|
| 1 | | **Culture, Sports and Recreation** |
| | 100 | Culture and Arts |
| | 200 | Sports |
| | 300 | Other Recreation and Social Clubs |
| 2 | | **Education and Research** |
| | 100 | Primary and Secondary Education |
| | 200 | Higher Education |
| | 300 | Other Education |
| | 400 | Research |
| | *500[1]* | *Alumni and Student Associations* |
| 3 | | **Health** |
| | 100 | Hospitals and Rehabilitation |
| | 200 | Nursing Homes |
| | 300 | Mental Health and Crisis Intervention |
| | 400 | Other Health Services |
| 4 | | **Social Services** |
| | 100 | Social, Welfare Services |
| | 200 | Emergency and Relief |
| | 300 | Income Support and Maintenance |
| 5 | | **Environment** |
| | 100 | Environment |
| | 200 | Animal Protection |
| 6 | | **Development and Housing** |
| | 100 | Economic, Social and Community Development |
| | 200 | Housing |

| | 300 | Employment and Training |
|---|---|---|
| **7** | | **Law, Advocacy and Politics** |
| | 100 | Civic and Advocacy Organisations |
| | 200 | Law and Legal Services |
| | 300 | Political Organisations |
| | *400[1]* | *Ethnic Organisations* |
| **8** | | **Philanthropic Intermediaries and Voluntarism Promotion** |
| | 100 | Grant Making, Fundraising and Voluntarism Promotion and Support |
| **9** | | **International** |
| | 100 | International Activities |
| **10** | | **Religion** |
| | 100 | Religious Congregations and Associations |
| | *200[1]* | *Burial Associations* |
| **11** | | **Business and Professional Associations, Unions** |
| | 100 | Business and Professional Associations and Labour Unions |
| **12** | | **Not Elsewhere Classified** |
| | 100 | Others |

[1] Introduced for this study, not part of original ICNPO classification

Three additional sub-categories were added to the ICNPO for this research, '2 500' which groups alumni and student associations, '7 400' for organisations promoting rights of specific ethnic groups and '10 200' groups burial associations. This was done upon the discovery that these groups were quite sizeable in the Malaysian Third Sector and if such organisations were included in a larger category it may prevent the sector from being accurately presented. The decision was inspired by Smith (1996) who suggested that based on the American experience, additional sub-categories would be required to classify groups with sizeable number of organisations in order to better reflect the Third Sector landscape. Additional categories were also introduced by Mohan and Barnard (2013) where they combined medical research (2410) together with grant making (8100) due to some larger UK medical research organisations sponsoring research instead of undertaking it themselves. Statistics New Zealand[82] also undertook a similar exercise when developing a satellite account to the New Zealand System of National Accounts (NZSNA) based on the ICNPO where ICNPO 2 100 was split into further two subgroups, giving kindergartens and preschools their own subgroup that is separate from primary and secondary schools. They also gave Group 8 an additional subgroup, 8 100 comprise of grant making organisations while the new subgroup, 8 200, groups other philanthropic intermediaries and organisations promoting

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[82] See: Classifying Non-Profit Institutions, Statistics New Zealand, June 2006

voluntarism. The other change instituted by Statistics New Zealand was to split Group 11 into three sub categories: business associations, professional associations and labour unions. Salamon and Anheier did not mean for the ICNPO to be rigid and the above-mentioned initiatives are examples of how to present a more detailed and representative classification of Third Sector organisations.

Classifying Malaysian TSOs according to the ICNPO enabled the components of the sector to be arranged and categorised in an internationally recognised manner and facilitates the systematic identification of its constituents. To achieve this, the seven organisational datasets from the regulators were merged into one central dataset and uploaded into Stata (version 15) which was used to organise and analyse the data.

## 6.2 Data cleaning and quality checking

The first step undertaken to clean the dataset was to ensure consistency in the data. A new variable consisting of organisation names in small caps was created to achieve consistency and to facilitate analysis as the existing organisation name variable had a mixture of capital and small letters. This was also necessary as Stata is case sensitive and any inconsistencies in the lettering could affect the results of the descriptive and statistical analysis. To further enhance data quality, organisation names were cleaned up by deleting commas and hyphens, and removing multiple spaces, leading and trailing blanks. Some obvious and noticeable spelling mistakes were also corrected at this point. However, given the sheer number of organisations, at this point in excess of 80,000, there could be some organisations with spelling mistakes in their names were missed and remained uncorrected.

The Stata module '*MDESC*' (Medeiros and Blanchette 2011) was used to check for missing data and duplicate entries. Observations with duplicates in all variables were deleted and so were observations which had duplicates in terms of name and registration number as they were assumed to be the same organisation. It was discovered that some organisations had identical registration numbers but had different names. As it was not possible to ascertain which of the two variables was erroneous, it was decided to keep these observations on the basis that organisations with different names are deemed to be different organisations.

Next, organisations whose registrations have been revoked were excluded from the dataset. A total of 992 organisations were listed as 'revoked' but they were all SCO registered organisations. The SCO database is the only one that indicated whether the organisations' registration are still valid or otherwise. The Malaysian open data portal states that the ROS organisational dataset consist of only active societies. Trusts whose registration has been revoked were excluded from

the BHEUU source file. The databases of SCO and LFSA registered organisations and SSM registered CLBGs did not provide any indication of the registration status and the decision is made to take them all as active organisations. After removing the duplicate entries and organisations whose registrations have been revoked, the dataset was left with 79,750 organisations.

A new variable, 'decade', which represents the decade in which the organisation was registered was created. The dataset comprises of organisations registered up to 31 December 2016 hence the decade beginning 2010 only has six years of registered organisations. This new variable is used to observe patterns of new registration according to the decade when they were registered.

SCO and ROY were established in 1998 and 2007 respectively and their governing Acts require existing registered organisations that falls under their purview to transfer their registration from the ROS to the respective new Regulators. As a result, organisations registered with the SCO and ROY, especially those recorded as being registered in 1998 and 2007 may not necessarily be established during those years. In all, 89% of organisations in the database had registration dates. As was highlighted in the 'Methods' chapter, data for trade unions is incomplete, their year of registration or establishment is unknown. Therefore any analysis or description based on year of registration excludes trade unions. For the rest of the dataset, the date of registration is taken as the date of official establishment despite some organisations may have existed in an informal form prior to officially registering with the authorities.

The merged database initially has 17 variables but only three were common to all organisations. The three variables fully represented are: the organisations' names, their regulator and registration number. However in the case of trade unions, due to not having their actual names, they were listed according to their affiliation, government, private sector, or statutory body and numbered 1 to 734. Other than trade unions and nine organisations registered with Labuan FSA, all other organisations' year of registration were known.

Many of the variables only contain data from one or two Regulators. Two of the variables provide information on the activities and subcategories of only ROS registered organisations, another two variables describe the sports type and sports category of SCO registered organisations and another variable describes the activities of CLBGs. Youth organisations which are members of national youth bodies are identified by the variable labelled 'ROY Group' while the variable 'Founders' only lists the founders of BHEUU registered organisations.

Variables in the Malaysian Third Sector Dataset with incomplete observations were not removed despite not being used in this research and due to the many organisations not represented in most of the variables, the descriptive analysis of Malaysian Third Sector organisations only focuses on TSO activity, age and State where registered and analysis was supplemented by additional social and economic data on Malaysia.

## 6.3 Keyword Identification and ICNPO Classification Process

The ICNPO classifies TSOs according to their 'major economic activity', defined as the activity or service that consumes the largest portion of its budget (Salamon and Anheier 1996). However, due to the Malaysian Third Sector Dataset not containing information on the organisations' major economic activity or their finances, classifying them into the appropriate ICNPO codes had to be done based on certain words or combinations of words contained in their names. These selected words from their names were used as identifiers of their major economic activity or objective and was the basis for assignment to the respective ICNPO codes. In the absence of knowledge of their major economic activity, they will be assigned to the category that closely matches the activity described in, or identified by their names. Although ICNPO does not specifically require organisations to be allocated to only one category, in this research they are only assigned to a single category to avoid double counting. Classifying organisations into more than one category could produce a map that is not representative of the Third Sector population because the duplicate entries could lead to an inaccurate description of the sector and may make it appear larger than it actually is. Nevertheless, classifying organisations into more than one category could produce a map showing the number of organisations with multiple functions but at these early stages of the research on the Malaysian Third Sector, a map that shows the core or main activity is deemed sufficient to provide an improved account of the sector. A more detailed map of the sector showing TSOs' multiple functions and activities would be the next step of the research on the sector.

The keywords used to assign organisations to the respective ICNPO codes are identified in two stages. The first stage is listing common terms used, both in Malay and English, to describe an organisation such as 'association', 'organisation', 'foundation' 'society', 'club', 'movement', 'body', 'chamber', 'guild', and 'council'. This was followed by adding common activities or beneficiaries to the identified words, for example; care home or orphanage, nursing homes, chambers of commerce, professions, youth associations, name of a sport, house of worship, name of a particular religion, ethnic group or clan. Also included in this list are residents associations, alumni and employee welfare organisations, arts and culture organisations, social and recreational clubs, religious institutions and houses of worship, and names of organisations identified by ICNPO such as 'Kiwanis', 'Lions Club', Rotary and 'YMCA/YWCA'. Selection of the common

terms at this point were based entirely on the researcher's observation of the organisational data contained in the Malaysian Third Sector Dataset. The combined phrases were then machine-sorted according the most applicable ICNPO codes.

There are however organisations that have more than one identifier or keyword in their names and these organisations was assigned according to their core activity, if known, or the organisation's objective as indicated by their full name. For example, *'Persatuan kebajikan kebudayaan dan sosial kakitangan'* (Employee welfare, cultural and social association) has at least three keywords: 'welfare', which is typically classified under any subgroup in ICNPO Group 4; 'culture', a component of ICNPO 1 100; and 'social', a component of ICNPO 1 300. Associations with such names are however not general welfare or cultural organisations but are actually employee social and recreational clubs[83] identified by the keyword 'employee' and therefore were assigned to ICNPO 1 300. Another example is 'Chinese Chamber of Commerce', despite having 'Chinese' in the name indicating it only serves the Chinese business community, it is first and foremost a trade organisation and thus assigned to ICNPO 11 100.

The dataset provided by the ROS includes a variable that describes the organisations' category of activity. The category assigned by the ROS is based on the information provided by the organisations at the time of application to be registered. A manual inspection of the dataset however found a number of organisations' whose names do not accurately reflect the ROS categorisation. An example of this was 'Bicycle Retail Dealers and Repairing Association' which was classified as a human rights organisation when it would have been better classified under ROS' 'trade and commerce' category. Using the ROS' categorisation will result in this particular organisation being assigned to ICNPO 7 100 when it rightfully should be classified under ICNPO 11 100. The Malaysian Zoological Society is also classified as a rights organisation, again using ROS' categorisation system will result in this organisation being assigned to ICNPO 7 100 instead of ICNPO 5 200. Five Lion's Club and two Rotary Clubs were also classified under ROS' 'rights' category (7 100) when the ICNPO specifies that they be included in 1 300. Based on these observations, it was decided that the ROS activity category is not reliable to be used as the basis for allocating organisations to the respective ICNPO codes. They are however used for further clarification purposes, to determine under which ICNPO category the organisations belong to. The full list of terms used as identifiers are listed in the .do file which is available at https://github.com/nurazamperai/keyword-classification.

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[83] All relevant results from the first page of the Google search for the constitutions of 'Persatuan kebajikan kebudayaan dan sosial kakitangan' showed that organisations with the said name are set up as employee welfare, social and recreational clubs.

The following section will describe the process undertaken, keywords used and rules applied to determine the correct ICNPO group. The classification is done based entirely on the criteria set by Salamon and Anheier (1996) in their proposal for the ICNPO. This exercise is based on keywords in the names of the organisations and accuracy is entirely dependent on words found in the names. Some keywords or phrases may mean different things depending on the context they are being used in the organisations' names, classification was made based on the most common application and meaning of the selected phrases. The implementation and application of the keywords and phrases hinges on the researcher's operational decisions and alternative methods and rules of identification and/or classification are possible.

### 6.3.1 ICNPO Group 1 – Culture and Recreation

ICNPO Group 1 include all organisations in the fields of culture, sports and recreation and include those that promote and organise arts, cultural, sporting, recreational and social activities (Salamon and Anheier, 1996:11).

*ICNPO 1 100 – Culture and Art*

ICNPO 1 100 groups all organisations that promote or are engaged in cultural activities, including media and communications, visual arts and architecture, performing arts, historical and literary societies, museums, and zoos and aquariums. Museums, dance and music clubs, photographic societies, theatres, orchestras, and cultural councils are also included in this category. They are identified by the words *'kebudayaan'* (cultural), *'kesenian'* (arts), '*warisan*' (heritage) or any words relating to art, culture, literature, music or history in their names. Organisations with 'museum' or 'zoo' in their names were also included in this category except for their employee associations.  As a general rule, all organisations with only *'kebudayaan'* or *'kesenian'* in their names are included in this category.

If an organisation has *'kebudayaan'* in their names, inclusion in ICNPO 1 100 depended on the following or preceding words. If those words were related to recreation, social or sports, the organisation was assigned to ICNPO 1 300. However, an organisation that has *'kebudayaan'* in its name but followed by both *'kebajikan'* (welfare) and an ethnic or religious name were assigned to ICNPO 7 400 instead of 1 100 or 1 300. This is because the word 'welfare' followed by ethnicity or religion suggest that despite the presence of the word 'cultural', promotion of culture is not its main objective. Instead, the organisation promotes the welfare, rights and interest of that particular group.

Cultural and arts associations belonging to private corporations and government agencies were included in ICNPO 1 100 provided they do not have social, recreation or sports in their name

because they are also deemed to be promoting and engaging in cultural activities despite their membership being mainly exclusive to employees of the corporation or government agency.

The position taken for this research is the opposite of that taken by Statistics Canada (Bertrand and Joyal 2001). In their classification of non-profits and voluntary organisations for the Canadian System of National Accounts, 'Ukrainian Dance Group' was classified in Group 7 as an ethnic association rather than a cultural one. In the Malaysian Third Sector, an organisation similar to the Ukrainian Dance Group will have been classified in ICNPO 1 100 because organisations with culture, arts or literature related keywords despite having names of ethnic or religious groups were deemed to be promoting the art and culture of that particular ethnic/religious group instead of an organisation that promotes the welfare and rights of that group. However, the researcher does agree with Statistics Canada's position on assigning 'Christian radio broadcast' to Group 10, because it was based on their activity which is religious preaching and not general broadcasting.

*ICNPO 1 200 – Sports*

ICNPO 1 200 includes all organisation providing amateur sports activities including physical fitness and wellness centres. Also included are organisations engaged in organising and promoting sports competitions and events. The scope of sports in this research includes extreme sports, electronic sports and board games such as chess and scrabble. All organisations registered with the SCO are by default classified under this category by virtue of them being classified as sports associations by the Regulators. Despite being a keyword based exercise, SCO registered organisations that do not have sports related words in their names were also assigned to ICNPO 1 200 due to them being classified as a sports association by the regulator of sports bodies.

All organisations with the words *'kelab sukan'* (sports club) were also classified under ICNPO 1 200 but if words denoting social or recreational activities are found in their names in addition to 'sports club', the organisation will be assigned to ICNPO 1 300. This is a debatable issue as both 1 200 and 1 300 have overlapping criteria. For example physical fitness and wellness centres can be both recreational as well sporting and some organisations may consider themselves to be both. Martial arts such as taekwondo, judo, the Indian '*silambam*' or the Malay '*silat*' are classified as sports due to them regularly featuring in the Olympics and Asian Games. This is again in contrast to the decision taken by Statistics Canada, where they classify martial arts as recreation and social clubs (ICNPO 1 300).

Sports associations that include ethnic names are classified under ICNPO 1 200 as the objective of the association or club is engaging in sporting activity and it does not directly promote or

protect the rights of any particular ethnic or religious group. State and national sports councils whose roles include overseeing the development of sports within their jurisdiction are also included under ICNPO 1 200.

*ICNPO 1 300 – Other Recreation and Social Clubs*

ICNPO 1 300 includes two broad groups entities, namely social and recreation clubs, and service clubs. ICNPO defines social and recreation clubs as those that provide recreational facilities and services to individuals and communities and their purpose is mainly social and recreational (Salamon and Anheier 1996:11). Service clubs are defined by the ICNPO (ibid.) as '*membership organisations providing services to their members and local communities*' and the ICNPO includes Lions, Rotary, Kiwanis and other similar clubs in this group. For the Malaysian Third Sector, also included under this category are social and recreational clubs belonging to private corporations and government departments and agencies. As a general rule, any organisation with the word *'rekreasi'* (recreation) is included in ICNPO 1 300. Any organisation with the word *'kelab'* (club) followed by the name of a town, city or State or government department or agency were also included in ICNPO 1 300 as they are deemed to be recreational in nature due to the presence of word 'club' in their names.

However, due to the classification being based on words contained in the organisations' names, a decision has to be made as to where certain organisations should be placed. One such instance are organisations with both the name of a sport or the word *'sukan'* (sports) and *'rekreasi'* in their names. The decision is made that such organisations are to be classified under ICNPO 1 300 as they are considered to be mainly recreational clubs due to them having the word *'rekreasi'* in their names. However, some SCO registered sports associations have '*rekreasi*' in their names but are assigned to ICNPO 1 200 by virtue of being registered with the regulator for sports associations. In the same vein, golf and country clubs are also included in ICNPO 1 300 instead of 1 200 again due to them having that leisure and recreational element in the 'country club' and not solely focussing on the game of golf. Nevertheless, there could be a number of golf and country clubs that do not have the word 'country' in their names and as this classification exercise is based on identified keywords in their names, these clubs were assigned by Stata to ICNPO 1 200 due to them having a sport in their names.

There are also organisations with the words *'kebajikan dan rekreasi'* (welfare and recreation) or *'kebudayaan dan rekreasi'* (cultural and recreation) in their names and such organisations in the Malaysian Third Sector Dataset mainly belong to private corporations, government departments and agencies and local communities. These organisations often will have the names of their company, government department or agencies in their names. These organisations are members

clubs with the most common being employee recreational clubs offering and organising recreational activities for their members and their families. An internet search for organisations with the words *'kebajikan'* and *'rekreasi'* found nine of the first ten relevant matches to be recreational clubs belonging to government ministries, agencies and state funded institutions of higher learning. Details of activities obtained from their web pages and constitution showed that activities undertaken are only for the benefit of their members. The one exception was a community recreational and welfare association which was not associated with any public or private body and according to their Facebook page, the objective of the association is to serve the community they represent. The internet search also found an undated Treasury Circular[84] on the provision of grants to government ministries and departments for the purpose of conducting 'social, welfare and sports' activities for employees. This demonstrates that the objective of such associations are to serve their members. Therefore, while these organisations do undertake welfare and cultural activities, they are essentially employee social and recreational clubs. The word 'welfare' in their names refer to the welfare of the employees or members and the cultural activities are mainly undertaken during private functions and for these reasons they are classified under ICNPO 1 300. However, if an organisation has the word 'welfare' in their name but not followed or preceded by 'sports', 'social' and/or 'recreation', their category would depend on other identifying words in their name. If an ethnic or religious group is present in the name, it was assigned to ICNPO 7 400, welfare of employees were assigned to ICNPO 11 100 and welfare together with a disability or the word indicating they serve older people or single mothers were assigned to ICNPO 4 100.

Sports and recreational organisations that cater to one specific ethnic or religious group such as 'Chinese Recreation Club' are also classified under ICNPO 1 300. This decision is made based on the ICNPO's definition of ethnic associations as *'organisations that promote the interests of, or provide services to, members belonging to a specific ethnic heritage'* (Salamon and Anheier 1996:17). Sports and recreational associations are seen to not fit into the definition because their activities and object is sports and recreation which do not tantamount to promoting the interests of, or providing any services to a specific ethnic group despite their membership being restricted to members of that particular ethnic group.

A large number of sports and recreational organisations that cater to one specific ethnic or religious group, especially under ICNPO 1 300, are member-serving organisations based on the definitions presented by Gordon and Babchuk (1959), Hatch (1980) and Salamon and Anheier (1996). However, unlike a public-serving organisation which provides services to and engages in

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[84] See: http://1pp.treasury.gov.my/topik/fail/19/muat-turun

activities with the larger community, their activities are intended to benefit only a particular group of people.

## 6.3.2 ICNPO Group 2 – Education and Research

ICNPO Group 2 clusters together organisations whose activities include administering, providing, promoting, conducting, supporting and servicing education and research (Salamon and Anheier 1996:12). Three of the sub-categories focusses on education providers of various levels while sub-category 2 400 groups research bodies. Following Smith's (1996) suggestion, a fifth sub-category, 2 500, was introduced to group academia and student related organisation that do not directly provide educational or research services.

*ICNPO 2 100 – Primary and Secondary Education*

ICNPO sub-group 2 100 includes educational providers, administrators and promoters from pre-school to secondary school level, with the exception, however, of day-care centres. There are a large number of organisations in the Malaysian Third Sector Dataset with terms that identify with schools or educational institutions in their names. However, most of these organisations are either alumni or employee/teaching staff associations including the earlier described employee social and recreational clubs which were not included in 2 100 as they are part of 1 300. Also excluded from the cluster were employee rights associations of educational institutions as they are more appropriately classified under Group 11 of the ICNPO Group.

The process of identifying Third Sector primary and secondary education providers began by eliminating alumni and employee associations. Organisations with the Malay or English word 'school' in their names were identified and manually checked to determine whether they are providers of nursery, primary or secondary education. As there are not many organisations that fit the criteria, the researcher looked at the activity description of SSM registered CLBGs and managed to identify a few additional education providers. Also included in the cluster were associations of school administrators and school board of governors.

*ICNPO 2 200 – Higher Education and ICNPO 2 300 – Other Education*

Institutions of higher learning such as universities, medical, business or law schools are classified by ICNPO under 2 200. Schools and institutions engaged in providing technical and vocational training are classified under ICNPO 2 300.

The process undertaken to identify keywords for schools was replicated to first look for organisations with words identifying with institution of higher learning in their names such as universities or colleges. However, the process cannot be replicated to identify institutions

belonging to ICNPO 2 300 due to their names not having distinguishable features or did not have words in their names that clearly identifies them as providers of education. Therefore, components of 2 300 were identified based on SMM activity description obtained from the web scraping exercise, thus raising the possibility of missing some of them. This is a shortcoming of a keyword-based selection process. It could possibly exclude the selection of some organisations, especially those with names without common keywords.

*'Persatuan pendidikan'* (education association) and *'pertubuhan pendidikan'* (education organisation) were also included in ICNPO 2 300 as it was decided that their names indicate that they are informal providers of education or involved in the dissemination of knowledge.

*ICNPO 2 400 – Research*
Organisations conducting research in the medical field, physical and life sciences, engineering and technology as well as social sciences and policy studies are classified under ICNPO 2 400. Words associated with research such as *'institut kajian'* (research institute) or *'penyelidikan'* and their derivatives were used to identify the relevant organisations. It was also observed that a number of research organisations were using English names so the word 'research' was also used as identifiers. A large number of associations of professionals that belong to Group 11 have 'institute' instead of 'research' in their names, such as the 'Institute of Engineers', while others are think-tanks and are classified under ICNPO 7 100. To ensure these organisations are assigned to the correct ICNPO groups, those with 'institute' were manually scrutinised and assigned accordingly and in many cases, SSM activity descriptors and internet searches were used to confirm their object.

*ICNPO 2 500 – School and student services*
Subgroup 2 500 was not part of the ICNPO classification system developed by Salamon and Anheier. Smith (1996) proposed an additional subgroup be added to the ICNPO to account for school service non-profit organisations such as Parent-Teacher Associations (PTA) and alumni associations (p. 318). His proposal was based on the findings that 17% of non-profit memberships in the United States were found in these types of organisations. While is not possible to estimate the membership number for Malaysian PTAs and alumni from the data available, a large number of such organisations were observed in the Malaysian Third Sector Dataset hence a separate category is justified and would present a more representative picture of the Malaysian Third Sector. Organisations with 'alumni', 'former students or pupils' and other words with a similar meaning were included in this category. Also included are student welfare bodies or student unions and organisations with 'parent teacher' in their names.

### 6.3.3 ICNPO Group 3 – Health

ICNPO Group 3 groups organisations that provide general and specialised health care including nursing homes, mental health and crisis intervention and wellness education.

*ICNPO 3 100 – Hospitals and Rehabilitation*

Hospitals providing inpatient medical care including rehabilitative therapy are classified under ICNPO 3 100. Similar to the steps taken to identify educational institutions, employee and professional medical associations were first excluded and the remaining organisations with the word 'hospital' were scrutinised to identify those falling under ICNPO 3 100. Identifying these organisations using the term 'hospital' resulted in their employee associations being included and to overcome this problem, the full names of the hospitals are used to ensure only the intended organisations are captured and assigned to this group.

*ICNPO 3 200 – Nursing Homes*

Organisations providing residential care such as homes for frail older people and for the severely disabled are classified under ICNPO 3 200. Hospices and palliative care are also included in this category. Nursing homes for the older people are identified if they include the following words: *'rumah'* (home), *'penjagaan'* (care), or *'orang tua'* (older people). The word *'warga emas'* (old folks) or its derivatives were also used as identifiers. Organisations that provide welfare and support services to older people and disabled were not included in this category as it only includes residential facilities. *'Rumah amal'* (charity home) or '*rumah kebajikan*' (welfare home) which do not specify the residents are also included in 3 200 even though there is a possibility that some may cater to orphans but as this exercise is keyword based, classification is done based on what is identifiable form the organisation's names.

*ICNPO 3 300 – Mental Health and Crisis Intervention*

Psychiatric hospitals, mental health centres, and halfway homes providing care for mentally ill patients are grouped under ICNPO 3 300. Organisations offering support for mental health patients such as suicide prevention are also classified under ICNPO 3 300. Organisations in the Malaysian Third Sector Dataset with words such as *'mental', 'kesihatan minda',* (mental health) or *'psikiatri'* (psychiatric) in their names are assigned to ICNPO 3 300. 'Befrienders' an organisation specialising in suicide prevention and emotional support was also included in this category.

*ICNPO 3 400 – Other Health Services*

ICNPO 3 400 captures all other health related organisations not included in any of the other Group 3 categories. This includes organisations providing health education and family planning

services, outpatient health services, rehabilitative medical services including nature cure and physical therapy centres, and emergency medical services. Therefore, Malaysian TSOs in the Third Sector Dataset with words referring to an illness or disorder are included under ICNPO 3 400. This decision is made due to their names not being sufficient in determining whether they are service providers or support groups, the former would be part of ICNPO 3 400 while the latter are components of ICNPO 4 100. However, health organisation with names that clearly state their economic activity were assigned to the appropriate ICNPO category.

Organisations included in this category include dialysis centres, family planning advisers, paramedic services, yoga clinics, cancer care, diabetic care, disease prevention, heart associations, dementia care, and ambulance services. The ICNPO stipulates that yoga centres be included under 3 400 but in the case of the Malaysian Third Sector Dataset, some organisations with 'yoga' in their names were classified under 1 200 if the organisation has 'sports' in their names or are registered with the SCO, while others are included in 10 100 if a term indicating religious service was found in their names.

There are a number of organisations with the word 'homeopathy' in their names but none are included in ICNPO 3 400 due to all of them being professional and trade associations and not providers of homeopathic medical services. Similarly, all of organisations with *'Persatuan Perubatan'* (Medical Association) in their names were found to be professional associations and hence are assigned under ICNPO 11 100 instead of 3 400.

### 6.3.4 ICNPO Group 4 – Social Services

ICNPO Group 4 captures organisations that provide social services to a community or a particular target group such as children, the disabled or older people. Support groups providing self-help and other personal social services are also included in this group.

*ICNPO 4 100 – Social Services*

ICNPO defines social services to include welfare of children, youths, disabled and older people. Organisations with words referring to a disability are included under ICNPO 4100 as they are deemed to provide services for the disabled. Organisations with words referring to the welfare of orphans, single mothers, or older people are also included in this category together with organisations providing personal social services and support groups. ICNPO stipulates that organisations that protect the rights and promote the interests of children, the disabled and older people be included under 7 100 but for this research it was decided that due to the organisation names not being sufficient to determine whether they are service providers or advocacy, all organisations with words referring to the welfare of orphans, single mothers, or older people are

included in 4 100 unless they specifically state that they are care or nursing homes, in which case they will be assigned to 3 200.

The ICNPO specifies that youth centres and clubs such as the YMCA, YWCA, Boy Scouts and Girl Scouts are included in this category. While YMCAs and YWCAs in the Malaysian Third Sector Dataset were assigned to ICNPO 4 100, none of the Boy Scout and Girl Guides groups in Malaysia were included in the analysis as they are governed by their own Acts of Parliament and not required to register with any of the Regulators therefore are not part of Malaysian Third Sector Dataset. Nevertheless, the keyword 'scouts' were included in the list to ensure that all organisations are captured.

*ICNPO 4 200 – Emergency and Relief*

Organisations working on the disaster prevention and control including educating and providing temporary shelters are included in ICNPO 4 200. Other organisations included in this category are volunteer fire services and volunteer life boats. Organisation providing assistance to refugees were also included under ICNPO 4 200. Words relating to disasters, emergencies, refugees, and volunteer fire services are used to identify organisations for inclusion into this category. The word *'sukarela'* (voluntary) was used as an identifier but in order to differentiate with voluntarism promotion organisations belonging to ICNPO 8 100, the identifying term was used together with another word which is relevant to this category such as *'bomba'* or *'penyelam'* to indicate that they are voluntary fire services or voluntary rescue divers.

*ICNPO 4 300 – Income Support and Maintenance*

The ICNPO classifies organisations providing cash, food, clothes, transport and other material assistance to people unable to maintain a livelihood into sub-group 4 300.

Organisations in the Malaysian Third Sector Dataset with words such as '*amal*' (welfare), *'gelandangan'* (homeless) and *'bantuan'* or *'membantu'* (assistance) are identified as those providing assistance to the destitute and are included in this category. Also included are organisations with generic phrases such as *'pertubuhan kebajikan'* (welfare organisation) '*kebajikan masyarakat*' (community welfare) and '*badan amal'* (welfare body) in their names as it suggests that they are welfare organisations providing income support and material assistance to the community. However, organisations with generic keywords were only assigned to 4 300 after those with the same keywords but catering for specific groups such as the disabled, aged, orphans, ethnic and religious groups have been assigned to the respective ICNPO categories. Whenever an organisation with the keyword *'kebajikan'* is assigned to multiple ICNPO categories, they were scrutinised manually to determine the correct category. *'Tabung'* (fund)

with words denoting welfare are included in 4 300 but not those with words indicating their specific purpose which may be more appropriate for other categories such as '*tabung makanan haiwan*' (animal feeding fund) – 5 200 or '*tabung pendidikan*' (education fund) – 8 100.

Salamon and Anheier assigns burial funds to 4 300, classifying them as organisations providing income support (1996:6) but for this research, organisations offering burial assistance *('khairat')* and those managing cemeteries *('perkuburan')* were classified under a newly created sub-group 10 200. This is because firstly, all such organisations in the Malaysian Third Sector Dataset are structured along religious lines and secondly with more than 1,600 organisations, a separate sub-group would highlight their size and provide a better picture of the sector.

### 6.3.5 ICNPO Group 5 – Environment

The ICNPO gathers organisations promoting environmental causes and education, and animal protection under Group 5.

*ICNPO 5 100 – Environment*

Organisations classified under this category include those promoting clean air and water, preventing pollution, and conserving and protecting natural resources. Botanical gardens, nature societies, beautification programmes and anti-litter campaigns are also included in this category. Among the words used as identifiers include *'alam sekitar'* (natural environment), *'sahabat alam/rimba/hutan'* (friends of nature/forest/jungle), *'perlindungan alam'* (nature preservation) and *'kitar semula'* (recycling).

The term *'alam sekitar'* when used as an identifier, however, had to include the preceding or following word in the name to avoid including employee associations or social and recreational clubs of the Department of Environment into this category.

*ICNPO 5 200 – Animal Protection*

Animal protection and welfare services such as shelters and Societies for the Prevention of Cruelty to Animals (SPCA) and organisations promoting wildlife preservation and protection are included in this category. Names of animals such as *'orang utan', 'penyu'* (turtle) and 'rhino' were used as identifiers. Also used are words that reflects animal protection such as *'pelindung haiwan'* (animal protection) or *'penyelamat haiwan'* (animal rescue). ICNPO also includes organisations providing veterinary services in this category but the word 'veterinary' either in English or its Malay spelling was not included in the list of keywords for ICNPO 5 200 because all the organisations in the Malaysian Third Sector Dataset with 'veterinary' in the names were found to be trade or professional associations.

### 6.3.6 ICNPO Group 6 – Development and Housing

Group 6 includes all organisations that promote programmes and provide services to help improve economic and social wellbeing of communities and society in general.

*ICNPO 6 100 – Economic, Social and Community Development*

This category includes all organisations whose objective is to improve the quality of life within communities. They are organisations that conduct programmes to protect the interests of communities within a neighbourhood and improve the economic infrastructure.

Residents associations are included under ICNPO 6 100 - community and neighbourhood organisations because this is the category that most closely reflect the activities of a Malaysian residents' association or neighbourhood society. Words used to identify residents' associations are *'penduduk'* (residents) or 'owners' followed by the name of a neighbourhood or type of dwelling. Also included in 6 100 are residents' associations that only cater to the needs of a particular ethnic or religious group. This is due to classification being done on the basis of activity. Therefore, despite being exclusive to a particular ethnic or religious group these organisations are first and foremost residents' associations.

ICNPO also include credit and savings associations in this category (Salamon and Anheier, 1996:6). However, none of the organisations in the Malaysian Third Sector Dataset were identified from their names as savings or deposit taking institutions. The ROS FAQ page[85] states that societies registered under the Societies Act are not allowed to collect cash deposits or conduct savings schemes. They are however permitted to offer loans to their members provided it is allowed in their constitution. Other than licenced banks and financial institutions, a large number of credit associations in Malaysia are established as member-serving cooperatives and as defined in Chapter 2, cooperatives are not considered part of the Malaysian Third Sector hence were not included in the dataset.

*ICNPO 6 200 – Housing*

No organisation in the Malaysian Third Sector dataset was classified under ICNPO 6 200 because no organisation in the dataset fit the definition of 'housing associations' and 'housing assistance' described by the ICNPO. This is most probably due to the ICNPO's classification being based on the American model of housing assistance organisations as bodies that provide housing search, legal and other related services to the public.

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[85] Source: https://www.eroses.gov.my/faq/ search term: 'pinjaman'

*ICNPO 6 300 – Employment and Training*

Organisations providing job training programmes, vocational training, career counselling and on the job training and employment are grouped under ICNPO 6 300. Words indicating career development and training such as *'pembangunan kemahiran'* (skills development) was used to identify relevant organisations in the Malaysian Third Sector Dataset.

## 6.3.7 ICNPO Group 7 – Law, Advocacy, and Politics

Organisations classified under Group 7 of the ICNPO include those that work towards protecting and promoting civil rights and the rights of a particular group of people. Also included in this group are political organisations, providers of legal advice, victim support and crime prevention. Apart from that, Group 7 also houses another type of 'restricted membership organisations', such as ethnic or religious-based organisations, where membership is only open to individual meeting the organisations' membership criteria.

*ICNPO 7 100 – Civic and Advocacy Organizations*

ICNPO 7 100 includes civil rights, ethnic and organisations that protect and promote the rights and interest of specific groups of people such as older people, disabled, or women. Also included are civic organisations that conduct programmes and services which encourage civil behaviour. Organisations included in 7 100 differ from those under ICNPO 4 100 because the latter groups service organisations while ICNPO 7 100 groups advocacy organisations. There may be some organisations that do both but where they were assigned by this research depended on keywords in their names that describe their object or activities. Those assigned to 7 100 are organisations whose names do not indicate the provision of a tangible service but as the exercise is wholly dependent on keywords in organisation names, there is a possibility of inclusions in 7 100 actually belonging to 4 100 or 3 400 or vice versa. This remains one of the major shortcomings of this method of allocating ICNPO categories to organisations in the Malaysian Third Sector Dataset.

Organisations promoting the rights of women, children and older people are included in this category if they do not indicate any welfare elements such as nursing homes or orphanages. Similarly, veteran associations which are deemed to be representing a specific group of people are included in 7 100 unless their names indicate that they are sports or employee associations in which case they will be assigned to 1 200 or 11 100.

Youth groups are included under ICNPO 7 100 because they are seen as promoting the interest of a specific group of people, in this case youths and by default all ROY registered organisations are assigned to 7 100. These youth organisations were not included under ICNPO 4 100 because

they do not fall under the ICNPO defined scope of 'social services' as they do not provide youth welfare services. They are also not included in ICNPO 1 300 because apart from the absence of the word 'youth' in many of their names, their object is defined by the Youth Societies and Youth Development Act is to 'promote and facilitate the development of youth in Malaysia from the aspect of education, research and human resource' which is seen as skewed towards advocacy and rights instead of recreation.

*ICNPO 7 200 – Law and Legal Services*

Five types of organisations are identified by the ICNPO as components of 7 200; those providing legal services, crime prevention, rehabilitation of offenders, victim support and consumer associations. The word *'bekas'* (former) or *'membantu'* (helping) together with 'prisoner' and 'addict' were used to identify organisations working to rehabilitate offenders. *'Pengguna'* (consumer) was used to identify consumer associations and *'jenayah'* (crime) together with words indicating 'prevention of' were used to identify organisations working towards educating and reducing crime.

*ICNPO 7 300 – Political Organisations*

Malaysian political parties are required to register with the ROS and they are included in the analysis because they meet all five criteria including being institutionally separate from the state despite being (or were) part of the government. Their inclusion is based on the premise that the role of political parties is to develop public policies (Lindberg et. al 2008), hence are seen as those influencing rather than being influenced by government policy.

Other than political parties, organisations conducting activities to support any political party such as campaigning during elections, public relations exercises and political fundraising are classified under ICNPO 7 300. All organisations included in this category are those listed in ROS' list of political parties obtained from the Malaysian open data portal[86] and all other organisations with names of political parties in their names as they meet the TSO criteria set by the ICNPO.

*ICNPO 7 400 – Ethnic and Non-Congregation Religious Based Organisations*

Organisations that promote the rights of or serve only a particular ethnic or religious group were assigned under the newly created ICNPO 7 400. These include organisations promoting the welfare of ethnic leaders such as '*tuai rumah*' (head of an Iban longhouse) and religious preachers such as monks, priests and imams. Organisations with the word 'welfare', together with the name of an ethnic group or religion were included in this category as 'welfare' is taken as protecting

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[86] Source: http://www.data.gov.my/data/ms_MY/dataset/senarai-pertubuhan-parti-politik-di-malaysia

the rights of the particular group. ICNPO 7 400 excludes ethnic or religious organisations whose names include the name of a sport or the words 'sport' or 'recreation' as it suggests that the primary object of the organisation is sports and recreation and not the protection of ethnic or religious rights. A cultural association with the name of an ethnic group is also excluded from 7 400 because they are deemed to be promoting the culture of that particular ethnic group rather than an organisation that promotes the rights and interest of the group. Organisations with 'welfare' and either 'culture' or 'sport' or both, together with the name of an ethnic or religious group were also excluded from 7 400. This is because the presence of 'culture' or 'sport', despite having 'welfare' in their names suggest that promotion of the welfare or rights of the given ethnic or religious group is not its main focus or object. The key to be included in ICNPO 7 400 is that the organisation must have the objective of promoting the welfare of the members of a given ethnic or religious group and not as providers of sports, recreational or social activities.

Organisations with Chinese names and the word *'wooi koon'* or *'wui kun'* which is Chinese for 'society' were also included in ICNPO 7 400 because it is assumed that having a name that is only understood by one ethnic group was seen as an indication that the organisation only serves that particular group. Similarly, organisations with Tamil names or words are included in this category for the same reason, unless the names refer to a Hindu deity or house of worship, which are included in ICNPO 10 100. This is the stand taken by this research and until more details are available on the object and purpose of such organisations, they will be classified under ICNPO 7 400.

Many organisations in the Malaysian Third Sector Dataset had religious names but their full names indicate that they were not primarily providing religious services or rituals but instead care for the general welfare of their adherents. These organisations were identified by the phrase '*kebajikan penganut*' (welfare of adherents). While their activities may include religious rituals, the main objective is to ensure the wellbeing of the followers of a particular religion. Such organisations being welfare based could fit into any of the sub-categories in ICNPO Group 4 but could also be included in ICNPO 7 100 given that they provide services to only a specific group of people. It was decided to apply the latter qualifying criteria and group these organisations under ICNPO 7 400 instead of Group 4 or ICNPO 10 100 (Religious Congregations and Associations) because they are deemed to focus on the welfare of a specific group i.e. their adherents instead of promoting religious beliefs or administering religious services and rituals. This is similar to the treatment accorded to the YMCA and YWCA, despite having the word 'Christian' in their names, the ICNPO defines them as organisations providing youth services and are classified under ICNPO 4 100 instead of 10 100. Organisations representing religious leaders such as imams, monks or priests are also included in ICNPO 7 400 because they represent groups of people based

on their religion and not directly involved in promoting religious beliefs or administering religious services and rituals.

In addition to religious groups, 'family' or clan organisations are also included under 7 400 because they are seen as 'protecting the rights and promoting the interest of specific groups of people'. In this case, the 'specific group' are those only from the family or clan and often families and clans are made up of people from the same ethnic heritage. However, trade or professional bodies that cater to or serve only one specific ethnic or religious group were excluded from ICNPO 7 400. An example of this is the *'Dewan Perniagaan Cina'* (Chinese Chamber of Commerce) which was not assigned to ICNPO 7 400 despite having 'Chinese' in its name. This is similar to residents' associations that serve specific ethnic or religious groups as the chambers of commerce are first and foremost trade associations and thus are assigned to 11 100 since this is an activity-based classification exercise.

### 6.3.8 ICNPO Group 8– Philanthropic Intermediaries and Voluntarism Promotion

Group 8 has only one category, ICNPO 8 100 which groups all grant making foundations and fundraising organisations, and organisations that promote and organise volunteering. Lotteries are also included in this category but all lottery operators in Malaysia are private for-profit businesses, except for one particular entity[87], Pan Malaysian Pools Sdn. Bhd. All of the net dividends received by the sole shareholder of Pan Malaysian Pools are donated to 'The Community Chest' and used to fund the establishment, development and advancement of schools and learning institutions. The Community Chest is a CLBG registered with the SSM and classified under ICNPO 8 100 as it is deemed to be a grant making organisation.

Foundations are organisations established to receive endowments which are then used to provide financial support to groups or causes specified in their mandates. Based on this definition, any organisation with the word *'yayasan'* or 'foundation' in their names were assigned to ICNPO 8 100. However, there are some organisations despite having either word in their names, do not function as grant making foundations. Some are alumni, employee association or recreational clubs. These organisations with more than one identifying term will end up being classified by Stata as having two or more duplicate codes and were individually re-scanned after the first stage of classification to determine their correct classification.

Also included in this category are volunteer organisations identified by the word *'sukarela'* (voluntary) or *'sukarelawan'* (volunteer) in their names. Organisations with these words were

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[87] See: https://www.damacai.com.my/about-us

again classified by Stata as having multiple ICNPO codes and were individually re-scanned after the first classification stage and re-assigned to the relevant category.

### 6.3.9 ICNPO Group 9– International Activities

Like Group 8, ICNPO Group 9 also has only one sub-category that classifies organisations engaged in the provision of emergency assistance and promoting development and welfare outside of Malaysia. Also included in 9 100 are organisations promoting intercultural understanding and international peace and human rights. Words such as *'kemanusiaan'* (humanitarian) and *'antarabangsa'* (international) indicate that they operate welfare programmes internationally and were used to identify organisations for inclusion in this group.

SSM descriptors and internet searches were used to identify keywords and names of organisations with international activities. In recent years, the common themes for international assistance in Malaysia are 'Syria' and 'Palestine', searching for these words in the Malaysian Third Sector Database and looking up their activities on the internet managed to identify a number of organisations that meet the criteria for ICNPO 9 100.

### 6.3.10 ICNPO Group 10 – Religion

The ICNPO groups organisations promoting religious beliefs and administering religious services and rituals; including houses of worship in Group 10. Also included are 'associations of congregations', defined by Salamon and Anheier (1996:20) as bodies other than religious congregations and organisations that support and promote religious beliefs, services and rituals. Smith (1996) suggests that an additional sub-category be added to Group 10 to house 'non-integral congregation groups' which he defines as those with strong recreational and social component but drawn along religious values. Following Smith's suggestion, a second sub-category, 10 200 was created but instead of housing 'non-integral groups' the new sub-category groups burial associations. The theme 'religious services' is the basis for including burial associations in Group 10 due to funerals being conducted along religious lines. A search in Stata for organisations with funeral related terms returned more than 1,600 matches and this relatively large number was seen as the justification for a separate sub-group.

Clarke (2010) identifies five types of religious or faith based organisations (FBO): the first are representative organisations which rule on doctrinal matters and govern and represent the religious followers, the second type are the missionary organisations which spread religious messages, actively promoting the faith and seeking converts. These two types would also typically be the custodians of houses of worship. The third type are faith based charitable and development organisations which mobilises their followers to help the less fortunate, they fund,

organise and/or manage social welfare programmes. The fourth type are faith based socio-political organisations which promotes religious-based socio-political thought and the final type are the radical organisations which attempt to achieve their objectives though extremist means. This research includes the first two types into ICNPO group 10. The third type would slot into ICNPO groups 3, 4, 8 or 9, the fourth type would be part group 7. It is assumed that close scrutiny by the Regulators and security and public order authorities means the fifth group is not present in the Malaysian Third Sector.

*ICNPO 10 100 – Religious Congregations and Associations*

Organisations in the Malaysian Third Sector Dataset with names of religion, deities, and holy books, house of worship or religious festivals were included in this category. Organisations with religious names as well as the words 'welfare' but not followed by the word 'adherents' are included in ICNPO 10 100. This is because the word welfare in this context suggests that it promotes the welfare of the given religion which includes promoting religious beliefs and administering religious services and rituals. Similarly, organisations with Tamil names which includes the word 'Hindu' or Hindu religious terms are also categorised under ICNPO 10 100. Organisations with the words '*pendidikan akhlak*' (moral education) or '*meninggikan akhlak*' (moral development) were also included in 10 100 as the word '*akhlak*' in the names of organisations in the Malaysian Third Sector Dataset mostly relate to religious education. Similarly, '*tahfiz*', a term used to refer to institutions dedicated to memorising the Quran were also included in 10 100. Therefore, for the purposes of this research, organisations identified as religious schools regardless of religion are classified under ICNPO 10 100 because they are seen as promoting and facilitating religious practices through the dissemination of religious knowledge.

Organisations with religious terms but also included words indicating that they are alumni, sports, recreational, cultural or welfare bodies were excluded from ICNPO 10 100 because as mentioned in the section describing ICNPO Groups 1 and 7, these are social organisations whose object did not include promoting of religious beliefs and rituals.

*ICNPO 10 200 – Burial Associations*

Organisations with '*khairat kematian*' (death/funeral fund), cemetery, burial or other funeral related keywords were included in this sub-category. Burial or funeral associations which includes an ethnic name, for example '*Persatuan Khairat Kematian Penduduk India*' (Indian community funeral association) were also classified under ICNPO 10 200 despite having and ethnic name as funerals are conducted according to religious traditions. Also included are cemetery management committees.

### 6.3.11 ICNPO Group 11– Business and Professional Associations, Unions

Organisations promoting, regulating and safeguarding business, professional and employee interests are classified under ICNPO 11 100. They include trade and professional associations, organisations that promote, regulate and safeguard the interests of the different types of business and occupations. Salamon and Anheier (1996:21) also includes labour unions in ICNPO 11 100 and all unions registered with JHEKS are by default included in this category. Non-union employee welfare organisations in the Malaysian Third Sector Dataset, mostly registered with the ROS were also grouped under this category. Again, as this classification exercise is keyword based, organisations which are identified with the welfare of employees or related words such as worker, labourer, staff or officers (*kakitangan, pegawai or wargakerja*) were classified under ICNPO 11 100. This however does not include employee organisations with one of or a combination of the word 'recreation', 'social' or 'sports' in their names which are considered as social and recreation clubs and classified under ICNPO 1 300. This activity-based classification exercise also includes trade or professional associations with ethnic or religious names in 11 100 as they are classified as promoting trade and professions.

### 6.3.12 ICNPO Group 12– Not Elsewhere Classified

Organisation not matched with any of the keywords are grouped under ICNPO 12 100. A large number of organisations had names which did not include any of the identified keywords. These were mostly names of no discernible origin or meaning and are most probably only understood by their members. Some organisations also had very general names which do not provide any indication of their activities or beneficiaries. This will be further discussed in the 'Challenges' section.

## 6.4 Classification procedure

*First stage: Stata assisted classification based on identified keywords and phrases*

The names of organisations contained in the Malaysian Third Sector dataset is a rich source of information on its activities, objective and beneficiaries. However, due to their unstructured nature, attempts to classify the organisations into the correct ICNPO can be difficult and time consuming. For this reason, a machine-assisted keyword classification system through a coding algorithm written in Stata (version 15) was employed where keywords were identified and used as the basis for classification into the correct ICNPO category.

All the identified keywords were listed according to the appropriate ICNPO codes and inputted into Stata for classification. This process involves coming up with machine-assisted algorithm which was designed to allocate the inputs to provide the required output. In this instance, the

input is the keyword or phrase in the organisation name and the output is the correct ICNPO category. Stata runs the algorithm and organisations are matched to either the applicable ICNPO groups or to more than one ICNPO group. Details of the codes are available at https://github.com/nurazamperai/keyword-classification. Some organisations were not assigned to any category because none of the keywords listed are found in their names. The first stage of the classification process matched 78% of the organisations in the Malaysian Third Sector Dataset to one keyword. A further 1,722 organisations had words from two or more ICNPO groups present in their names, and almost 20% of organisations were not matched to any keyword. The results of the first round of classification were as follows:

*Table 6-2: Results of the first stage of the classification process*

| Keyword matches | Number of organisations | Percent |
|:---:|:---:|:---:|
| 0 | 15,756 | 19.76 |
| 1 | 62,240 | 78.04 |
| 2 | 1,722 | 2.16 |
| 3 | 32 | 0.04 |
| Total | 79,750 | 100 |

*Second stage: Classification of regulator and ICNPO defined organisations*

The next step is to refine the arrangement by ensuring organisations whose categories are 'regulator defined' are assigned to the appropriate ICNPO categories. During this stage of the classification process, keywords in the names were not used to identify and assign the organisations to the appropriate ICNPO categories. Instead, classification is based on which regulator the organisation is registered with and in the case of political parties, the classification of activity assigned by ROS. Organisations with regulator defined categories are those registered with the SCO and ROY. Sports bodies registered with the SCO were classified under ICNPO 1 200 because by virtue of being registered with the Office of the Sports Commissioner they are all deemed to be involved in the provision of amateur sport, training, physical fitness and sporting events. All youth organisations registered with the ROY were classified under 7 100 because they are deemed to promote and serve the interests of specific group of people, i.e. the youth. The Youth Societies and Youth Development Act 2007 states that its function is to promote and facilitate the development of youths in Malaysia in addition to keeping a register of youth societies. In addition to organisations registered with the SCO and ROY, organisations classified as 'political' by the ROS was assigned to ICNPO 7 300. The reason was if the regulator classifies an organisation as 'political', it would not be accurate if it was assigned in ICNPO categories other than 7 300. While most were correctly assigned based on keywords such as 'party', a few

were assigned to more than one category due to other terms present in their names. Also assigned at this stage were organisations whose categories were determined by ICNPO and they include: Lions, Zonta, Rotary and Kiwanis (1 300) and Young Women/Men Christian Associations (4 100). Also identified during this stage were burial and funeral associations which were not assigned to ICNPO 10 200.

*Third stage: Classifying organisations with multiple ICNPO matches*

After the first two stages of classification are completed, the next step is to assign organisations matched to two and three ICNPO codes to the correct category. Organisations assigned to two or more ICNPO categories were examined to determine the correct ICNPO group from their full names and re-assigned to the correct category. This process is time consuming as each of the 1,678 organisations had to be checked and common keywords were extracted to be inputted into the Stata code for the software to execute.

*Fourth stage: Assign organisations in ICNPO 12 100 to the correct ICNPO category*

After all organisations tagged to more than one ICNPO code have been assigned to the appropriate category, the list of organisations not matched to any ICNPO groups classified under ICNPO 12 100 were scrutinised to identify and assign them to the relevant categories. The variable in the Malaysian Third Sector Dataset that describes the activity of ROS' registered organisations and the variable describing the activities of CLBGs are used to assist in this process. Again, this was a time-consuming process and there is a possibility of many undiscovered organisations in ICNPO 12 100 due to the names not providing an indication of their activities or beneficiaries.

*Fifth stage: Assign remaining unmatched organisations to most relevant ICNPO category*

The fifth and final stage was undertaken to assign the remaining unmatched organisations to a category that best reflects their activity or beneficiary. Left with organisations which are difficult to identify by their names, the only option available was to assign these organisations according to the ROS category. As mentioned in section 6.3, the ROS categorisation had some inconsistencies but given that are almost 12,000 organisations not assigned to any ICNPO category, this option is deemed to be the most appropriate in the attempt to present the sector as best as possible. This strategy managed to assign over 11,000 organisations to their proper classifications, reducing the number of unclassified organisations to 684 or 0.86% of the total registered TSOs.

This final step completes the organisation of Malaysian Third Sector organisations into the ICNPO categories. Figure 6-1 summarises the classification workflow:

*Figure 6-1: Workflow to classify Malaysian TSOs into relevant ICNPO categories*

**1st Stage**
- Identify keywords or phrases
- Stata assigns organisations to ICNPO categories based on identified keywords/phrases

**2nd Stage**
- SCO and ROY registered organisations, political, and burial associations were examined and assigned to the relevant ICNPO categories.

**3rd Stage**
- Organisations with 2 or ICNPO matches were manually examined and assigned to the relevant category.

**4th Stage**
- Stata assisted examination of ICNPO 12 100 and assign to the relevant ICNPO categories.
- At the end of this stage, there are still 11,883 TSOs (14.9%) classified under ICNPO 12 100.

**5th Stage**
- Assign remaining unmatched organisations to the relevant ICNPO according to ROS category

### 6.4.1 Replicability and accessibility

The key strength of the codes developed for this study is its replicability. Any dataset that requires classification into categories can apply the codes with minor changes to the keywords and/or categories. The application is not restricted to classifying TSOs as it is a general keyword-based classification code which can be used to classify possibly any dataset.

The codes are made available through 'Github', an online project management and code versioning system. Github allows the code to be shared with interested parties around the world and also allows others to improve upon the initial code developed for this research. One of the largest online storehouses of collaborative work around the world, Github is also used as the repository for the raw data used in this research. Updated versions of the data will also be uploaded into the platform.

### 6.5 Challenges

The first problem identified was that many organisations undertaking the same activity and belonging to the same category having different names. This is highlighted in the following cases: *'Pertubuhan Sukarela'* (Voluntary Organisation), *'Komuniti Kesukarelawan'* (Volunteering Community), *'Persatuan Kumpulan Sukarelawan'* (Volunteer Group Association) are all volunteer organisations and should be assigned to ICNPO 8 100. However, using only *'Pertubuhan Sukarela'* as the keyword identifier will not capture all volunteer organisations and using just *'sukarela'* – the root word and common term in all the names will capture all volunteer

organisations but at the same time will cause some volunteer groups such as *'Bomba Sukarela'* (Volunteer Fire Services, a component of ICNPO 4 200) and *'Alumni Pasukan Sukarela'* (Volunteer Corps Alumni, non-school alumni is classified under ICNPO 7 100) to be wrongly grouped together under 8 100. In order to avoid instances of multiple matches, it was decided that the identifiers should consist of more than two words to ensure that it is unique and this method, while increasing the number of identifiers, proved to be successful in reducing the cases of multiple matches. This managed to reduce the number of organisations with multiple ICNPO matches but a few were still captured as having multiple ICNPO during the first stage and they were correctly assigned during the third stage.

There are also a number of organisations that have words representing multiple ICNPO categories in their names. An example of this is '*Persatuan Sukan Kebajikan dan Faedah Bersama Komuniti India'* (Indian sports welfare and mutual benefit association). This organisation will be captured in at least two ICNPO groups; 1 200 (sports) and 7 400 (ethnic group) and is tagged as organisations with duplicate codes. Again, such instances were corrected during the third stage.

The use of English language in the names of older organisations registered before independence also resulted in them not being identified by Stata. However, this was overcome by adding the English names in the list of keywords as well as words of English origin but spelt in Malay such as '*kelab*' (club) *'sofbol'* (softball) or *'arkitek'* (architect). Other challenges include spaces and hyphens distorting the spelling and similar names with different meanings such *'Masjid Tanah'* which despite the presence of 'mosque' (*masjid*) in the name is actually the name of a town and similarly, *'Bukit China'* is also the name of a place and not an ethnic organisation.

A large number of organisations did not register any matches and these are mainly due to their names not providing any indication of their activities or beneficiaries. Some names are vague, for example *'Persatuan Komuniti Berjaya'* denotes that it is a community association but does not provide any other information beyond that, it is not known what activities or services they offer or who their beneficiaries are. Some organisations have names of no discernible origin that probably only their founders and members would know its actual meaning. As a result, there is a large number of organisations that were initially classified under ICNPO 12 100 – 'Not Elsewhere Classified' which suggests that a follow-up study is required where the details of each organisation in the list is collected to determine their activity and assign them to the relevant ICNPO code. This task is currently outside the capability of this PhD research not only due to the sheer number of unclassified organisations but also due to the inability to access data on organisational activities, for example the mission statements in their constitutions. The success

of any follow-up study would be very much dependent on the level of cooperation and quality of data given by the Regulators and data custodians.

The challenges encountered mainly pertain to inconsistencies in spelling, words with multiple meanings and organisation names which do not give any indication of its primary activity. While the first two challenges were overcome by scrutinising each organisation individually, not having a name that clearly indicates its activity placed the organisation into ICNPO 12 100, resulting in 11,990 organisations being initially unassigned to any ICNPO category.

## 6.6 Limitations of the ICNPO

The ICNPO classification provides the framework to group TSOs according to their major economic activity. It is comprehensive and flexible and can be fine-tuned to suit the peculiarities of Third Sectors in different parts of the world. Nevertheless, some of its categories appear to overlap causing certain types of organisations to fit into more than one category. A challenge that arises when using this classification system is to decide on the rules to go by when assigning organisations with multiple roles, especially in cases where the ICNPO only provides 'either here or there' options and the solution is often to create a new sub-group to house these organisations. In any case, classification would be best be guided by the organisations' mission statement to ensure classification accuracy.

In the case of the Malaysian Third Sector, the only category that is not relevant is 6 200 due to the absence of housing associations in the form that is common in the United States or the United Kingdom. The small number of organisations assigned to ICNPO 2 200, 3 100, 9 100 and 6 300 was not due to the limitations of the classification system but instead was due to the sector not having many of such organisations or most were not captured by the keyword-based classification exercise and were instead classified under 12 100.

Having gone through the process of classifying Malaysian TSOs into ICNPO categories, the system was found to be flexible as additional sub-groups can always be created to accommodate organisations unique to certain countries or cultures. Perhaps the major groups be used as the basis for classification and different sub-groups be created to suit national or regional needs, as was done by Mohan and Barnard (2013), Gidron et al. (2003) and New Zealand Standard Classification of Non-profit Organisations (NZSCNPO).

## 6.7 Summary and Conclusions

The use of Stata to facilitate the classification process is crucial due to the large number of organisations involved. The Malaysian Third Sector Dataset which merged all the regulator

datasets had 80,842 observations before it was cleaned. After deleting duplicate entries and deregistered organisations, the dataset was left with 79,750 observations which was still a very large number to be processed manually without the assistance of technology or automated keyword classification using machine-assisted tools. The machine-assisted keyword classification system based on Stata is one strategy to classify Malaysian TSOs. In addition, other tools such as Java or Python are also possible to be employed for this purpose. Methods used to identify and assign organisations can be, with some modifications, replicated to suit the needs and aims of similar research endeavours. This framework for a keyword-based classification system using Stata is easily replicated with minor adjustments to suit the linguistic characteristics of the data or sector.

The multiple stages of data processing: data cleaning, keyword identification, machine-assisted classification, and classifying unassigned observations enabled the construction of a map detailing the activities of the Malaysian Third Sector based on the ICNPO classification system. Three additional subgroups were added to the ICNPO as an effort to provide a more representative picture of the sector. However, being a keyword-based classification exercise and working with organisations with many different name combinations and languages, there is a possibility of some organisations being assigned to the wrong category. This endeavour is the first step of an ongoing process. The dataset will be reviewed post PhD, not only for rectifying any discrepancies but also to update its contents with new data. The creation of this map is the first step towards a quantitative analysis of the Malaysian Third Sector and this analysis is the focus of Chapter 7.

# Chapter 7: Malaysian Third Sector: Descriptive Statistics

To recap, this research aims to understand the Malaysian Third Sector by mapping its composition, activities, and beneficiaries. This research also attempts to present an updated picture of the Malaysian Third Sector, comparing it with the findings of Douglas and Pedersen's 1973 thesis in which they surmised that the voluntary sector and associational life in Malaysia is drawn along ethnicity and religious lines. This was in part demonstrated in Chapter 3, in which an investigation on the origins of the Malaysian Third Sector suggested that in addition to pre and post-independence government policies, ethnicity and religion also contributed to the development and growth of the sector. This chapter takes an in-depth look at the organisational data, highlighting major and notable characteristics of the sector.

The descriptive analysis is undertaken to describe the main features of the Malaysian Third Sector Dataset, to understand its characteristics and identify patterns within the data. As was highlighted in chapter one, the Malaysian Third Sector lacks basic descriptive information and not much is known about its organisations and activities. A well mapped out description of the sector would assist policy development, to come up with policies that safeguard the interests of all stakeholders. A thorough understanding of the sector could also facilitate efficient resource allocation, directing them to where they are needed most, thus reducing wastages and preventing excesses.

Douglas and Pedersen (1973) obtained their data from the report of the Registrar of Societies for the quarter ending June 1969 and the Malaysian Third Sector Dataset developed for this research was extracted from the dataset of active societies provided by the ROS as at 31 December 2016. It was observed that there is a large difference between ROS organisations registered up to 1969 in this research's dataset and that of Douglas and Pedersen's. The difference between the two figures is also discussed in this chapter.

In order to obtain a better understanding of the organisational data, this chapter will first briefly describe Malaysia's basic population and economic statistics. This is followed by descriptive statistics of the organisational data and an analysis of relationships and patterns observed in the data.

## 7.1 Malaysia: vital statistics

In 2016, the population of Malaysia was 31.66 million (Department of Statistics Malaysia, Social Statistics Bulletin 2017), of which 28.4 million are citizens. The three most populated States in Malaysia are Selangor, Sabah and Johor. These three States are also home to more than 43% of

the Malaysian population. The three States with the smallest population are Perlis and the Federal Territories of Labuan and Putrajaya. The 2017 Social Statistics Bulletin records 75.5% of the Malaysian population as living in urban areas. Urban areas are defined by the Department of Statistics Malaysia as '*Gazetted areas with adjoining built-up areas, having a combined population of at least 10,000 and at least 60 % of population aged 15 years and above are involved in non-agricultural activities*'. Most of the States with high urban population are situated on the west coast of the Malay Peninsula. The two States with the highest population density, Kuala Lumpur and Putrajaya are also 100% urban; other States with high level of urbanisation are Pulau Pinang and Selangor. States with low urbanisation levels are Sarawak, Pahang and Kelantan. Malaysia has a very young population, with a median age of 27.4 years which is lower than her neighbours Thailand (36.9), Singapore (38.1), almost similar to Indonesia (27.8) but higher than the Philippines (23)[88].

The 'Household and Basic Amenities Survey, 2016' conducted by The Department of Statistics Malaysia revealed that the country's median monthly household income was RM5,228 (approximately £997)[89] and the mean monthly household income was RM6,958 (£1,328). The State with the highest median monthly household income is the commercial capital Kuala Lumpur, which is followed by the administrative capital Putrajaya and Selangor. Kuala Lumpur also has the highest mean monthly household income followed also by Putrajaya and Selangor. All three States with the highest median and mean monthly household incomes are located in the Klang Valley on the west coast of the Malay Peninsula. Kelantan is the State with the lowest median and mean monthly household income.

Using Gross Domestic Product (GDP) per capita as the measure of economic development showed a slightly different picture, Kuala Lumpur has the highest GDP per capita, followed by Labuan and Pulau Pinang. The State with the lowest GDP per capita is again Kelantan with only about a third of the national average.

The 2017 Social Statistics Bulletin of the Department of Statistics Malaysia records that 68.6% of Malaysian citizens in 2016 are Malays and native Bumiputera[90], 23.4% are Chinese and 7% are Indians. The bulletin also states that 60.6% of Malaysians are Muslims; 22.3% are followers of Buddhism, Taoism, Confucianism and other Chinese folk religions; Christians make up 9.2% of the population, and Hindus, 6.4%. The patterns in ethnic and religious distribution will be

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[88] Data from WHO Global Health Observatory data repository at
https://apps.who.int/gho/data/view.main.POP2040
[89] All currency conversions are based on GBP/MYR exchange rate of 1/5.24 on 1st July 2019
[90] 'Bumiputera' literally translated as 'sons of the soil' refers to the Malays and other indigenous peoples. Large non-Malay indigenous group include the Iban in Sarawak and Kadazan in Sabah.

compared against the incidence of organisations with ethic and religious names registered in the State. This is to observe whether a State's population demographics reflects the patterns of registered organisations. Table 7-1 below presents population numbers, economic development and wealth indicators for Malaysia.

*Table 7-1: Selected vital statistics, Malaysia*

| State | Citizen Population '000 (2016)[1] | GDP per Capita (RM) (2016)[2] | Median Income (RM) (2016)[3] | Mean Income (RM) (2016)[3] | Urban Population (%) (2017)[1] | Registered TSOs per1000 persons[4] |
|---|---|---|---|---|---|---|
| Johor | 3,304.3 | 32,005 | 5,652 | 6,928 | 77 | 2.96 |
| Kedah | 2,025.3 | 19,161 | 3,811 | 4,971 | 70.9 | 1.96 |
| Kelantan | 1,744.4 | 12,813 | 3,079 | 4,214 | 48.7 | 1.22 |
| Melaka | 854.2 | 41,379 | 5,588 | 6,849 | 93.4 | 3.24 |
| Negeri Sembilan | 1,020.1 | 38,545 | 4,579 | 5,887 | 74 | 3.43 |
| Pahang | 1,522.3 | 32,251 | 3,979 | 5,012 | 57 | 2.45 |
| Perak | 2,383.5 | 27,285 | 4,006 | 5,065 | 75.8 | 3.08 |
| Perlis | 242.3 | 22,482 | 4,204 | 4,998 | 61.7 | 2.45 |
| Pulau Pinang | 1,571.4 | 47,345 | 5,409 | 6,771 | 94.6 | 3.59 |
| Sabah | 2,673.7 | 21,086 | 4,110 | 5,354 | 58.8 | 1.80 |
| Sarawak | 2,563.4 | 44,379 | 4,163 | 5,387 | 57.9 | 2.05 |
| Selangor | 5,634.6 | 44,652 | 7,225 | 9,463 | 93.7 | 2.89 |
| Terengganu | 1,149.8 | 27,272 | 4,694 | 5,776 | 65 | 1.64 |
| Kuala Lumpur | 1,547 | 101,576 | 9,073 | 11,692 | 100.0 | 6.72 |
| Labuan | 86.1 | 61,843 | 5,928 | 8,174 | 84.9 | 3.60 |
| Putrajaya | 81.2 | N/A | 8,275 | 11,555 | 100.0 | 7.54 |
| Malaysia | 28,403.5 | 38,915 | 5,228 | 6,958 | 75.5 | 2.78 |

[1] Department of Statistics Malaysia, Social Statistics Bulletin 2017.
[2] Department of Statistics Malaysia, Statistical Handbook of Malaysia, 2018. At current prices
[3] Department of Statistics Malaysia, Report of Household Income and Basic Amenities Survey 2016
[4] Number of registered organisations in the Malaysian Third Sector Dataset against population numbers reported in DOSM's 2017 Social Statistics Bulletin.

This brief overview of Malaysia's vital statistics will help to better understand the organisational patterns of the Malaysian Third Sector, which is discussed in the following sections.

## 7.2 Descriptive analysis of the Malaysian Third Sector

This section presents the descriptive statistics of the Malaysian Third Sector. The sector is described from the perspective of Regulators, period of registration and age, State where registered, organisations by ICNPO categories, and the prevalence of religion and ethnicity in the Malaysian Third Sector.

### 7.2.1 Malaysian Third Sector Organisations by Regulator

Chart 7-1 shows the distribution of organisations by Regulator. The registration of societies was only made compulsory after the enactment of the 1949 Societies Ordinance (Douglas and Perdersen, 1973:93). Prior to the Second World War, registration was only compulsory under the Secretary for Chinese Affairs and the primary aim of registration was to regulate Chinese secret societies. Registrations recorded during the initial years of the 1949 Societies Ordinance may not be of newly established associations, some may have been formed much earlier but were never officially registered. Therefore, the real ages of many TSOs may never be accurately determined.

Of the more than 79,000 registered organisations, almost 75% are registered with the ROS, 11.1% and 10.5% of organisations are registered with the SCO and ROY respectively. In addition, 2.55% of all registered Malaysian Third Sector organisations are CLBGs registered with the SSM. Trade unions make up less than 1% of the Third Sector population. The combined number for BHEUU and LFSA is less than half of a percent.

*Chart 7-1: Malaysian Third Sector Organisations: Percent of Registered Organisations by Regulator*



Malaysian Third Sector Organisations by Regulator, 2016

Source: Malaysian Third Sector Dataset 2018, n=79,750
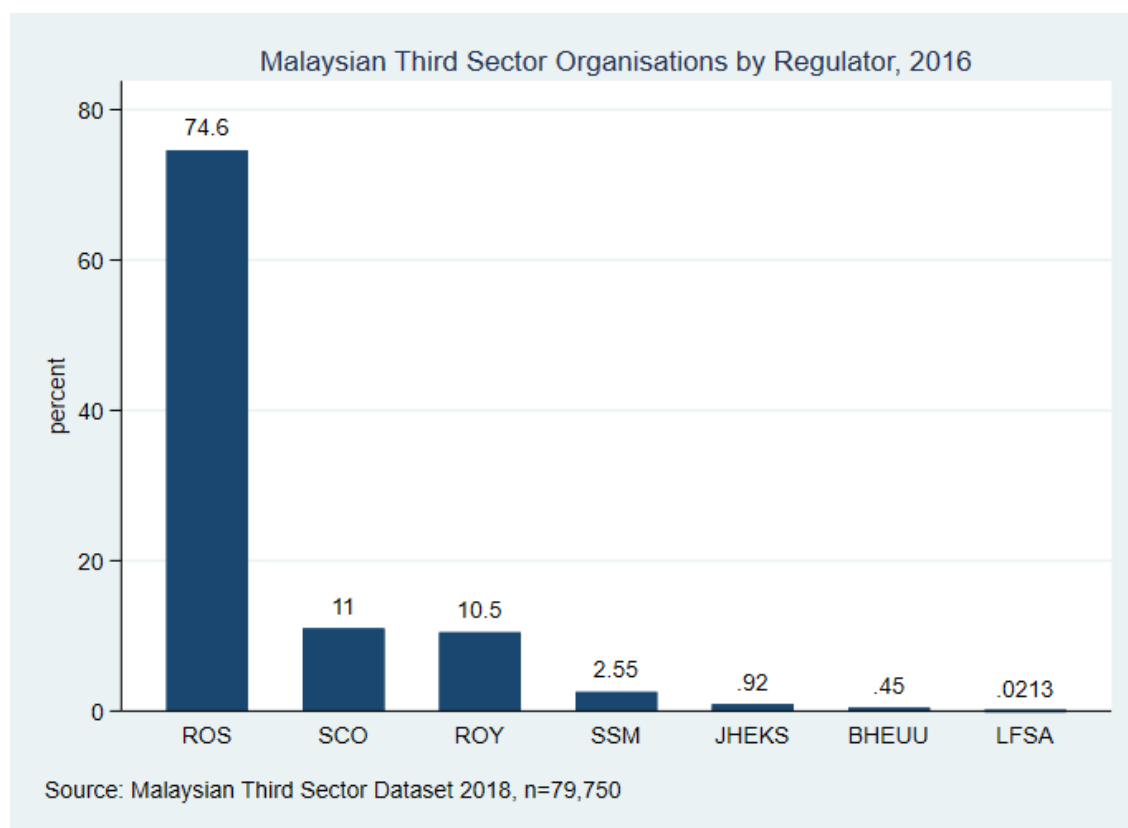
Interviews suggested that the large number of organisations registered with the ROS was due to it being the Regulator most commonly associated with Third Sector and non-governmental activities. The ROS is also the oldest Regulator having its roots in the 19th century and has been in its current form since 1966. Prior to the establishment of the SCO and ROY, both sports and youth associations were also registered with the ROS. Unfortunately, this research was not able to obtain the number of SCO and ROY organisations previously registered with the ROS. However, it was assumed that a majority of organisations registered with the SCO and ROY during their first year of operations were most probably previously registered with the ROS due to the new Acts requiring sports and youth organisations to be transferred to the new Regulators within one year of its enactment.

Administrative and financial burden were cited by interview respondents as reasons for not choosing to be registered as a CLBG. The requirement to have a company secretary and external auditors which adds to the cost of administering an SSM registered TSO was suggested by respondents as reasons for the small number of Third Sector organisations registering with the SSM. An ROS registered society on the other hand can be fully managed by volunteers, saving the organisation from regulator-imposed administration expenses. In addition, the law requires CLBGs wishing to drop the word 'Berhad[91]' from their name to prove that they are able to procure RM1 million (£185,000) in cash or in kind as initial funding within six months of incorporation. While this may not be a problem for wealthy foundations such as those backed by large corporations or high net worth individuals, it can be a disincentive for smaller organisations to register as CLBGs with the SSM.

While not many TSOs choose to register as CLBGs, interview data also revealed that some civil society organisations (CSO) also choose to register with the SSM as Limited Liability Partnerships (PLT) due to the ease of registration and minimal reporting requirements. However, the actual number is difficult to determine as there is no way to distinguish 'Third Sector LLPs' from the commercial, for profit LLPs. Although not prohibited from undertaking charitable activities, by law, they are not allowed to solicit for donations from the public and hence cannot reveal their 'TSO' nature to the authorities and for this reason their actual numbers may never be known.

Labuan is more renowned for its role as a midshore financial centre than a centre for Third Sector organisations. As at 30th April 2018, the Labuan International business and Financial Centre website lists only 17 registered charitable trusts. BHEUU on the other hand saw registrations

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[91] 'Berhad' or 'Bhd.' is the Malaysian equivalent to Limited ('Ltd.').

grow by almost three-fold at the end of 2016 compared to 2010. Only 64 new trusts were registered between 2000 and 2010 but the six years from 2010 saw 248 new trusts established. This observation is consistent with the claims by BHEUU officials that awareness of the department as an alternative registration option for TSO is increasing. However, the spike in BHEUU registrations also coincides with the general increase in overall registrations, which means that awareness of BHEUU may not be the sole reason.

Registration of sports associations and youth organisations under their own dedicated regulators only began in 1998 and 2007 respectively. As mentioned earlier, many of these organisations were previously registered with the ROS, hence, a number of the 540 new SCO and 4,237 new ROY registrations recorded during the 1990s and 2000s included organisations which were previously registered with the ROS as all migration from ROS to SCO or ROY were required to be done in the year the new Acts were enforced which was 1998 (sports) and 2007 (youth). Therefore, the number of new registrations for decades beginning 1990 and 2000 may not accurately reflect the actual number of new organisations and the actual number could not be ascertained as the data available did not include information on migrated organisations. If all migrations were done during the first year the Acts came into force, all SCO and ROY registrations after 1998 and 2007 respectively are assumed to be new organisations which were never registered with any other Regulators before.

The SCO and ROY are Regulators set up to regulate only a specific type of organisation: the SCO for sports organisations and the ROY for youth organisations. The SCO therefore only oversees one type of activity, whereas ROY only oversees organisations that cater to one specific group, the youth, defined by the Youth Act as those aged between 15 and 40 years old. As seen from Chart 7-1, at least 11% of Malaysian Third Sector organisations are involved in providing and facilitating sports activities and 10.5% of Third Sector organisations in Malaysia provide activities and services for those aged between 15 and 40. The number could be higher as there may be organisations registered with the ROS, SSM or BHEUU that also offer sports or youth related activities. This raises the question of whether the establishment of the new Regulators offer any operational efficiencies as there could be some sports and youth organisation that are not be under their supervision, which in a way defeats the purpose of having a dedicated Regulator. However, despite registering more than eight thousand organisations, most of the youth associations registered with the ROY are branches of national organisations; 4,691 of the registered youth organisations, belong to one of the identified 36 central youth organisations. In the past, the government encouraged the establishment of youth and sports organisations to encourage the Malay population's involvement in associational life (Douglas and Pedersen 1973) and the practice can still be seen today through registration campaigns and by providing cash

incentives. In 2009, the Ministry of Youth and Sports offered a one-off cash incentive of RM1,000 (£185) to every registered youth association[92]. The drawback of such incentives is that associations may be set up solely for the purpose of getting the money. There have been reports that a large number of youth organisations are currently dormant and authorities have warned that they face suspension or deregistration if they remain inactive[93]. This threat may not have the desired impact if the intention of setting up the youth association was solely to obtain the cash incentive. Had the two Regulators not been established, more than 95% of TSOs in Malaysia would be regulated by the ROS. Whether having specific Regulator overseeing sports and youth associations leads to operational or regulatory benefits cannot be ascertained for certain as the researcher did not find any studies on the efficiency of the ROS before and after the establishment of SCO and ROY.

Chart 7-2 shows the registration trends of Malaysian Third Sector organisations by regulator. The growth of new registrations was relatively stable from the 1950s to 1990s but the first decade of the 21st century saw a sharp increase in the number of new registrations compared to the previous decade. A large number of Malaysian TSOs were registered after the year 2000, 78% of organisations have been operating for less than 17 years and 98% of all currently registered organisations were registered after independence in 1957. The sharp increase post 1990s is however only seen in new ROS registrations; SCO registrations was trending upwards but at a lower rate and ROY registrations only saw a one-off spike which immediately dropped lower than the 2007 level.

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[92] See: Sasaran satu juta sertai persatuan belia (Targeting one million to join youth associations); Utusan Malaysia, 23 March 2009
[93] See: Pertubuhan belia tunggal tidak aktif boleh digantung (Inactive youth organisations may be suspended); Sinar Harian, 4 February 2013

*Chart 7-2a: Organisations registered by Regulator, 1910 – 2016 (N=79,016)*
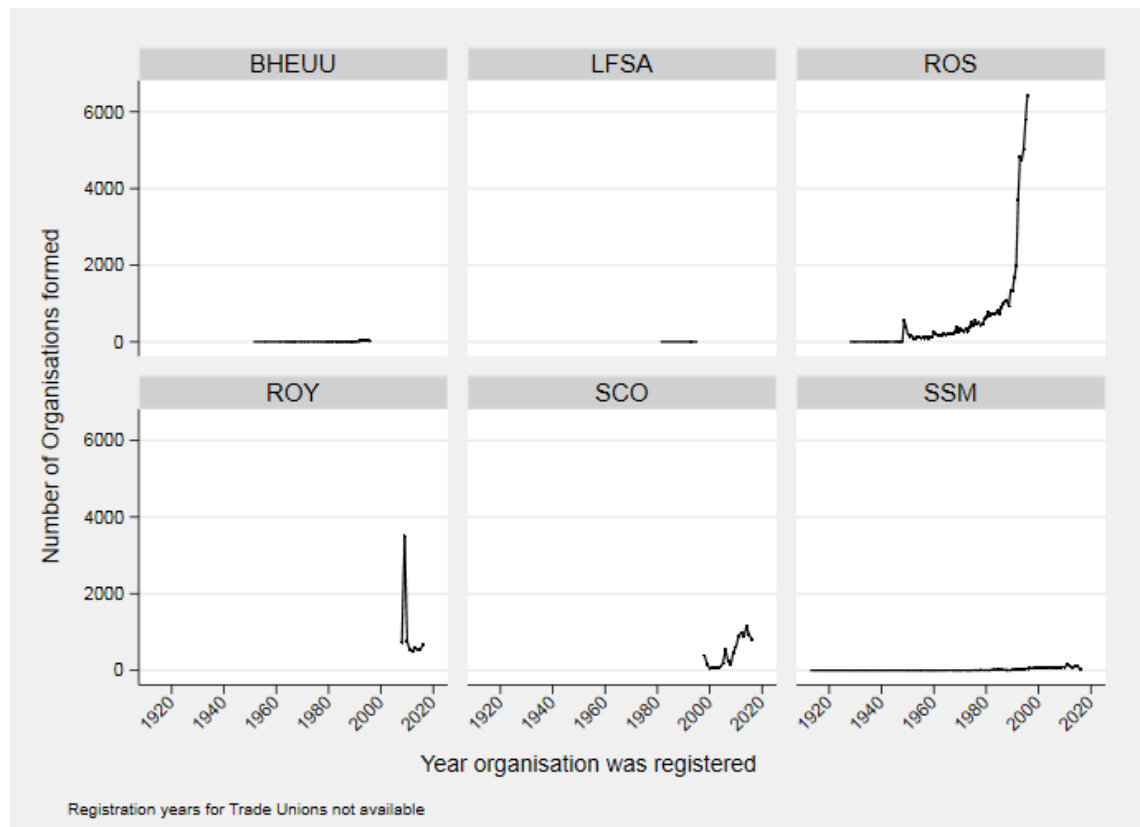


*Chart 7-2b: Log of Organisations registered by Regulator, 1910 – 2016 (N=79,016)*
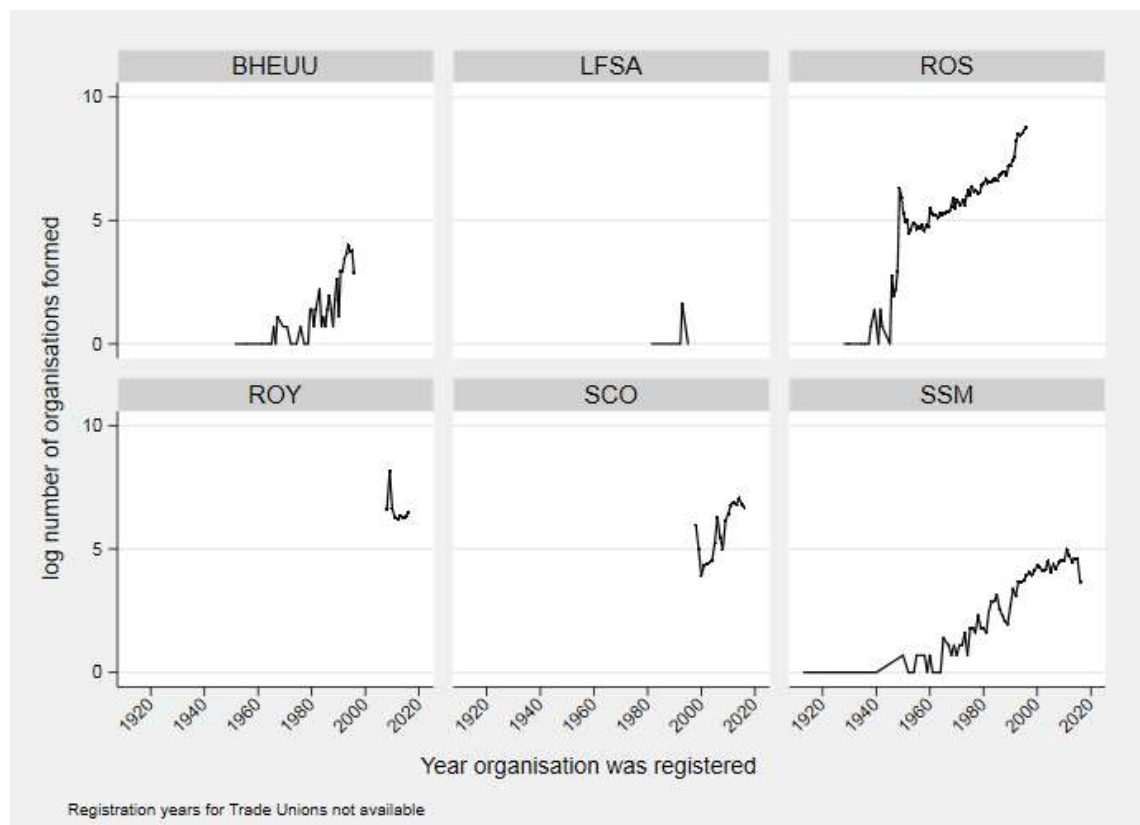
As can be seen form Chart 7-2, the number of new registrations by the ROS declined during the 1960s. The decade saw some significant events in Malaysia's history; the merger of Malaya with Singapore and the Borneo states of Sabah and Sarawak in 1963, the expulsion of Singapore in 1965, the military confrontation with Indonesia from 1963 to 1966 and the racial riots of 1969; could the lower rate of new registrations be attributed to the instability caused by those events? A total of 55.5% of all currently registered Malaysian Third Sector organisations were registered between 2011 and 2016 which was almost three times more than the all new registrations between 2000 and 2010.

The registration year of some organisations predates the regulator, this is particularly true for the ROS, BHEUU and the SSM. In the case of the ROS, a registrar of societies has existed in Malaysia in some form or another since the late 1800s hence the registrations are carried forward into the books of the newer version of the registrar, the current ROS was only established in 1966 pursuant to the passing of the 1966 Societies Act. Similarly, the SSM came into being in 2002 as a result of the merger between the Registrar of Companies and the Registrar of Businesses, any registration prior to 2002 are legacies carried forward form the previous companies' Regulators. The BHEUU although currently is under the purview of the Prime Minister's Department, was previously part of the Attorney General's Chambers (AGC). And older registrations originated from the time it was under the purview of the AGC.

*Table 7-2: Malaysian Third Sector organisations by years since registration, 2017*

| Age Group | Number of Organisations | Percent |
|---|---|---|
| 1-17 ysr[1] | 61,749 | 78.16 |
| 18-27 ysr | 7,316 | 9.26 |
| 28-37 ysr | 4,033 | 5.1 |
| 38-47 ysr | 2,321 | 2.94 |
| 48-120 ysr | 3,588 | 4.54 |
| Total | 79,007[2] | 100 |

Source: Malaysian Third Sector Dataset 2016
[1] ysr – Years since Registration as at 31 December 2017
[2] Registration year of all Trade Unions and 9 LFSA registered foundations were not available

Table 7-2 shows 78.2% of organisations in the Malaysian Third Sector Dataset were registered between the year 2000 and 2016, and around 80% of Malaysian Third Sector organisations have been operating for less than 20 years. This suggests that growth of the sector is relatively recent, interest in the sector only really started to grow in the 21st century. The sharp rise in registration during the mid to late noughties was partly due to the growth in the registration of new sports and

youth associations but mostly was driven by the sharp increase in ROS registrations, as shown in Chart 7-2. Chart 7-3 shows registration numbers of TSOs recorded in each decade.

*Chart 7-3: Registration of Malaysian Third Sector organisations by decade, 1910-2016*
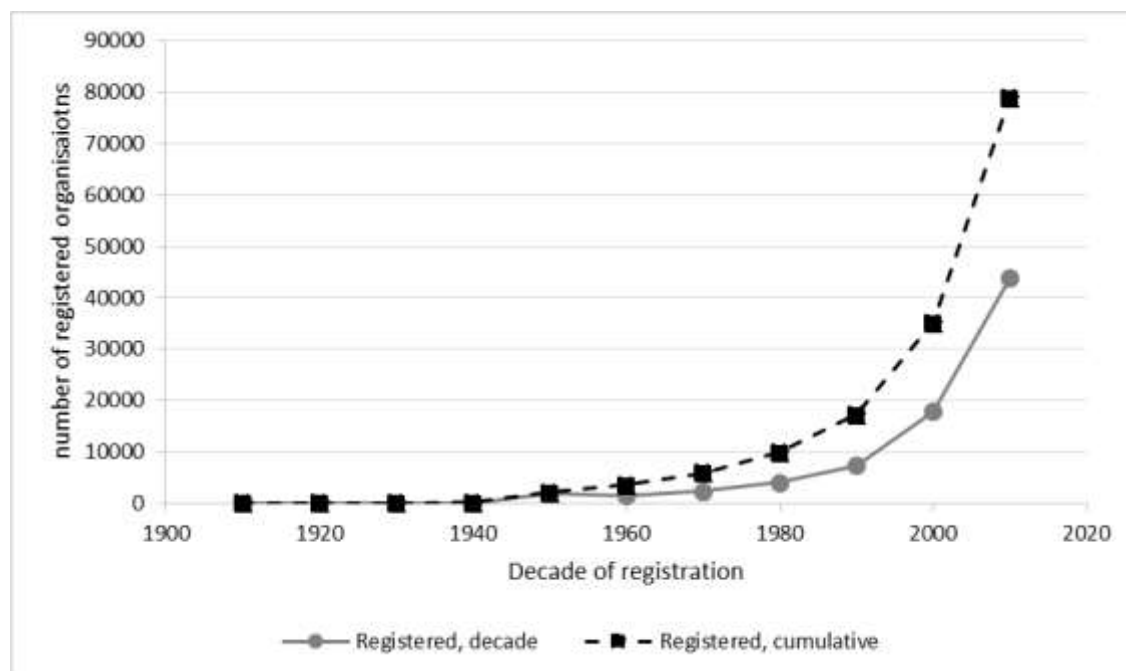


## 7.2.2 Malaysian Third Sector Organisations by State where registered
Chart 7-4 shows the number of registered organisations by State where they were registered as at end of December 2016. Selangor, the most populous and a highly developed State in Malaysia has the highest number of registered organisations with 16,278 followed by the Federal Territory of Kuala Lumpur with 10,399. One third of Malaysian TSOs are registered in these two Klang Valley States, the region where a quarter of the Malaysian population reside. At the other end of the scale, States with the least number of registered organisations are also those with the smallest populations, namely Perlis and the Federal Territories of Putrajaya and Labuan where 1.3% of the population reside have less than two percent of all registered TSOs.

*Chart 7-4: Registered Organisations by State where registered*



Malaysian Third Sector Organisations by State, 2016

Source: Malaysian Third Sector Dataset 2018, n=79,016
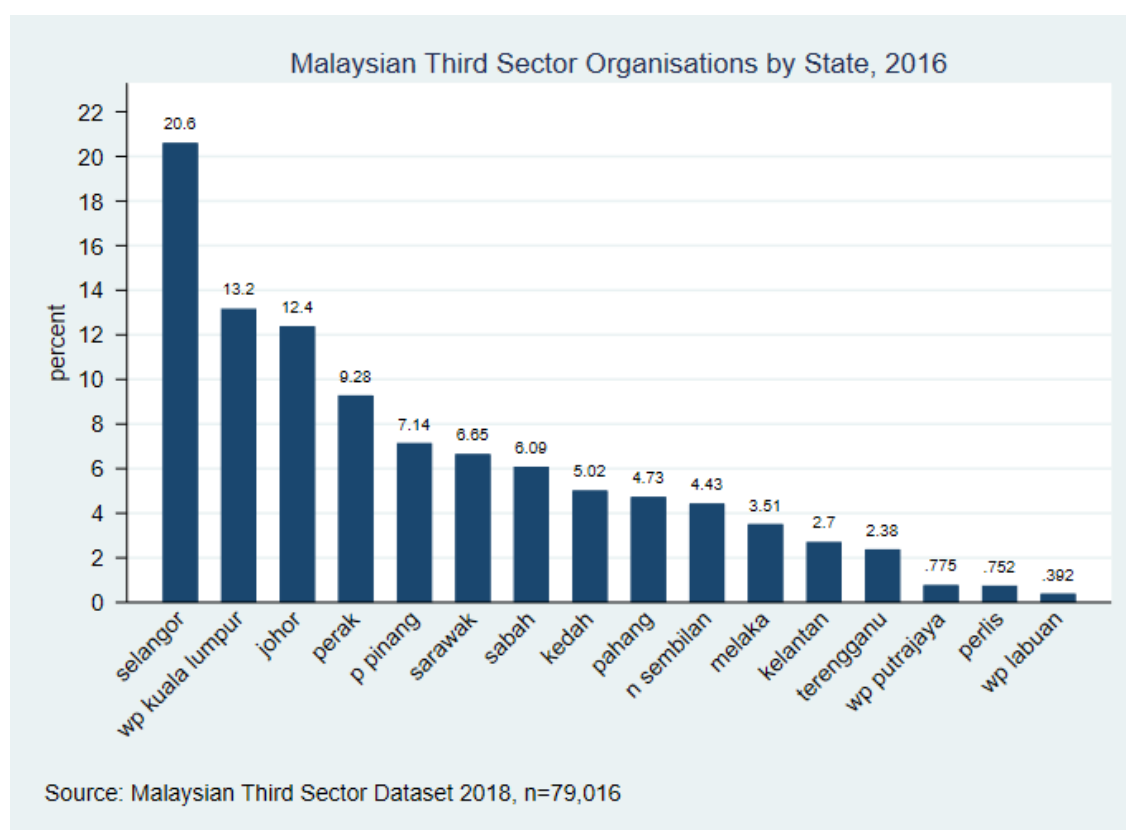
Note: Information on trade unions not available

The Federal Territory of Kuala Lumpur officially came into being on 1st February 1974. Prior to that, the city was part of Selangor, therefore, all Kuala Lumpur based organisations before 1974 were classified as registered in Selangor. A large number of organisations in The Malaysian Third Sector Dataset are classified by the ROS as being registered in Kuala Lumpur despite being registered prior to the declaration of Kuala Lumpur as a territory separate from Selangor. This is due to the registered address determining where the organisation is registered. According to the 1969 ROS data in Douglas and Pedersen (1973), Selangor had 17% of all registered organisations, with Perak a very close second with 16%. Despite losing some ROS organisations to Kuala Lumpur in 1974, Selangor remained the State with the most registered TSO and the former, despite its relatively recent existence has overtaken Perak to be the State with the second highest number of registered organisations. The high number of new registrations could be due to its status as the country's commercial and financial capital.

Being registered in a particular State does not prevent the organisation from undertaking activities or providing services in a different one. This was explained during the interview with senior ROS officials. According to them, societies registered with the ROS are not allowed to set up permanent offices in States other than where they were registered. The exception to this rule is if

the out of State office is a registered branch of the parent organisation or if they belong to a national organisation. Therefore, having a large number of TSO registered in a given State does not suggest it has an active or large Third Sector, it could also be that many of the TSOs registered in the State are active outside its borders. This is especially true for Labuan FSA registered charitable foundations, according to the websites of eight of the 17 Labuan registered charitable foundations, their activities are mainly outside the State. Using the number of registered TSOs in a given State may not be a good indication of the prevalence of Third Sector activity in that State. To measure the prevalence/size of Third Sector activity requires more data such as the number and frequency of Third Sector activities or amount of money spent on such activities in each geographical location. Looking only at the number of registered organisations in each State may lead to a 'registered office' bias where conclusions on the activities or size of sector may be inaccurately influenced by the number of registered organisations in a given jurisdiction without taking into consideration where their activities are undertaken.

### 7.2.3 Malaysian Third Sector Organisations by ICNPO codes

In Chapter 6, Malaysian Third Sector organisations were classified into the most relevant ICNPO codes based on the keywords and phrases contained in their names that reflect or indicate their activities and/or beneficiaries. Chart 7-5 shows the distribution of Malaysian Third Sector organisations by ICNPO codes. It can be seen that more than 30% of TSOs in Malaysia are classified under culture and recreation (ICNPO Group 1) and almost 18% are classified as organisations that protect and promote civil and other rights (Group 7). A large number of members' recreational clubs make up Group 1 while organisations promoting the rights and interests of ethnic and religious groups are part of Group 7. Group 10 is the third largest group, comprising of organisations that promote religious beliefs and administer religious services and rituals. Organisations contained within Group 10 include houses of worship and associations offering burial assistance. Excluding the unassigned organisations, the three largest groups make up 60% of the Malaysian Third Sector.

*Chart 7-5: Malaysian Third Sector organisations by ICNPO group*
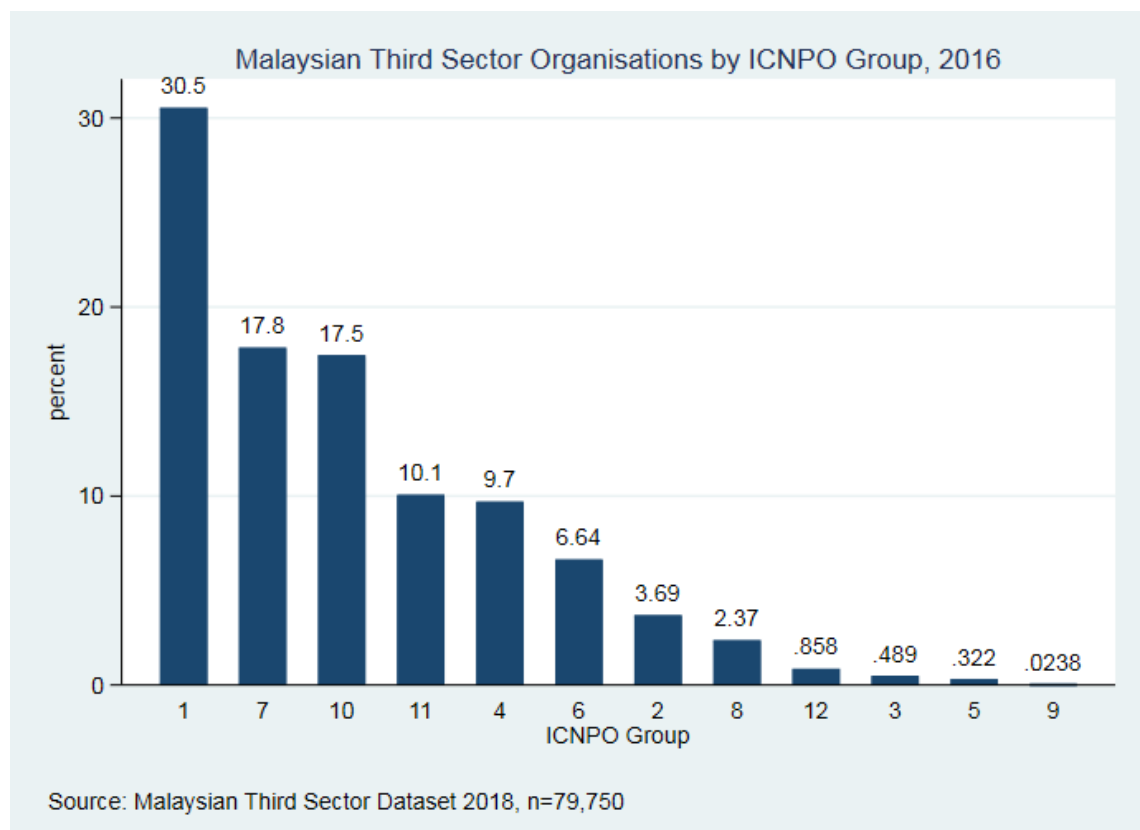


*Chart 7-6: Malaysian Third Sector organisations by ICNPO classification (percent)*
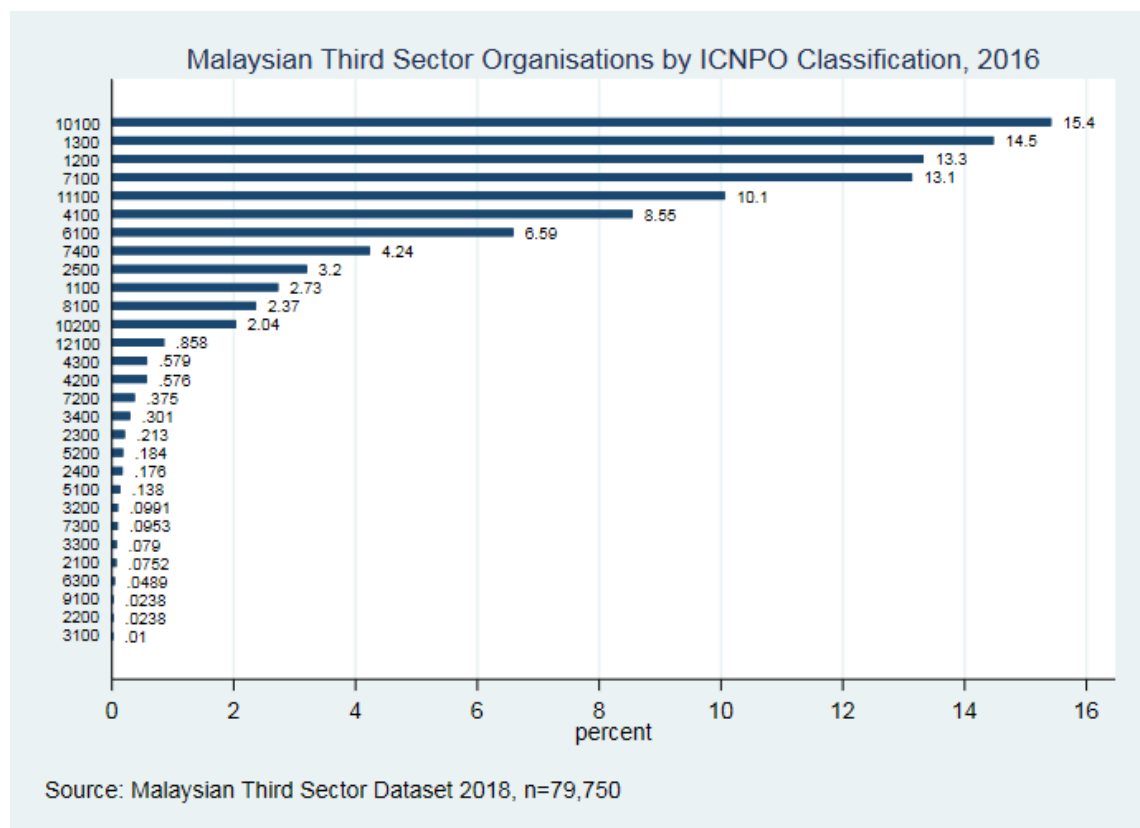
Collectively, ICNPO subcategories in Group 1 make up the largest proportion of Malaysian TSOs but individually, ICNPO 10 100, Religious Congregations and Associations has the greatest number of registered organisations making religious organisations the most prominent among Malaysian Third Sector organisations. Chart 7-6 shows that 15.4% of registered Malaysian Third Sector organisations are classified under ICNPO 10 100, there are more than thirteen thousand TSOs in Malaysia involved in administering religious beliefs and rituals. A large number of non-Muslim houses of worship are listed in ICNPO 10 100 suggesting that they are mostly privately funded compared to mosques which are mostly funded by the government. Searching the Malaysian Third Sector Dataset for organisations with keywords denoting houses of worship found 649 temples, 253 churches and 50 gurdwaras. There were 560 organisations with the name of the Hindu goddess '*Mariamman*' after excluding those with 'temple' in their names. A further 431 organisations had the name of the Chinese deity '*Tua Pek Kong*' taking into account all variants in the spelling and after excluding those with 'temple' in their names. Searching the keyword 'masjid' (mosque) only found 16 organisations but 12 of them are classified as what Smith (1996) terms as 'non-integral congregation groups', organisations with strong recreational or social component and not the mosque itself. Data from JAKIM (Islamic Development Division of the Prime Minister's Department) showed that there are 6,856 mosques in Malaysia and while the local community do contribute towards the cost of building mosques, a significant portion of the building and maintenance cost are borne by the State governments. Every State has an office in each of its districts dedicated to Islamic welfare and development whose duties include building and maintaining mosques and religious schools. Therefore there is less need for the Muslim community to turn to the Third Sector for assistance on religious matters. The services provided to the Malay Muslim community by the government suggest that they are the median voters which explains the presence of high number of non-Muslim places of worship in ICNPO 10 100 which is consistent with Weisbrod's (1977) government failure theory.

Burial associations and cemeteries are also commonly registered as a Third Sector organisation, 2% of Malaysian TSOs had keywords representing cemeteries and funeral assistance. These organisations were more evenly distributed across the different religions suggesting that while the Muslim community depended mainly on the government for their houses of worship, funeral assistance is mainly provided by the Third Sector through the '*khairat kematian*' (funeral assistance). The *khairat kematian* is also common provider of funeral assistance in Singapore (Teo 1996; Mehta 1999). A high number of organisations providing funeral assistance was also found in Thailand where religion plays a major role in philanthropy and social service (Pongsapich 1997). While the large number of non-Muslim religious organisations in Malaysia point towards the government failure theory, the Stakeholder Theory with respect to religious-

based organisations proposed by James (1987) is only partly supported as most of the religious organisations apart from those providing funeral assistance are houses of worship instead of social welfare institutions such as orphanages and care homes.

Thirteen percent of Malaysian TSOs are involved in conducting and promoting sporting activities and almost ten percent are social and recreational clubs. Generally, organisations contained in ICNPO 1 200 are open to everyone except for those catering to specific groups such as ethnic based sports associations, or paralympic sports bodies. Organisations in ICNPO 1 300 however are mostly members clubs, especially the social, recreational or family clubs belonging to private companies or government agencies and departments and the activities of these organisations often focus on the welfare of the members and their families. Social welfare clubs such as Kiwanis, Lions and Rotary are also part of ICNPO 1 300, while their activities are not exclusive to members, they are nevertheless a member's club. Gordon and Babchuk (1959) classifies member serving organisations by its degree of accessibility. Those with high accessibility have almost completely unrestricted membership with minimal qualifying criteria, if any, while TSOs with low accessibility are those whose membership is restricted by academic, vocational, ethnic or religious or any other qualification. There are two types of member-serving organisations found in the Malaysian Third Sector Dataset and based on Gordon and Babchuk's (1959) description of member-serving organisations, this research terms the first as a 'voluntary membership organisations' where anyone is free to become a member, the choice to become a member is not restricted by any criteria or attached to any conditions or links to the association. This research terms the second type of member-serving organisation as a 'restricted membership organisation'. The membership of this type is only open to members of a related or affiliated organisation or only to those meeting a certain criterion. An example of a restricted membership organisation is the employee social and recreational clubs where membership is only open to employees and termination of employment would also terminate the membership. Another example is alumni or professional associations where membership is defined by an individual's affiliation. The distinction between public and member serving organisation is also clearly specified in the United States where the former refers to charitable organisations providing services beneficial to the public, including religious organisations while the latter are vehicles for members to pursue social or economic interests that contribute to civic life. The distinction is also important to determine the tax status of these organisations (Salamon and Anheier 1997). In certain countries like Brazil fro example, the distinction between public and member serving organisations does not really exist as Brazilian TSOs serve both their own members and the general public (Landim 1997).

Trade unions, chambers of commerce, professional associations and employee welfare organisations which are also restricted membership organisations make up 9% of the Malaysian

TSO population. Almost 7% of Malaysian TSOs are classified under ICNPO 6 100 (Economic, Social and Community Development) and almost all of them are residents' associations whose object is to work on improving the quality of life within a specific neighbourhood or community. As mentioned in Chapter 6, no Malaysian Third Sector organisation meet the ICNPO definition of housing association or housing assistance to be included in ICNPO 6 200. Residents' associations in Malaysia are organisations that promote the welfare and interests of residents in a particular neighbourhood, they work towards improving the quality of life within their own neighbourhoods. The membership of such organisations is restricted to members of the community and activities are undertaken to benefit only that specific community, they do not function in the same way as housing associations in the United States whose object is to provide public housing assistance and related legal services. Therefore, resident associations are included under ICNPO 6 100 instead of 6 200 because their activities and object fit the definition for 6 100 better than that of 6 200. A 'housing association' that rents properties to low incomes earners or those with particular needs is not common in Malaysia as this function is undertaken by the local councils or through the Ministry of Housing and Local Government, whose responsibility is to provide affordable housing. Another sub-category in Group 6, 'Employment and Training' also saw low number of organisations. Two possibilities could explain this observations: one is the keyword based classification system failed to extract relevant organisations due to them not having names that matches the keywords and secondly the existence of the Human Resources Development Fund, an agency under the Ministry of Human Resources governed by an Act of Parliament which is responsible for ensuring the growth of a quality local workforce through efficient high-skilled training certification programmes and initiatives. The presence of a State backed, well-funded agency providing human resources training means there is less incentive for the Third Sector to offer such services.

Less than 2% of Malaysian TSOs are classified under ICNPO 4 100 - organisations providing social and welfare services to the community or target group such as the poor, disabled, older people or orphans. There are three possible explanations for this observation. Firstly, interview data suggest widespread existence of unregistered or yet to be registered charitable and welfare organisations. Although their actual numbers may be unknown but their status contributed to the small number of 4 100 entries. Secondly, the tradition of mutual help (*gotong royong*) in Malaysian society where helping without going through any formal platform is common especially in rural communities (Thomson 2004; Denker 2007), again this practice is absent from any organisational database. Finally, there is a possibility that the financial assistance provided by the Department for Social Welfare (JKM) is sufficient without having to be supplemented by the Third Sector.

The two ICNPO categories with the lowest entries are 3 100, Hospitals and Rehabilitation and 2 200, Higher Education. Only eight organisations in the Malaysian Third Sector Dataset are registered as non-profit hospitals. Medical services in Malaysia are mainly provided by either the public or private sectors. There are 144[94] government hospitals and 193[95] private hospitals in Malaysia, with more than 40 of the private hospitals owned by medical services corporations listed on the Malaysian stock exchange. Two of the largest healthcare private groups in Malaysia, KPJ Healthcare and IHH Healthcare own and manage 27 and 14 hospitals respectively. Poor quality of public hospitals and an expanding middle class was cited as the reason for the increase in demand for private healthcare services during the 1970s and by 2004 the proportion of private healthcare expenditure from the total spent on healthcare in Malaysia exceeds that of the UK, Sweden, Italy and Germany (Rasiah et al. 2009). This healthy demand for private medical services is a possible reason for healthcare resources being directed to the private sector instead on the third sector. In addition to the government hospitals, there are 2,839 government health clinics, 196 government funded 1Malaysia clinics and 661 government dental clinics[96]. The small number of non-profit hospitals compared to the high number of government-funded medical facilities and private hospitals suggests the sector is not relied upon to provide formal medical care as it is seen to be sufficiently provided by the other two sectors.

Similarly, higher education is also mostly provided by the government and private sectors; there are 21[97] public universities and 71[98] private universities and university colleges including branch campuses of foreign universities operating in Malaysia. Like private hospitals, a number of institutions of higher learning are listed on the Malaysian stock exchange suggesting that both health and education are lucrative profit-making ventures.

As with higher education, primary and secondary educational facilities are mostly provided by the government; registered non-profit schools are very few and mostly are independent Chinese schools or Islamic religious schools. There are reportedly 61[99] independent Chinese schools in Malaysia but there are only 60 entries for ICNPO 2 100, Primary and Secondary Education. This

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[94] http://www.moh.gov.my/index.php/database_stores/store_view/3 [Accessed on 29/05/2019]
[95] http://www.data.gov.my/data/ms_MY/dataset/direktori-dan-kapasiti-hospital-swasta-berlesen-dimalaysia-sehingga-31-disember-2017/resource/4a36f41a-46b6-401c-934d-922ae736dbaa [Accessed on 19/11/2018]
[96] http://www.moh.gov.my/index.php/database_stores/store_view/7?items=25&page=27
[97] http://www.data.gov.my/data/ms_MY/dataset/jadual-2-7/resource/7ff3d9d0-7ae6-4dfb-9105-1140f406050b [Accessed on 19/11/2018]
[98] http://www.data.gov.my/data/ms_MY/dataset/taburan-graduan-ijazah-pertama-setiap-ipts-bertaraf-kolej-universiti-mengikut-pencapaian-akademik and http://www.data.gov.my/data/ms_MY/dataset/taburan-graduan-ijazah-pertama-setiap-ipts-bertaraf-universiti-mengikut-pencapaian-akademik [Accessed on 19/11/2018]
[99] United Chinese School Committees' Association of Malaysia (Dong Zong), reported in 'What you should know about Chinese schools in Malaysia', *The Malay Mail*, 3 July 2017.

category includes not only independent Chinese schools but other types of schools as well. The different figures could be attributed to the schools not having the commonly used keywords in their names or are using Chinese names which were not captured by this research. Searching *'pengurusan sekolah'* (school management) in the Malaysian Third Sector dataset for registered non-profit schools found only 16 entries which included one *'maahad tahfiz'* (Islamic religious school). The many languages found in organisation names remain one of the biggest challenges in undertaking a keyword-based apportionment exercise such as this. It was reported that there are 278 registered *maahad tahfiz* in Malaysia, majority of which are privately run and only 14 are government managed[100]. However, despite the large number of Islamic religious schools, during the identification and assignment process detailed in Chapter 6, a search for the keyword *'pengurusan maahad'* only returned five results. The low number of results could suggest that the schools do not incorporate the word *'maahad'* or *'tahfiz'* in their names or they could be registered directly with the Ministry of Education or State Religious authorities. There is also the possibility that the schools are not registered with any of the six Regulators (excluding JHEKS) but instead registered as private companies which could not be ruled out as interview data suggest that registering as companies is an option taken by some promoters of Third Sector organisations. Organisational data therefore suggest that the Malaysian Third Sector plays only a small role in the provision of formal education.

Around 1,900 TSOs in Malaysia are recorded as philanthropic intermediaries engaged in grant making and volunteering promotion (ICNPO Group 8). Most foundations registered with SSM and BHEUU were found in this category. TSOs engaged in culture and arts make up 2% of all organisations. Museums and zoos are included in this category but apart from the Malaysian Zoological Society which manages the national zoo, all other zoos and museums in Malaysia are managed by the government.

Twelve of the 29 ICNPO categories make up 96% of the Malaysian TSO population. The small number of organisations assigned to many of the ICNPO categories including none assigned to 6 200 suggests that a modified version of the code may be required to suit the structure of the Malaysian Third Sector and provide a more accurate account of the sector. Categories which are redundant or not applicable in the Malaysian context should either be merged, replaced or as with this research, introduce new sub categories which are more relevant to the sector. The three additional ICNPO categories were created to provide a better reflection of the Malaysian Third Sector landscape, similar to the decision made by Statistics New Zealand to introduce sub-groups

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[100] Federation of National Associations of al-Quran Tahfiz Institutions, reported in 'Three things about: Malaysia's (private/state-funded) Islamic schools', *The Malay Mail*, 29 April 2017.

to classify organisations representing organisations unique to the indigenous Maori population as well as other types of TSOs unique to the country. The Israeli version of the ICNPO added many more sub-categories to the 26 suggested by Salamon and Anheier. Gidron et al. (2004:183-186) added ultra-orthodox religious educational organisations (2 300), and faith based financial and in-kind aid organisations (4 200). They also separated Jewish and non-Jewish religions in ICNPO Group 10 and included memorial organisations in Group 12 into their classification. These are two examples where the ICNPO was adapted to suit local characteristics and provide a better understanding of the sector.

## 7.3 Exclusivity in the Malaysian Third Sector

'Exclusivity' is defined in this research to mean both membership organisations and non-membership organisations which offer services to, or conduct activities for, a selected group of people as opposed to anyone in general. The selection of beneficiaries can be based on various criteria, ethnicity and religious belief being a common benchmark, others include profession and educational institution attended. Member serving organisations are common in many countries, 35% of non-profits in the United States are member-serving organisations (Salamon and Aneheir 1997), and member-serving cooperatives are prominent in the European Third Sector. Exclusive TSOs catering to the needs of specific ethnic or religious groups are also found in India (Sen 1997) and in African peasant societies, where survival is achieved via a social network along the lines of ethnicity or religion (Hyden 1983). While there is no restrictions on being exclusive, Singaporean charities are not allowed to be 'exclusive' if they wish to obtain 'Institution of a Public Character' (IPC) status. To qualify as an IPC, *"the charity must be dedicated to serving the needs of the community in Singapore as a whole and not be confined to sectional interests or groups of persons based on race, belief or religion"* (COC annual report 2018 p.17). As at 31 December 2018, only 27% of registered charities in Singapore are approved IPCs.

### 7.3.1 Exclusive, member serving organisations

All organisations in ICNPO Groups 2 500, 6 100, 7 400, 10 100, 10 200 and 11 100 are classified as 'exclusive organisations' because membership is restricted to specific groups of people, either based on the school or university attended (2 500), place of residence (6 100), ethnicity (7 400), religious belief (10 100 / 10 200), profession or employer (11 100). Some organisations in ICNPO 1 300 are also exclusive – in particular social and recreational clubs of corporations and government department and ministries. These organisations are mainly sports, recreational and welfare clubs catering to their employees and their families. Exclusive organisations make up 43.15% of all Malaysian TSOs, which is a sizeable percentage suggesting that exclusivity is a feature of the Malaysian Third Sector. Table 7-3 shows the number of exclusive TSOs.

*Table 7-3: Exclusive, member serving organisations in the Malaysian Third Sector*

| ICNPO | Number of organisations | Percent of total TSO population |
|---|---|---|
| 2 500 | 2,555 | 3.20 |
| 6 100 | 5,258 | 6.59 |
| 7 400 | 3,380 | 4.24 |
| 10100 | 12,300 | 15.42 |
| 10 200 | 1,624 | 2.04 |
| 11 100 | 8,025 | 10.06 |
| Total | 33,142 | 41.56 |
| Government employee social and recreational clubs in ICNPO 1 300 | 1,265 | 1.59 |

The large number of member-serving exclusive TSOs also suggest that Malaysia could be classified as a 'social democratic model' (Salamon et al. 2000) where TSOs are vehicles for the expression of political, social, recreational or commercial interests. This is evident in the Malaysian Third Sector where almost half of the TSO population serve this purpose as shown in Table 7-3 above.

## 7.3.2 Religious and Ethnic Fractionalisation in the Malaysian Third Sector

It was suggested that the non-profit sector to be larger in countries where the population is more diverse in terms of ethnicity and religion (Weisbrod 1977; James 1987; Salamon and Aneheir 1997). Malaysia is a plural nation and the origins of Malaysian Third Sector organisations coincided with the arrival of immigrants from China and India during the late 19th and early 20th centuries. Support systems that help immigrants adapt to a new environment are often in the shape of social groupings, mostly in the form of religion, clan, cultural or language-based associations. Central to this are the clan associations and 'secret societies', founded by overseas Chinese communities based on blood ties, kinship, and mutual help to help them integrate into their new homelands (Heng 1996). This experience is not only unique to Malaysia, ethnic minorities in Thailand who see themselves as being excluded from mainstream society turn to the Third Sector to protect their interests (Pongsapich 1997).

Fractionalisation is observed in the organisational data based on the prevalence of ethnic and religious-based organisations, not only in subcategories 7 400, 10 100 and 10 200 but also in other ICNPO groups.

*Table 7-4: Organisations with ethnic terms in their names not classified under ICNPO 7 400*

**ICNPO sub category**

| Ethnic term | 1 200 | 1 300 | 6 100 | 7 100 | 11 100 | Row total |
|---|---|---|---|---|---|---|
| **Melayu** | 64 | 45 | 18 | 357 | 217 | 701 |
| **Bumiputera** | 6 | 10 | 0 | 12 | 248 | 276 |
| **Cina/China** | 38 | 80 | 25 | 66 | 238 | 447 |
| **India** | 77 | 162 | 54 | 240 | 192 | 725 |
| **Tamil** | 4 | 40 | 2 | 382 | 27 | 455 |
| Column total | 189 | 337 | 99 | 1,057 | 922 | **2,604** |

Table 7-4 shows the number of organisations with ethnic terms in their names but not included in ICNPO 7 400 due to them not being primarily focussed on promoting the rights of specific ethnic groups. Existence of ethnic names provide an indication of the organisation's object and beneficiaries, identifying the target group of its products and services. In addition to the 3,380 organisations promoting the rights of ethnic groups, there are many more particularly in group 11 that cater to a specific ethnic group. The prominence of Chinese clan associations led to the ROS once having two categories to group these associations. Another observation is that the number of Indian and Tamil organisations in ICNPO 11 100 and 6 100 is larger than that of the Chinese despite them only making up 7% of the population compared to 23.4% for the Chinese[101]. These figures suggest ethnicity play a major role in shaping the Malaysian Third Sector.

*Table 7-5: Organisations with religious term in their names but not in ICNPO 10 100/10 200*

**ICNPO Sub category**

| Religion | 6 100 | 7 100 | 11 100 | Row total |
|---|---|---|---|---|
| **Islam/Muslim** | 84 | 226 | 283 | 593 |
| **Buddhist** | 0 | 9 | 1 | 10 |
| **Hindu** | 0 | 162 | 6 | 168 |
| **Kristian/Christian** | 0 | 12 | 4 | 16 |
| Column total | 84 | 409 | 294 | **787** |

Table 7-5 shows the number of organisations with religious names but not included in ICNPO 10 100 or 10 200 due to them not directly being involved in religious rituals, propagation of religion or providing burial assistance. The data also shows a striking characteristic of the Malaysian Third Sector – Muslims are more inclined than other religious groups to organise trade, professional, rights or residents' group along the lines of religion. This is contrary to Weisbrod's (1977) idea of the median voter getting most of their needs provided by the State. In this case the group that

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[101] Department of Statistics Malaysia, Social Statistics Bulletin 2017

makes up 61.3% of the population is more inclined to turn to the Third Sector to safeguard and promote their commercial interests. On the other hand, James' (1987) assertion that stakeholder organised groups provide assurance of trust is reflected in this observation – indicating that the Muslim community's preference on exclusive organisations to further their societal interests.

The map of the Malaysian Third Sector enables the impact of ethnic and religious fractionalisation on the distribution of Third Sector organisations to be analysed. Table 7-6 shows the distribution of social, charitable and development organisations based on their ethnic and religious affiliation.

*Table 7-6: Distribution of ethnic and religious based social, charitable and development organisations. Percent in parentheses*

| Organisation type | Total | Ethnic based | Religious based |
|---|---|---|---|
| Chamber of commerce | 268 | 120 (44.8) | 16 (6) |
| Youth associations | 7,687 | 624 (8.1) | 314 (4.1) |
| Welfare of single mothers | 231 | 13 (5.6) | 16 (6.9) |
| Homes for the elderly | 364 | 20 (5.5) | 9 (2.5) |
| Welfare of orphans | 238 | 2 (.08) | 29 (12.2) |
| Residents association | 4,350 | 72 (1.7) | 43 (1) |

Evidence of ethnic and religious fractionalisation on the distribution of Third Sector organisations can be seen in trade organisations where almost half of the registered chambers of commerce are ethnic based and six percent are religious-based. While very few organisations caring for the welfare of orphans are ethnic-based, 12% are based on religion. 12% of youth associations and organisations caring for the welfare of single mother are also exclusive to specific ethnic or religious groups.

Fractionalisation of the sector could also be a possible outcome of the State's focus on the median voter, in Malaysia's case, the majority ethnic and religious group. While fractionalisation is a unique characteristic of the Malaysian Third Sector, its impact would be felt by those whose interests are not represented by any social, charitable and development organisations due to the absence of local TSOs that represent their ethnic or religious background.

## 7.4 A comparison of ROS registered organisations in Douglas and Pedersen's 1973 thesis with the 2016 Malaysian Third Sector Dataset.

Any analysis of the composition of the Malaysian Third Sector done before 2000 would present a very different picture of the sector compared to what it is now. The Malaysian Third Sector

Dataset only records 3,548 organisations registered with the ROS in 1969 but Douglas and Pedersen (1973) found 10,235 organisations registered with the ROS in the same year, which suggest that 6,687 have since been dissolved, deregistered or had their registrations transferred to another Regulator. This will be analysed via descriptive statistics of the two datasets followed by an estimation of attrition and transfer of registration to The Sports Commissioner and The Registrar of Youth Societies.

Douglas and Pedersen obtained their data from the report of the ROS for the quarter ending June 1969 and the Malaysian Third Sector Dataset used for this research was extracted from the dataset of active societies provided by the ROS as at 31 December 2016. A large difference can be seen between the two datasets. On average, Douglas and Pedersen's dataset had three times more registered organisations in 1969 compared to the Malaysian Third Sector dataset. Chart 7-7 shows four States: Johor, Penang, Perak and Selangor each with more than 1,000 ROS registered organisations in Douglas and Pedersen's thesis but in the Malaysian Third Sector Dataset, only Selangor and Perak had more than 500 registered organisations.

One possible explanation for the large difference is deregistration - the Malaysian Third Sector dataset was prepared in 2017, between 1969 and December 2016 a number of organisations may have been dissolved or deregistered. Another reason for the difference could be attributed to the creation of two new Regulators overseeing sports and youth organisations. Table 2 of Douglas and Pedersen's report, on page 47, shows that in December 1969 there were 1,451 organisations classified under ROS' 'youth' category and 1,180 were classified as 'sports'. However, there was no information in the report on where these organisations were registered hence their distribution across the States is not known. The SCO and The ROY were only established in 1997 and 2007 respectively. The newly established acts governing these Regulators require all organisations under their purview currently registered with the ROS at the date of the Act coming into effect to immediately transfer their registration to the newly set up Regulators. For this reason, it can be assumed that most if not all SCO registrations in 1998 and most if not all of ROY registrations in 2008 are existing organisations previously registered with the ROS. In 1998, the first year of its operations, 393 organisations were registered with the SCO and in 2008 which was the ROY's first year of operations, 736 youth organisations were registered with the new Regulator. However, it is uncertain how many of the registrations were new and how many were previously registered with the ROS and it is also not known how many of these former ROS organisations were registered on or before 1969.

*Chart 7-7: Comparison of the number of ROS registered organisations in each State in 1969 between data in Douglas and Pedersen's thesis and the Malaysian Third Sector dataset[102].*
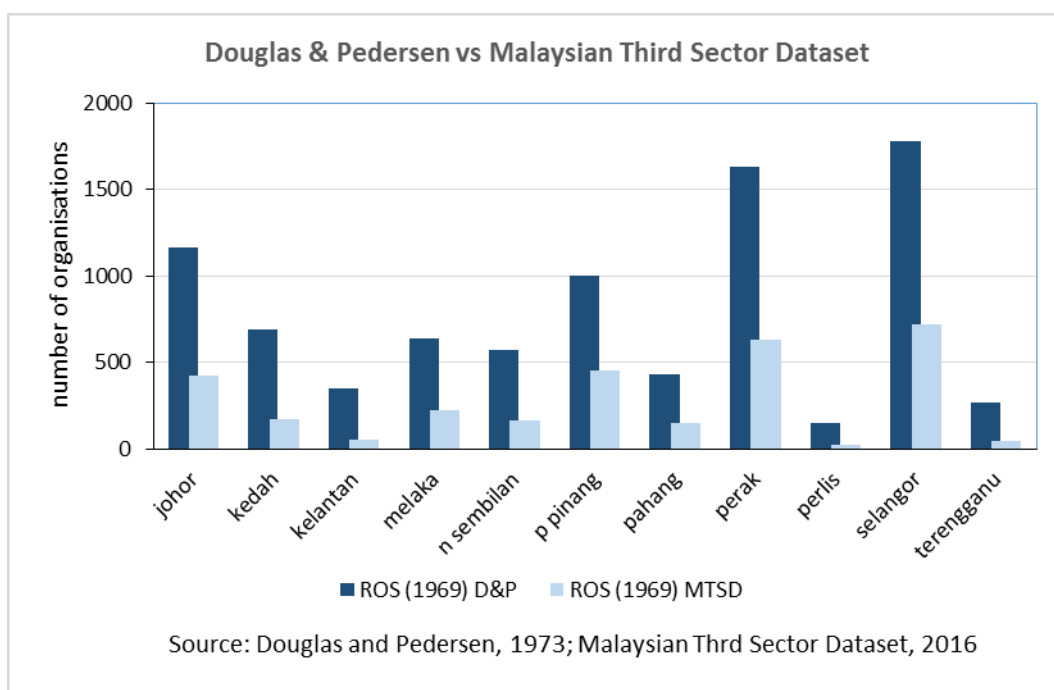


*Chart 7-8: Comparison of the percentage of ROS registered organisations in each State in 1969 between data in Douglas and Pedersen's thesis and the Malaysian Third Sector dataset*



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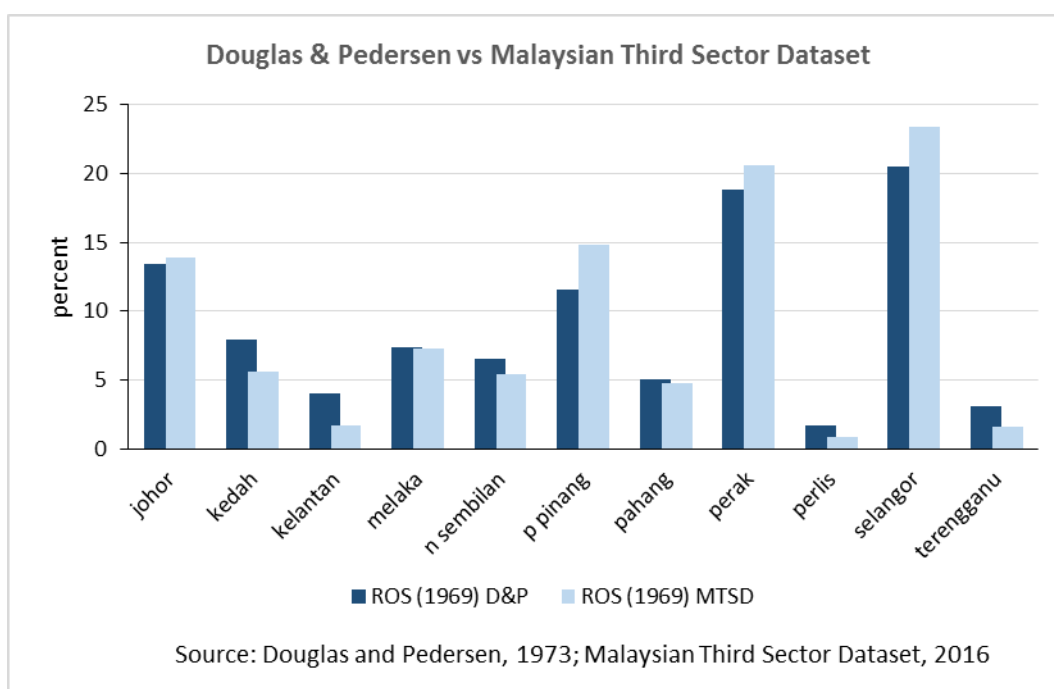
[102] Number of organisations recorded as registered in Selangor by the Malaysian Third Sector Dataset include TSOs which migrated to Kuala Lumpur and Putrajaya after 1974 and 2001 respectively

Despite the large difference in the absolute number of registered organisations, the percentage of total number of organisations in each state did not show much difference between the two datasets as shown in Chart 7-8. Two districts in Selangor; Kuala Lumpur and Putrajaya were re-designated as Federal Territories on 1st February 1974 and 2001 respectively and organisations with addresses in these two territories were no longer classified as being in Selangor after those dates. In the Malaysian Third Sector Dataset, organisations with Kuala Lumpur and Putrajaya addresses registered before 1970 make up almost 15% of all registered organisations in 1969. When this figure was combined with the percentage for Selangor, the Malaysian Third Sector Dataset showed that 23.4% of all ROS registered organisations were located in Selangor, just slightly more than the 20.5% recorded by Douglas and Pedersen.

In their thesis, Douglas and Pedersen noted that in 1972, the ROS classified organisations into 12 categories of activities. In 2016, the ROS had 11 categories but the 1972 and 2016 categories are not similar save for six: religious, social, guild, cultural, political and benevolent. Farmers associations are no longer registered with the ROS, unless they are registered as a trade or professional organisation in which case they will be classified under the 'commerce and professional' category. In 1972, there was a category called 'general', presumably to group all organisations not meeting the criteria to be classified under the other categories. In addition to categories for youth and sports associations, there were two categories for Chinese clan societies, '*kongsi*' and '*huay kuan*'. Many organisations with these words in their names are still registered with the ROS in 2016 classified under numerous ROS categories including welfare, social, religious and recreation. However, in the Malaysian Third Sector Dataset all are classified under ICNPO 7 400 as organisations that promote the interest of or provide services to members of a specific ethnic group.

*Table 7-7: Comparison between datasets, Douglas and Pedersen 1972 vs. Malaysian Third Sector Dataset 1972*

| D & P 1972 | Registered | Percent | MTSD 1972 | Registered | Percent |
|---|---|---|---|---|---|
| Benevolent | 1,226 | 11.18 | Mutual / Welfare | 1,562 | 38.15 |
| Cultural | 419 | 3.82 | Art and culture | 82 | 2.0 |
| Guild | 1,029 | 9.39 | Professional / Commerce | 528 | 12.9 |
| Political | 34 | 0.31 | Politics | 8 | 0.2 |
| Religious | 773 | 7.05 | Religious | 509 | 12.43 |
| Social | 1,749 | 15.95 | Social / Recreation | 1,373 | 33.49 |
| General | 1,568 | 14.30 | n/a | - | - |
| Sports | 1,347 | 12.29 | n/a | - | - |
| Youth | 1,917 | 17.48 | n/a | - | - |
| Huay Kuan[a] | 652 | 5.95 | n/a | - | - |
| Kongsi[a] | 250 | 2.28 | n/a | - | - |
| n/a | - | - | Rights | 32 | - |
| Total | 10,964 | | | 4,094 | |

[a] Chinese clan association
Douglas and Pedersen's data based on ROS' 1972 register.

It can be seen in Table 7-7 that the mutual/welfare categories make up a bigger proportion of registered organisations in the Malaysian Third Sector Dataset, moving the Chinese clan associations in Douglas and Pedersen's dataset into the 'benevolent' category brings the 1972 total to 20%, which is still almost half the percentage of the corresponding category in the Malaysian Third Sector Dataset. However, there are two categories missing from the 2016 Malaysian Third Sector Dataset: sports and youth which accounted for 30% of the organisations in Douglas and Pedersen's dataset. The 1,347 sports associations and 1,917 youth associations could be part of the social and recreation category of the Malaysian Third Sector Dataset and if these two categories are merged in to social in Douglas and Pedersen's dataset, the category would balloon to 5,013, making up almost 50% of ROS organisations. Similarly, organisations in the 'general' category could either be included into the benevolent or social category and as the Chinese clan associations are no longer classified as a separate category, they too can be included into the benevolent or social category which will bring the percentage for the two categories closer to that of the Malaysian Third Sector Dataset.

It is difficult to compare the two datasets due to the absence of information on de-registrations and actual registration dates for SCO and ROY registered organisations previously registered with the ROS. The differing categorisation also poses some challenges especially after it was discovered that certain organisations in the official ROS dataset were classified in categories which contradicts keywords in their names. The ideal situation would be if a complete dataset

consisting of the names of registered organisations in 1972 is available which can be used to compare with the Malaysian Third Sector Dataset. Nevertheless, based on the comparisons, it is assumed that the base figure for organisations leaving the ROS register between 1973 and 2016 is at least 6,870.

## 7.5 Relationships and patterns observed in the Malaysian Third Sector Dataset

This section will look at the strength of relationships between the Malaysian demographic characteristics and the patterns in the Malaysian Third Sector Dataset. It will attempt to determine if there is a correlation between:

1. the total population of each State and the number of organisations registered in the State,
2. each State's level of economic development and the number of organisations registered in the State,
3. ethnic distribution and number of ethnic and non-congregational religious organisations,
4. religious distribution and number of religious organisations

This research defines States where Malays make up more than 50.1% of the population as Malay majority States and as a result, eleven of the sixteen Malaysian States are classified as 'Malay majority'. However, the three Borneo states Sabah, Sarawak and Labuan despite not being Malay majority are majority Bumiputera, a group that the Malays are part of. Kuala Lumpur and Pulau Pinang on the other hand could be best described as a 'mixed State' as both the Malay and Chinese population are almost the same size. Three States have an overwhelming majority of Malays in their population - Kelantan, (95.9%), Terengganu (97.1%) and Putrajaya (97.9%). Using the same 50.1% rule to identify Muslim majority States sees thirteen States classified as 'Muslim majority' States. However, due to the fact that 13 out of the 16 states and territories have more than 50.1% Muslim population, another category of Muslim majority States is proposed – 'State with large Muslim populations', defined as States whose population of Muslims exceed 66%. Eight of the 16 States are classified as having large Muslim population and as all Malays are Muslims[103], the overwhelmingly Malay States are also overwhelmingly Muslim.

These statistical comparisons are done at regional level. Spearman's rho will be used to address the above listed questions. Spearman's coefficient was chosen instead of Pearson's coefficient because in addition to the small sample (16), the data on population, GDP, urbanisation and

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[103] Constitutionally at least, Article 160 of the Malaysian constitution defines a "Malay" as a person who professes the religion of Islam, habitually speaks the Malay language, conforms to Malay custom and the issue of a person born in the Federation of Malaysia.

number of registered organisations are not normally distributed but instead they are ranked according to State where registered.

### 7.5.1 Total population and number of registered organisations

A Spearman's correlation was run to assess the relationship between the total number of registered organisations in each of the 16 States and its population. Results of the Spearman correlation indicated that there is a very strong positive correlation between the total registered organisations and the population of each State, which was statistically significant, $r_s = .8118$, $p = .0001$. The Spearman correlation suggest that States with bigger population are more likely to have more registered Third Sector organisations compared to States with smaller population. However, when looking at the relationship between population density per square kilometre and total number registered organisations, results of the Spearman correlation showed a very weak relationship between population density and registered organisations and statistically not significant, $r_s = .0441$, $p = .8711$. The observation that highly populated areas have less TSOs may not necessarily suggest that collective goods and services are sufficiently supplied in those areas by the State. Firstly, there is no restrictions on where a TSO operates, it is not restricted to the State where it is registered and secondly the high incidence of member-serving TSOs in Malaysia may suggest that TSOs are not seen as major suppliers of collective goods and services.

### 7.5.2 Economic development, wealth and number of registered organisations

For the purpose of this research, economic development is measured by Gross Domestic Product per capita and the population's wealth is measured by median income. Results of the Spearman correlation indicated that there is a weak correlation between the total registered organisations and GDP per capita, which was statistically not significant, $r_s = .3214$, $p = .2427$. This indicates there is no sufficient evidence to suggest the total number of registered organisations is associated with the level of economic development. The relationship between wealth and the number organisations is also weak and not significant, $r_s = .2750$, $p = .3212$. Again, this indicates there is no sufficient evidence to suggest that the total number of registered Third Sector organisations in a given State is associated with the wealth of its population.

### 7.5.3 Distribution of ethnic and non-congregational religious organisations

Ethnic based organisation in ICNPO 7 400 were used to facilitate this analysis and included organisations whose object is the welfare of followers of a specific religion. As explained earlier, these organisations despite having religion in their names, were not included in 10 100 because their object does not involve administering religious services but instead protecting the interests of its members. A Spearman's correlation was run to assess the relationship between total number of registered ethnic organisations per 10,000 population and the percentage of indigenous Malay

population in each State. The results indicated that there is a very strong negative correlation between ethnic based organisations per 10,000 population and percentage of the indigenous residents, which was statistically significant, $r_s = -.7529$, $p = .0008$. This indicate that States with higher Malay population have smaller number of ethnic based organisations suggesting that Malays are less inclined toward, or have less need for, formal associations to meet their social welfare needs. This is consistent with the findings that the concept of informal, non-associational mutual aid (*gotong royong*) is more prominent among the Malay population together with the expectation assistance in times of need are often provided by family or neighbours (Thompson 2004; Denker 2007; Raybeck and De Munck, 2010). The tendency for non-Malays especially the Chinese to organise social and welfare activities via associations is reflected in Douglas and Pedersen's study where they found in 1972 almost 9% of ROS registered societies are Chinese clan associations. Historically, as discussed in Chapter 3, Malays were slow to embrace the associational culture and government policies post 1970 especially affirmative action policies did not necessitate the Malays to depend on the Third Sector for their socio-economic needs.

### 7.5.4 Distribution of religious organisations

For this analysis, organisations assigned to ICNPO group 10 are distributed according to the States they were registered in. ICNPO group 10 and subgroup 7 400 are mutually exclusive therefore the question of duplicating observations does not arise. Results of the Spearman correlation indicated that there is a strong negative correlation between the total registered religious organisations per 10,000 population and percent of Muslim population in a given State, which was statistically significant, $r_s = -.5206$, $p = .0387$. The negative correlation indicates that States with high Muslim population have smaller number of religious organisations.

This observation could be a reflection of the government's financial allocation and other assistance to meet the religious needs of the Muslim population, either in the form of houses of worship or religious education. Each State has its own department for Islamic affairs and a central government managed institution, called '*Lembaga Tabung Haji*' (Pilgrims Board), which was set up to manage and invest the savings of Muslims wishing to perform the haj pilgrimage. Each State also has a '*zakat*' (Islamic tithe) body who is responsible for providing assistance to those in need (not limited to only the poor or disabled but also include travellers and those in debt). These numerous channels provide Muslims with enough social welfare support without them having to resort to the Third Sector to meet those needs. In this instance, applicability of the government failure theory is evident, non-median voters turn to the Third Sector for religious needs resulting in a high number of TSOs providing religious facilities.

Chart 7-9 shows that States with the highest Malay/Bumiputera and Muslim populations have the lowest number of religious and ethnic based organisations. This further supports the results of the Spearman's correlation and suggests that the social, welfare and religious needs of the Malay and Muslim population are being taken care of by the government. Being the largest group in Malaysia, and forming majorities in most parliamentary constituencies, they meet the definition of median voters and the findings support Weisbrod's (1977) assertion that this group gets more support from the State and hence rely less on the Third Sector to meet their welfare needs. The large number of religious organisations found in ICNPO Group 10 being mainly non-Muslim also supports the government failure and the heterogeneity theories: non-median voters rely on the Third Sector more and a diverse population lead to a bigger Third Sector.

*Chart 7-9: Relationship between religious, ethnic based organisations and percentage of Muslim and Malay population*
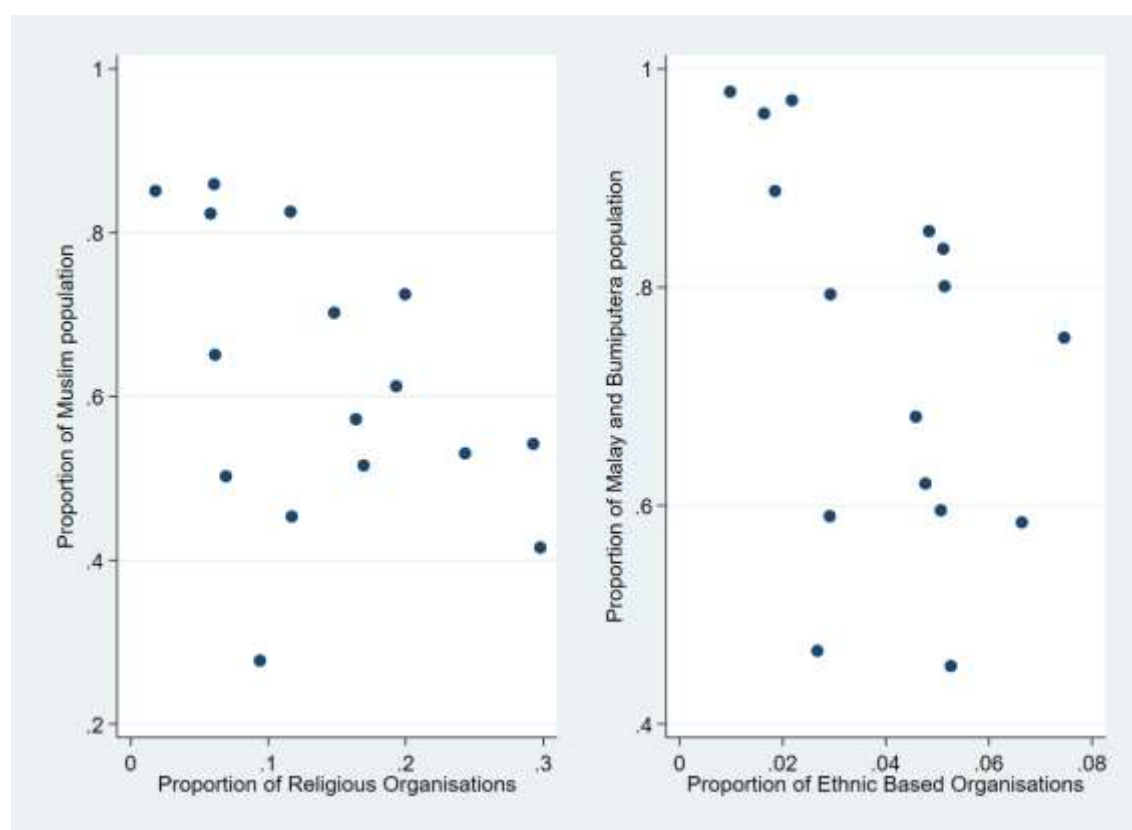


### 7.5.5 Patterns in new registrations
Almost 80% Malaysian TSOs were registered between the year 2000 and 2016. This section will examine the distribution of those new registrations.

New registrations grew 7.3 times between 2000 and 2016 but the growth of new ethnic based organisations grew almost tenfold. The growth of new religion based organisations for the same

period however was only slightly more than 200%. At the beginning of the 21ˢᵗ century, more than 30% of new registrations are either ethnic or religion based organisations, in 2016, it has fallen to under 18%. Despite the increasing growth rates, the proportion of new religious organisations fell from 24% in 2000 to only 9% in 2016. The proportion of new ethnic based organisations on the other hand grew from 5.8% in 2000 to 8.5% in 2016. This shows that while religion based TSOs make up almost 20% of the Third Sector population, growth in their new registrations was slower than the growth in total new registrations and that of ethnic based organisations. This could suggest that ethnic fractionalisation continues to shape the sector while religious fractionalisation has less impact on the Third Sector compared to twenty years ago.

*Table 7-8: New registrations of organisations with religious and ethnic words in the names. Percent in parentheses*

| Year | Total new registrations | TSOs with religious keywords | TSOs with ethnic keywords |
|------|------------------------|------------------------------|---------------------------|
| 2000 | 958 | 230 (24) | 56 (5.8) |
| 2016 | 7,969 | 716 (9) | 675 (8.5) |

*Chart 7-10: Proportion and growth rates of Ethnic and Religious organisations*
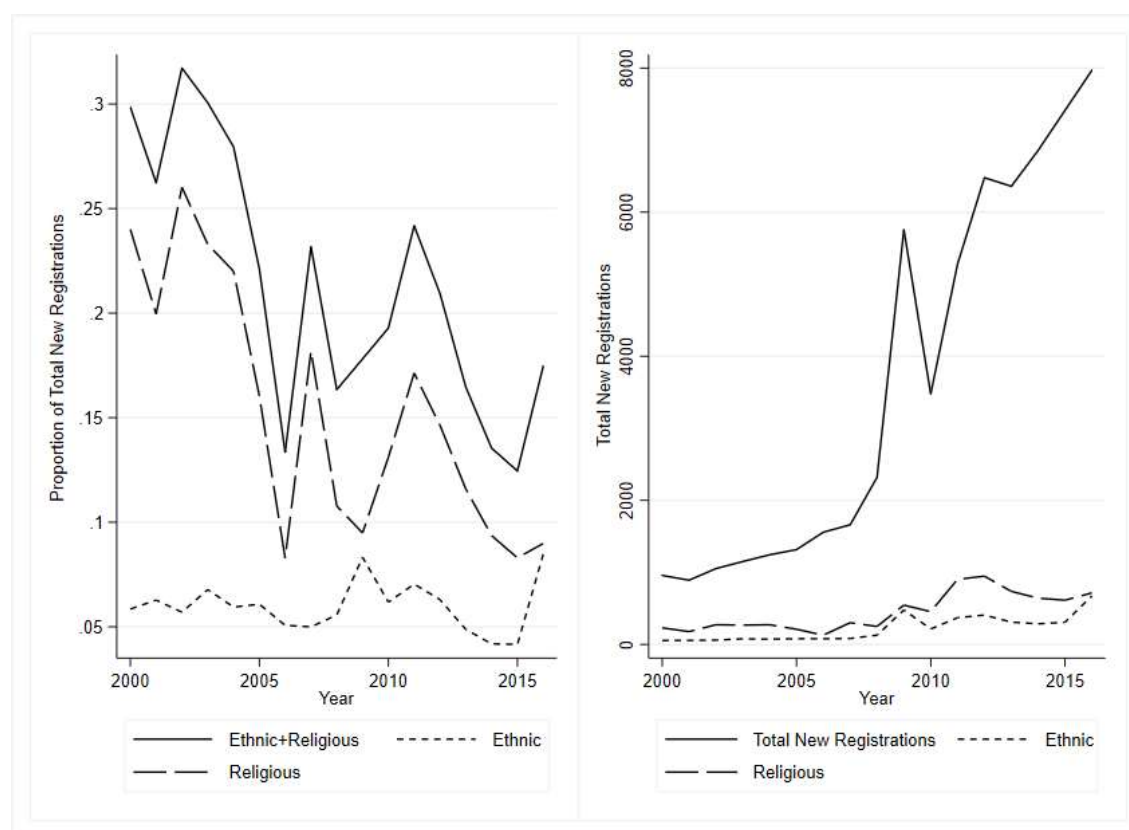
## 7.7 Summary and conclusions

This chapter presents an insight to the Malaysian Third Sector and provided a contribution towards the development of a deeper understanding of the Third Sector in Malaysia. A description of the constituents of and patterns in the Malaysian Third Sector Dataset provide policymakers and researchers with the resources to understand and develop relevant policies that could enable the sector's potential to be maximised.

The descriptive statistics showed the Malaysian Third Sector to be mainly concentrated in the west coast of the Malay Peninsula which is the highly populated, urbanised and industrialised part of the country. Member-serving TSOs defined by Gordon and Babchuk (1959), Hatch (1980) and Salamon and Anheier (1996) dominate the Malaysian Third Sector landscape, evidenced by the large number of organisations assigned to the recreational, alumni, residents association, ethnic, religious and professional and commercial categories. Many organisations found in the dataset are either employee social and recreational clubs (ICNPO 1 300 in Chart 7-6), fan and hobby clubs, or service clubs such as Rotary and Lions which are typically run by volunteers. Similarly, residents' associations are also mainly volunteer driven, these associations are run by and for the residents of a neighbourhood.

Religious organisations form the largest group of TSOs in Malaysia and the large number of non-Muslim religious TSOs together with the results of the Spearman's correlation suggests the sector's role in meeting the religious needs of the non-median voter population, indicating the relevance of Weisbrod's government failure theory to the Malaysian Third Sector. Sports, social and recreational, and promotion of civil and ethnic rights as well employee welfare are also popular activities of the Malaysian Third Sector. Very few educational institutions and health services providers were found in the dataset and the low number of TSOs engaged in these services could suggest that those needs are sufficiently supplied by the State and/or the private sector.

Fifteen percent of registered TSOs in Malaysia belong to the religious category ICNPO 10 100 and 2% are religion-based burial associations highlighting the prominence of religious organisations in the Malaysian Third Sector. Almost three quarters of the religious organisations listed in ICNPO 10 100 are located in five States and they are not included in the definition of States with large Muslim population. This is further supported by the Spearman correlation which showed a strong negative correlation between the number of registered religious organisations and proportion of Muslim population: States with high Muslim population tend to have smaller number of registered religious organisations. This observation could be attributed to the large amount of government funding allocated for 'Islamic development'. In 2018, the office for

Islamic development (JAKIM) in the Prime Minister's Department was allocated a budget of RM1.029 billion (£190 million), amounting to almost 20% of the department's budget for operating expenses[104].

As with the religious-based organisations, more ethnic based organisations were found in States with smaller Malay population. Although many of these are Chinese clan associations dating as far back as before independence from the British, their continuing existence is a sign of its continued relevance. Ethnic based organisations are also found in sports associations, trade and professional bodies, residents associations and youth social and recreational clubs suggesting that Malaysian associational life is still organised along ethnic lines.

The observations found in the Malaysian Third Sector dataset suggest that exclusivity is a feature of the Malaysian Third Sector. This could also be interpreted as not many Malaysian Third Sector organisations provide activities of public benefit, focussing instead on the welfare of its members. However, this would be difficult to determine without any agreed measure of public benefit defined in the Malaysian context. Organisations classified by Hansmann (1980) as commercial non-profit firms are mostly found in education and health services segment but as shown in Chart 7-6, they make up less than 1% of the sector suggesting that such TSOs are not common in the Malaysian Third Sector.

The Malaysian Third Sector Dataset records the oldest registered TSO in Malaysia to be more than one hundred years old and despite records of voluntary organisations being in existence in Malaysia since late 1800s, most of the currently registered Malaysian Third Sector organisations were registered during the last twenty years. Despite having seven agencies regulating the registration of Malaysian TSOs, a majority are registered with the ROS. The number of new registrations however may not tally with the number of new organisations as many of the new registrations in 1998 and 2007 resulted from the migration of sports and youth organisations from the ROS to their respective new Regulators. The creation of separate Regulator to oversee the registration and activities of sports and youth organisations may have reduced the burden of the ROS but at the same time created duplications in the regulatory duties. Expanding the ROS by creating specific department to oversee youth and sports organisations could have achieved the same effects of a separate Regulator without duplicating the regulatory duties. The centralisation of Third Sector regulation could not only reduce the wastages from duplication of duties, it may

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[104] See: http://www.treasury.gov.my/pdf/bajet/maklumat_bajet_kerajaan/2018/B.6.pdf [accessed on 29/01/2019]

also allow better resource allocation resulting from centralisation of planning and policy development.

# Chapter 8: Voices of the Actors and Regulators

## 8.1 Introduction

In line with the aims of Grounded Theory approach (Section 5.3), the interviews aim to delve into the knowledge, experiences, and opinions of Third Sector actors and Regulators. It seeks to obtain a depth of understanding of the Malaysian Third Sector by asking the questions:

1. What are the characteristic of the Malaysian Third Sector?
2. What are the motivations of the Malaysian Third Sector?
3. How is the Malaysian Third Sector structured and regulated?

The questions seek to understand how the sector is seen from the eyes of the actors, to understand its *raison d'etre* and to uncover the challenges and issues surrounding the sector. As was highlighted in Chapter 2, peer reviewed academic literatures on the Malaysian Third Sector are limited therefore speaking directly to its actors enables the research to obtain deeper understanding of the sector. The interviews were undertaken not only to provide insights on the workings of the sector but also to enhance the analysis and understanding of the organisational data presented in Chapter 7.

This chapter details and discusses the findings of the interviews. The analysis is supplemented with complementary sources of data from news reports, periodicals and official websites of Third Sector organisations and Regulators. The transcripts are verbatim and grammatical errors are not corrected. Clarifications are included in square brackets whenever further explanation is required. The findings are presented according to the themes identified when developing the interview questions. The themes are: awareness of the sector, reasons for the sector's existence seen from theoretical perspectives and its governance structure including legal and regulatory issues and challenges.

## 8.2 Awareness of the Third Sector

Discussed in chapter 2, the term 'Third Sector' was chosen to describe the space and organisations occupying the area between the state and the market as it is seen to be more 'inclusive' compared to the non-profit sector or civil society sector which the researcher deem to be rather exclusive and only specific to certain types of organisations. The term 'Third Sector' was however hardly ever used by the interview respondents, as most referred to themselves as non-governmental organisations, often by the acronym 'NGO'. A number of respondents observed that the public also refers to civil society, voluntary or charitable sectors as 'the NGO sector' making the term a very broad and all-inclusive label.

*"The Third Sector to most of the public is just NGOs, it's a blanket term covers everything and anything ... when we introduce ourselves, the first question is 'are you an NGO?' When people say NGO they will immediately think welfare, social work, human rights" (Interviewee 4)*

*"... in Malaysia generally people see NGOs as charities, one of the perceptions that we were trying to change" (Interviewee 7)*

*"When people see NGOs, they think [of] things that government don't do ... all the social activities, the Third Sector. CSO is also non-profit but they may be running some sort of agenda and not necessarily social agenda" (Interviewee 12)*

The usage of NGO can be seen as a misconception of the term as non-governmental organisation is often used when referring to international bodies working in developing countries (Najam 2000; Werker and Ahmed 2008; Lewis 2010). NGO is also frequently used in academic literature on the Malaysian Third Sector (Khoo 2013; Farouk and Husin 2015; Nga 2015). Given that the term was used by the respondents who are senior members of the Third Sector, it would not be a surprise if the general public uses the same to describe the sector. However, respondent emphasises to their audience that they are a civil society organisation rather than non-governmental, suggesting that some actors within the sector view themselves differently from each other depending on their activities or objectives.

There is a lack of awareness of different segments within the Third Sector. A respondent commented that the public tend to be more familiar with charities that promote neutral and what he terms as '*non-sensitive*' causes:

*"In Malaysia, cancer foundations, nature society, they are considered non-sensitive [they get] widespread support, big events, government supports them, its neutral ... those kind of things are the ones people know mostly about but when it comes to civil rights that's very limited" (Interviewee 7)*

'Non-sensitive' in this context refers to activities or causes that does not challenge the status quo or question government actions. However, causes which are deemed to be controversial or sensitive are not expressly defined by the Regulators:

*"It's never defined really anywhere, it's just basically issues that are considered falling under the categories of like human rights, security, civil liberties, even when you talk about women issues for example can be sensitive and so who determines sensitivity is really up to the ROS for example to decide, they have been known to recommend that you don't set up these organisations because its dealing with sensitive issues" (Interviewee 4)*

Interviewee 7 highlighted that fear of reprisal from the authorities is another reason for the lack of interest in certain types of TSOs, especially with civil society organisations. He claims there are volunteers who are afraid to offer their services to organisations engaged in political and policy debates. This is often due to the fear of being associated with organisations which are seen to be not government-friendly and is made worse when associations within the civil society is synonymous with support for the (pre-2018 general election) opposition parties[105]. This situation is however not unique to Malaysia. In some countries the term 'NGO' has been translated to mean 'against the government' (Martens 2002). Although no specific examples were given by the respondents, studies suggest that in Malaysia, differing political ideals is often the reason for NGOs' conflict with the state (Alatas 2003) and despite NGOs and CSOs playing a role in influencing policy development, they are often viewed going against national interests and hence are seen as a threat to stability (Khoo 2013). These studies and the respondents' views are however based on the experiences during the previous Barisan Nasional administration. Therefore, it is too early to ascertain if the same still applies after the change in government in May 2018. Given the previous government's strict stance on certain Third Sector segments or activities such as human rights and civil liberties, the lack of awareness could be due to the public not taking interest in those issues to avoid being in conflict with the authorities. Nevertheless, the attention given by the authorities to certain organisations and certain activities suggest that Third Sector organisations are active and their activities visible.

An individual's level of education was suggested as a measure of awareness of Third Sector organisations and activities implying that higher levels of education is a measure of likelihood of participation in the sector:

> *"I think it depends if the more educated people they would know, but the general public I don't think so" (Interviewee 6)*

> *"In my point of view it is still very-very low, those who go to tertiary education knows more [about the Third Sector] compared to those who don't" (Interviewee 8)*

> *"I feel the awareness depends on the public's level of education" (Interviewee 10)*

This however cannot be generalised as it only reflects the views of the respondents based on their experience and observations. Nevertheless, it is consistent with the argument that growth of Malaysian TSOs could be attributed to the emergence of the middle class (Harding 1992). Education levels therefore could be a factor contributing to the awareness of the sector. In addition to academic background, respondents also suggested that awareness is limited only to

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[105] See: Time to back civil society, *The Malay Mail*, 28 June 2018

organisations serving that particular group indicating that awareness can be measured by the community's interest in, and exposure to a certain cause (Gribble et al. 2014):

> "It depends on which area you are in, the Third Sector is a lot of different interest groups, you would be aware of NGOs working in that [your] area" (Interviewee 7)

> "We started very small, there was not much awareness except for the community [we served] knew that we existed" (Interviewee 2)

Interview data suggest that the 'brand' plays a role in shaping donor confidence. The ability of an organisation's reputation to communicate its objectives, activities and values enhances its capacity to build trust, and to lobby and attract funders (Hankinson 2000). The interviews also identified the brand as a factor when trying to raise funds. The advantages of brand recognition and reputation was highlighted where one respondent lamented that despite being around for more than 20 years, they still face difficulties fundraising but another organisation which has been around for 15 years did not have the same problem:

> "For us money is one of the biggest challenges, all of our fundraising campaigns are pretty long. People don't really know us, yes we have a little bit trouble with that [fundraising] although we have been here for 22 years" (Interviewee 8)

> "We got funds from corporate organisations, it's not that easy but we have been around for quite some time, so they approach us for CSR, we got some grant from [a government agency]. They approached us to write a proposal, what we need" (Interviewee 5)

Another respondent noted that they have been audited by their funders but the opposite is true for another respondent who found that audit among funders are rare. However given that the latter heads a foundation backed by a large multi-national corporation, their experience could be due to the organisation's brand and reputation giving credence to the claim that awareness is a measure of confidence in a TSO's performance (McDougle 2014), although brands and the organisation's reputation may not necessarily be a good measure of good conduct (McDonnell and Rutherford 2018). In addition to confidence, reputable brands enable TSOs to provide premium services and global reach due to its ability to raise large donations through strong brand awareness (Stride and Lee 2007) and in recent years, the objective of brand development has evolved beyond fundraising to include aligning it with the organisations' mission, values and strategies (Kylander and Stone 2012). These observations however should not be generalised to represent the sector as they are based on the interviewees' knowledge of the sector from their personal experiences and observations. Nevertheless, it does give a general idea of one factor contributing to awareness of the sector.

Four interviewees (2, 5, 9 and 12) feel that awareness of the sector and its activities is increasing, due to public relations programmes, social media, regulatory requirements and government efforts. Interviewees also commented that awareness is higher since the advent of social media. The internet is increasingly used as a mode for fundraising and posting volunteer activities on social media has helped to spread awareness of the sector. The sharp increase in new TSO registrations since the turn of the century is one possible justification for this claim. Social media has also been used by Malaysian NGOs to rally support for their cause, a campaign to protest against the building of a rare earth refinery was successfully promoted through social media (Kaur 2015). A 2016 survey[106] by the Malaysian Communications and Multimedia Commission found that there were about 21.9 million[107] social media users in Malaysia, with 97.3%, 56.1% and 26.6% of those users claim to own Facebook, Instagram and Twitter accounts respectively. Society's habit of posting their activities including their volunteer work on social media channels was cited by respondents as one reason for the increase in volunteering interest:

> *"Thanks to the media, to the internet, to social media, there is a lot of reporting, people post things up on their social media channels so when their friends see, there is a lot of peer pressure, I think that kinds of push the interest up. The requirement for companies to have CSR reporting especially listed companies, [the stock exchange] would require a section in the annual report to say what they have done." (Interviewee 12)*

> *"We do outreach we go out and speak to communities we go to schools we go to like the market area we go to mosques and all that, we give out pamphlets to educate, having a very quick communication especially through emails or phone calls also increases the awareness, we are very approachable, we did our website nicely" (Interviewee 2)*

> *"They have read my blog and replicated our activities" (Interviewee 9)*

The government is also seen as playing a 'role' in promoting awareness of certain causes which in turn makes Third Sector organisations and activities more visible to the public. Interviewee 5 remarked that awareness of autism and organisations involved in supporting autistic children and their families has increased since the launch of a government-sponsored autism awareness programme.

*Summary*

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[106] https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/MCMC-Internet-Users-Survey-2017.pdf
The Internet Users Survey (IUS) is a series of purpose built surveys conducted by the Malaysian Communications and Multimedia Commission (MCMC).
[107] Malaysia population in 2016 is 31.633 million. Source: Department of Statistics Malaysia mid-year population estimates for the period of 2016 to 2017 based on the Population and Housing Census 2010

Interview data suggest that awareness of the sector depends on the type of activity. Awareness of the existence of a TSO is higher if the organisation is active within the community or when the cause is well supported by the government, the private sector and politicians. Such organisations and activities are classified by Najam (2000) as having a 'cooperative' relationship with the State and in this case also with the private sector. Such relationships could translate to better financial support in the form of CSR activities and government grants. Members of the CSO fraternity interviewed often use the phrase 'non-sensitive' when discussing the Third Sector or its activities which suggests that certain Third Sector activities are looked upon unfavourably by the state and certain segments of the public reflecting what Najam (2000) identifies as a 'confrontational' relationship between the state and the Third Sector due to their differing goals and means of achieving those goals.

## 8.3 Theories on the Third Sector

The respondents were also asked for their opinions on the reason for the sector's existence. The aim of this question is to identify whether or not any of the theories explaining the sector's existence applies to the Malaysian setting.

### 8.3.1 The Government failure theory

In 2.2.1, Weisbrod's (1977) government failure theory was defined as the Third Sector taking action to satisfy the demands for public goods and services which are undersupplied by the government due to the state's focus on the median voter. This is also what Young (2000) terms as a 'supplementary model' of government-non-profit relationship, where the Third Sector becomes the providers of public goods which are not provided, or under-supplied by the government. The absence of profits to incentivise provision by the private sector also lead to this unfulfilled demand being met by the Third Sector. The public and private sectors both have their political or economic reasons for not providing sufficient public goods and services. Therefore, there are often gaps and concerns left unresolved and that is where the Third Sector comes in to make up for the shortcomings of the other two sectors Interview data suggest that the government failure theory is applicable to the Malaysian Third Sector where many respondents saw the sector as a means to fill gaps in the provision of public services; to fill the gap between the State, the market and the rest of the economy:

> *"Third Sector's role will be forever complementing the two other sectors, because there are gaps, there are concerns, priorities and agendas that don't fall under the purview of the two sectors and therefore the Third Sector will always the place where it doesn't fit in any of the other two ... the Third Sector is where the conscience of the country comes out,*

*not from the private sector, certainly not form the government it's actually the Third Sector"* (Interviewee 4)

*"The space between the state and market, who takes care of it? It's the NGO that looks after this space, the NGOs will go to the government to ask for help, go to companies to ask for money, to get permission from the government, the regulatory side ... We do it because that space in between [the public and private sector] nobody looks after, the government looks at the big picture, who looks after those left behind?"* (Interviewee 3)

*"To fill in a gap that is left open by the public service sector, government as well as the private sector ... compelled to fill in that void to provide those services that perhaps the government is overstretched to provide, the welfare and social services they are underfunded ... They [government] are doing really well but that's just not enough so all those [Third Sector] organisations step in and fill in that gap"* (Interviewee 12)

Another interviewee looks at it from a slightly different angle. Instead of complementing, the sector is seen as a link between the State and communities suggesting that TSOs assist the government in the provision of public services in a more formal way, employing either the 'cooperation' or the 'complementary' elements in the 4C model developed by Najam (2000):

*"An NGO usually is to bridge the gap between government and the people, link between communities and the government"* (Interviewee 6)

Four interviewees (8, 9, 11 and 13) commented that the sector's existence is due to government inaction, they feel that volunteers and Third Sector organisations exist because of political and public sector inefficiencies:

*"We see a problem that has been there for a long time, problems arise because of policies, something is wrong up there and we are trying to solve form below"* (Interviewee 8)

*"The money coming from the top [government] doesn't reach the bottom [poor], gets lost in the middle, there is a lot of leakages"* (Interviewee 9)

*"What we try to champion is educational issues, this issue is critical [and] has to be discussed in the open ... but the problem is our policymakers, they know the problem exist but not doing much"* (Interviewee 11)

*"There is always an organisation to address issues, especially those not addressed by the government, when the investment by the government is low, the NGOs take action"* (Interviewee 13)

*Summary*

None of the respondents addressed the idea of 'median voter' which is a core element in the government failure theory. Instead, the shortcomings of the public sector was seen as the result of the lack of action on the government's part. The suggested role of the Third Sector in Malaysia as neutral gap-fillers where the demand side undertake efforts to meet its needs internally points towards the public good or governmental failure theory.

Figure 8-1 below summarises the responses suggesting applicability of the government failure theory to the Malaysian Third Sector.

*Figure 8-1: Responses suggesting applicability of Weisbrod's (1977) government failure and Najam's (2000) supplementary model of Government-Third Sector relationship*
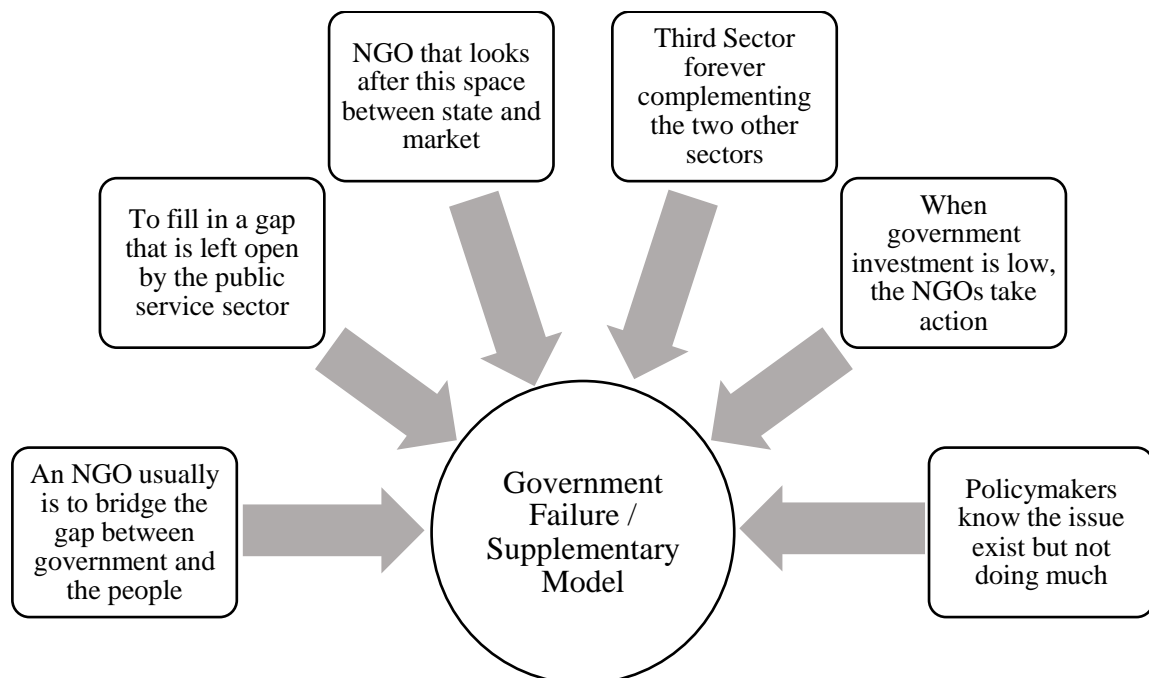


The supplementary model and government failure may not be the only theories that are able to explain the Malaysian Third Sector. Initiatives from the supply side could also be explained from the perspective of the stakeholder or entrepreneurship theories where stakeholders assume the role of social entrepreneurs to overcome the problems of information asymmetry by providing public goods and services. This is discussed next.

### 8.3.2 Stakeholder theory

Feedback from the respondents also suggest that the stakeholder theory of the non-profit sector (Ben-Ner and Hoomissen 1991) is reflected in the Malaysian Third Sector where TSOs are used by 'demanders' to generate their own supply of public or collective goods. This is evident when

Third Sector actors assume control over the production and supply of certain public services instead of waiting for the government to meet this need. The stakeholder theory is linked to both Hansmann's (1980) trust theory and the entrepreneurship theory (James 1987; Rose-Ackerman 1996) where information asymmetry and incentives of social entrepreneurs combine resulting in stakeholders assuming control over the provision of public goods and services. This is another avenue for society, especially those directly affected by a certain issue or problem to make a direct contribution towards solving the issue. One respondent felt that volunteers contribute and make a difference through Third Sector organisations. They described the active role of the Third Sector community in taking collective action to solve longstanding problems which they feel have been neglected by the government. Individuals and groups empower themselves in taking action to solve the problem therefore reducing their dependence on the State. This empowerment, taking control of the supply of public goods and services and becoming non-profit entrepreneurs is an embodiment of the stakeholder theory in which the consumers are also producers:

> *"They exist because first it was founded by a group of people who are passionate about something, about an issue, they feel that instead of waiting for the government to do something so they want to take some action to make things better for a group of people or a situation so they want to empower themselves instead of just waiting for somebody else to do it why not we do it ourselves" (Interviewee 5)*

> *"When we first started, I wanted to pay back give back to society because I was from a poor family, I understand how they feel ... Most of our middle class came from poor backgrounds, they are the ones who support us [our activities] [they] want to give back something to society and for humanitarian reasons" (Interviewee 9)*

Not having the profit motive makes TSOs less inclined to take advantage of information asymmetries. This is the basis for trust-based theories where society will have less worry about being provided sub-standard services. This was suggested by Nelson and Krashinsky (1973, cited in Anheier 2005) as the reason for the strong presence of TSOs in child services such as day care where information failure happens when the service user (children) are not able to judge the quality of the service and the payer (parents) are not present to judge the quality of the service provided. A Malaysian TSO interviewed however takes the 'trustworthy' service provision to the next level by tailoring their services to cater for the needs of the local community, highlighting the entrepreneurial spirit normally seen in profit maximising commercial enterprises where motive for ensuring customer satisfaction is often tied to financial reasons:

> *"We usually do like evaluation with the families so if they want like a certain programme, for example they want religious classes, we'll try to get the volunteer to do that so they are quite happy with programmes that we run" (Interviewee 2)*

Social or non-profit entrepreneurs also come in the form of providing expertise to come up with civic goods. One interviewee felt they can utilise their specialist knowledge and skills to benefit society and in addition to being aware of the ability to contribute they are also making their voices heard:

*"Our skills in IT [information technology] can be used to make these kind of things [information/data] accessible ... We need to be aware of these processes because it affects our day to day lives and we actually have a say in it" (Interviewee 7)*

The stakeholder, trust and entrepreneurship theories focus on the altruistic traits of the stakeholders as 'non-profit entrepreneurs' where voluntary providers of public good or services do so via a non-profit organisation (Bilodeau and Silvinski 1998). However, interview data suggest that not all stakeholders act in the interests of the public as some assume control of production in order to benefit themselves. While most respondents agree that the sector makes up for the shortcomings of the State and market, a few also highlighted the potential for TSOs to be misused to further the agenda of their backers. Four of the interviewees (2, 4, 8 and 12) are of the opinion that some Third Sector organisations are set up to drive their sponsor's agenda. They personally feel that the organisations are being used to further the interests of certain parties or are used to gain political mileage which would disqualify them from being labelled non-profit entrepreneurs as they clearly are profiting albeit not always in the monetary sense. Interviewees 4 and 12 summed it up by stating it all depends on who controls the organisations and the interests of their internal stakeholders:

*"A lot of organisations in Malaysia are set up for the purpose of holding an agenda that is being determined from either a corporate purpose or a political agenda. You have these organisations that hand out, that build homes for poor people and then they tell you to support the government" (Interviewee 4)*

*"It boils down to who owns them and whose interest they have to serve so it comes back to who their stakeholders are and what interest they have to serve or is it a tool to get votes, tool to penetrate certain community? All the work that they do is also aligned to what the shareholders what their management team needs to meet ... so they may only support a certain demographic or they may only support certain area of coverage or may only allocate money to a certain type of NGO so I think everything has some sort of influence" (Interviewee 12)*

*"They have political agenda, they say they are doing this through this NGO but actually the money is not really going to the people, it's just feeding the ego of the politicians, the one which makes a lot of noise, they actually not doing any work" (Interviewee 2)*

When TSOs are used for political purposes, it becomes a seasonal activity that only happens during elections and the benefits provided are not continuous. Being political in nature, there could also be some strategic allocation of goods or services that is done to provide maximum benefits to the political parties instead of serving the public. This could be the reason for political parties' exclusion from the charity/Third Sector in Scotland (Office of the Scottish Charity Regulator). The ICNPO however does have a sub-category for political organisations:

*"All the [political] parties are the same, the NGOs drive parties' agenda and it's seasonal. Only when election is near they think of helping, so we go to places where the politician haven't been to" (Interviewee 9)*

Representing people however, should not be politically driven as one interviewee sees the role of TSOs as working to address issues without any political motive:

*"To be neutral for issues, the role is to represent people, represent issues for people that is not driven by political agenda. Working on the issue itself, representing people and not the government" (Interviewee 7)*

Farouk and Husin (2015) suggest that the dominant party in the previous ruling coalition uses TSOs to dispense various forms of politically motivated social and welfare assistance. Judging from some of the responses, especially from the comments above, the provision of welfare services is sometimes politicised and used as election tools and to enhance the profile of political personalities. Some comments from the respondents also seem to suggest the lack of trust in the political system and the view that the government is not doing enough makes the public turn to the Third Sector to meet some of their needs. The level of trust in government institutions was found to be influenced by demographic factors such as age, education and occupation (Christensen and Lægreid 2005) and decreased trust is more evident among the better educated young population (Dalton 2005). In 2017, 69.7% of the Malaysian population are between the ages of 15 to 64 where the median age is 27.4 years (Section 7.1). With 80% of the population over the age of 25 having at least some secondary education[108], the Malaysian population can be classified as young and fairly educated which could explain the respondents' observations of scepticism towards the government. The emergence of educated middle class has seen a rise in critical engagement with the State as they are more aware of their rights, the laws, and are more open to critical discourse with the authorities (Harding 1992: Weiss and Hassan 2003; Weiss 2005).

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[108] United Nations Development Programme, Human Development Indicators – education, http://hdr.undp.org/en/countries/profiles/MYS [accessed 19/03/2019]

*Summary*

The interviews highlighted the role of Malaysian Third Sector actors as social entrepreneurs where the supply side undertakes efforts to meet societal needs and this points towards the applicability of the stakeholder and 'social' entrepreneurship theories. However, there seem to be a stronger voice suggesting the existence of alternative agenda in the provision of social and welfare service. Figure 8-2 below summarises the responses to both scenarios.

*Figure 8-2: Responses indicating some applicability of stakeholder theory and existence of scepticism*
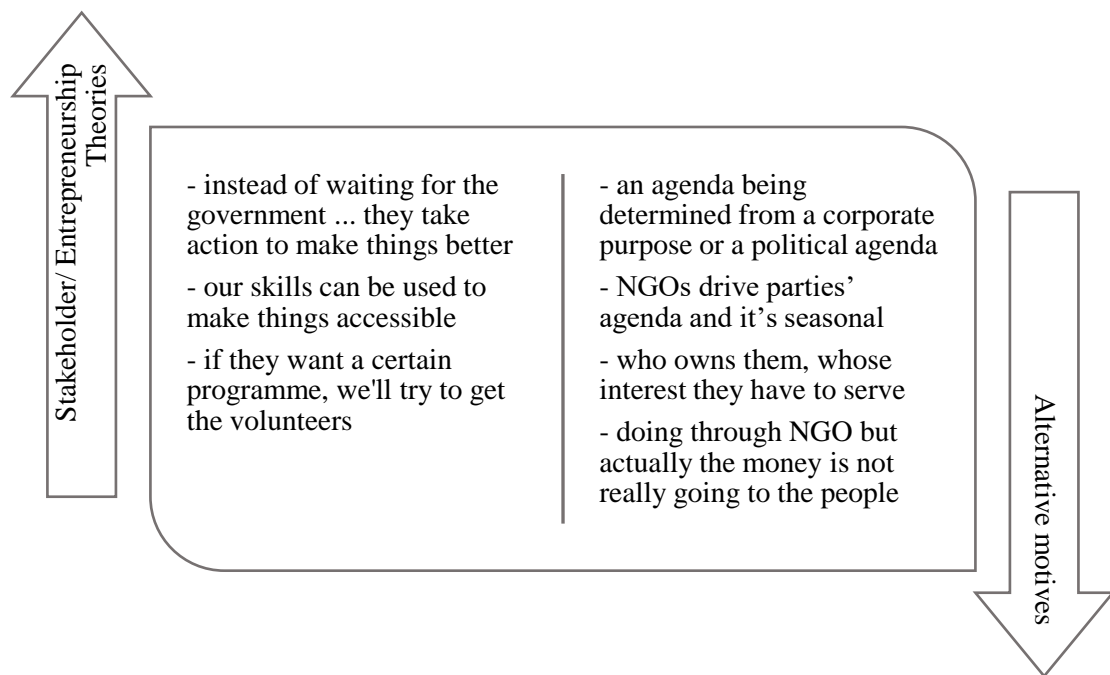


## 8.4 Governance: Legal Form

One of the research questions was on the legal and regulatory aspects of the Malaysian Third Sector. This question seeks to uncover the respondents' views on the many different registration options available to Malaysian TSOs and the rationale behind their preferred choices. Respondents were asked what are the factors influencing choice of where to register their organisations. When asked what determines the choice of registration platform, one respondent has this to say:

> *"What's quickest, what has less red tape and what will have less trouble or oversight"* *(Interviewee 4)*

Around 75% of registered Third Sector organisations in Malaysia are registered as societies with the ROS (Chart 7-1). However, a number of respondents suggested that some organisations prefer to register as private companies with the Companies Commission of Malaysia because the process is seen as easier, faster and relatively hassle free. Malaysian NGOs also choose to register as

private companies to obtain legal status without having to go through the onerous ROS process (Harding 1992, Weiss 2003). A similar trend was observed in Vietnam where stricter regulations were imposed on organisations that the State regards as being a threat in one way or another (Sidel 2009) and in China, NGOs which are seen to be involved in politically sensitive activities find it problematic to fulfil registration requirements (Li et al. 2017). According to one respondent, CSOs often find it more difficult to meet the registration requirements of the ROS hence the tendency to register as companies is higher among CSOs compared to the organisations promoting so-called less or non-sensitive causes:

> *"In Malaysia for example the majority of CSOs are not registered under ROS, registered not as a society but as a company. One of the reasons why its Sendirian Berhad [Private Limited] is because many societies have trouble registering with ROS where as to open (sic) a company is very quick. Majority of NGOs in this country, especially those working on issues that are sensitive, they are all a company"* (Interviewee 4)

> *"Almost all the transparency groups or civil is under company SSM because it's easy, not much controls in terms of what you do. We did look at other CSOs, what problems they had [with ROS] but we picked LLP mostly because of [lower] cost"* (Interviewee 7)

> *"We chose ROS just to be legal but even if we didn't register under ROS we could register under SSM as PLT [Limited Liability Partnership], other option is youth under ROY ... There are a few registered NGOs registered under PLT now have cancelled the PLT and transfer to ROS. There are also NGOs registered as private limited companies"* (Interviewee 11)

> *"They need a bank account to operate, for people to donate money, they don't have the time to do the long paperwork, [so] they will go register themselves as a company which is a little bit easier, which most charities have done. So, you notice that when you donate to a particular home or shelter it's a Sendirian Berhad [Private Limited] then you know that they have gone down the companies' route which was what we did"* (Interviewee 12)

To confirm the claim that '*majority of NGOs in this country, especially those working on issues that are sensitive, are all companies*' would be difficult because they are not identifiable from the rest of the commercial entities registered with the SSM. They are also not be included in the Malaysian Third Sector database compiled by this research because they are not registered as Third Sector organisations with any of the seven Regulators. McCabe et al. (2010) suggests that some organisations choose to be unregistered because they wish to be anonymous due to political affiliations or illegal activities. This reason is also applicable to Malaysia, the earlier mentioned 'sensitive issues' can also be construed as not being in-line with the establishment and to justify actions against unregistered organisations, an Assistant Director of the ROS was quoted as saying

*'unregistered organisations were usually highly likely to engage in activities that could undermine peace in the country'.*[109] Based on the respondents' feedback however, these organisations' absence from the database is not due to being unregistered but their choice to register as commercial entities is due to restrictions, perceived or real, on registration as TSOs with the ROS.

Some Third Sector organisations however, register as companies as a short-term measure due to its ease of registration. This according to one respondent seemed to be especially true among smaller organisations where they do not have the numbers, time or financial resources to undertake the ROS registration process.

> *"It is easier to go to Companies Commission Malaysia than to deal with ROS. When they have the means, they have the personnel, then they convert, they can convert their accounts like what we have done, we converted our registration to a society, so we were a company many-many years ago, after a long process, we are now registered with ROS" (Interviewee 12)*

> *"They should be registered but just that things on government documents it takes a lot of time, takes a lot connection" (Interviewee 8)*

Respondents highlighted that smaller charities in Malaysia do not have the means or the time to register with any of the Regulators. They are often understaffed and most of their time is spent attending to the needs of the communities they serve, leaving no time to get themselves formalised. These charities remained unregistered because instead of spending a lot of time and effort going through the red tape, they would rather focus on what is important which is taking care of the children or feeding the homeless. There are also charities which are not registered because they have no idea how to go about getting formalised, Interviewee 12 says they often get inquiries from smaller charities asking for advice on how to register.

> *"Technically they should [register], a lot of people don't because number one they lack time because they spend ninety nine percent of the time looking after dependents, they don't have time to put together the paperwork, there's like twenty forms and thirty pieces of paper to sign. No charity wants to flout the law I think but they do it by having illegal shelters and unregistered homes because the kind of red tape they have to go through really frustrates them so they rather instead of wasting energy on that [registering] they just tend to focus on what is important [serving the beneficiaries]" (Interviewee 12)*

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[109] See: ROS moves to act against illegal organisations, *The Malay Mail*, 12 February 2016

The respondents' observations of registration as private companies and unregistered organisations also suggest that the number of registered Malaysian Third Sector organisations may not accurately reflect the size of the sector. Despite arguing that 'very small and informal organizations are of lesser importance', Toepler (2003) nevertheless recognises that exclusion from TSO databases presents a large spectrum of missing information on the sector. The existence of unregistered charities and the inability to account for 'below the radar' activities and organisations is also an issue in the UK, (McCabe et al. 2010) as well as the US where it is estimated that 21% of very small volunteer sector organisations are unregistered (Toepler 2003).

Registering a Third Sector organisation as a private company however may not be the best way to attract donors, especially those looking for tax exemption. Interviewee 7 commented that some donors may feel short-changed because they are donating without getting any tax benefits:

One of the Regulators interviewed stressed that private companies being business entities, are not allowed by law to collect donations as their main source of income. Malaysian TSOs registered as companies are in fact breaching the law when they seek donations:

> *"The principle of a business like private limited to get funds is either from the shareholders, they put up capital or they get loan from financial institution, these are the only ways a private limited company can raise funds. So whenever a private limited company get donation for example, these are the things that they must report in their accounts so this is where our supervisory function especially corporate accounts [department] will monitor, when we discover any breach then we will investigate" (Regulator B)*

Getting 'tax exempt' status from the Inland Revenue Board (LHDN) is however not automatic upon registration with any of the Regulators. Any organisation wishing to obtain the status will have to make a separate application to the tax authorities:

> *"They have to apply to Inland Revenue board, the approval depends on them, so far no one has complained of not getting approval but maybe we are not where they go to complain" (Regulator A)*

> *"That's later, it's not default, not automatic, LHDN have their own requirement, usually after they have obtained the approval from LHDN on the tax exemption status, LHDN will give instruction to us to do certain things ... Once they [TSO] have made those changes then we provide a certification saying the changes has been made and they need to submit to LHDN that is the usual process to get tax exemption" (Regulator B)*

However, being legally registered is not necessarily a sign of effectiveness as Interviewee 9 feels that individuals running and supporting the organisation are the key to the success of any TSO or

charitable activity. In their case, registration is merely to keep on the right side of law, not wanting to be accused of being an illegal organisation. Interviewee 4 has a slightly more radical view. He feels that registration should not be a prerequisite, it is a means for the state to control civil society and stifle public discourse:

> *"They don't need to be registered, they don't want to be registered ... the problem right now is the Malaysian tendency to want to bureaucratise and to structure everything, control everything, very big brother, very Soviet (sic), everything must be registered. They don't need to register ... because when you do that it's an obstacle to public discourse, when you make that as a requirement you need to be registered as an association for you to have a voice in say policy or public narrative dialogue or discussion then it's an obstacle, these informal groupings [must] continue to be permitted to exist to allow freedom of expression" (Interviewee 4)*

While he looks at registration as a hindrance to freedom of speech and thought, motivation for State regulation are mostly to protect stakeholders, the donors, beneficiaries, as well as the TSOs themselves from fraudulent activities such as illegal fundraisers or substandard service providers (Liazos 2000; Irvin 2005). Somewhat surprisingly, one of the Regulators interviewed had a cordial attitude towards unregistered groups undertaking charitable activities but cautioned that being unregistered means it would be difficult for Regulators to ensure stakeholders are protected against criminal elements:

> *"There are pro and cons, the pro is we should not stop people from doing welfare activities, but at the same time, the cons is when there is money or any goods contributed from the public, when you are not registered, [the regulator] cannot take any action, difficult for us to take action because we do not know who are the individuals leading the movement, who are the members, it becomes difficult to regulate. If they are registered we know who is responsible, if there is any complaints we know who to look for. It is better to be registered, makes it easier for us to take action if there are any issues" (Regulator A)*

*Summary*

The obstacles to registration, bureaucratic hurdles as well as not having the means to legitimise the organisations are the main issues when discussing the governance of Malaysian TSOs. Apart from political leanings, other considerations influencing the choice of legal platform include; ease of registration including its turnaround time, conditions attached to registration, permissible activities and the financial cost of fulfilling statutory requirements to maintain the organisation. Unregistered organisations are not allowed under Malaysian law and any person organising or participating in the activities of an unregistered society will be faced with legal action (Arshad et

al. 2011). Given the continuous operations against unregistered organisations by the Malaysian authorities, most keep a low profile to avoid detection[110].

Interview data reaffirms the earlier assertions of Harding (1992), Weiss (2003) and Arshad et al. (2011) that registration as private companies are common options taken by NGOs due to its relative ease of incorporation and to bypass the stringent requirements set by the ROS when evaluating applications. Some choose to register as private limited companies or partnerships to take advantage of its relative ease of registration compared to the ROS. However, once the organisation was more stable financially and operationally, they would convert their registration to the ROS. However, identifying such NGOs could be a challenge as there is no way to differentiate between commercial enterprises and 'NGO companies' and while it is technically possible to register an NGO as a PLT, the Limited Liability Partnership Act 2012 does not allow them to be set up for charitable purposes. This is one of the issues raised in the discussion in the regulation of Malaysian Third Sector organisations in Chapter 4, regulatory differences could lead to loopholes, and in this case many Third Sector organisations will be outside the Regulators' scope if they register as commercial enterprises. This exposes the sector to abuse as it enables TSOs to offer social and welfare services without having to go through any quality checks by the Regulators. At the same time these TSOs registered as companies are in breach of the Financial Services Act 2013[111] by using commercial entities to conduct private fundraising[112].

## 8.5 Fundraising regulations

The respondents note that registration is required if the organisations intend to collect funds, be it from individuals, corporations or the government. It gives the organisations legal standing and provide assurances to the donors that they are giving their money to a legitimate organisation. Without registration, the organisation not only lacks legitimacy, but it also limits the activities they can undertake. For some respondents, registration and fundraising is closely related.

> *"... they wanted to be under ROS is so that can collect funds" (Interviewee 5)*

> *"You could [be unregistered] for as long as it does not involve money, [but] you don't have legal standing, there is a limit to how much organising you can do" (Interviewee 7)*

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[110] See: 'ROS moves to act against illegal organisations'; *BERNAMA*, 12th February 2016 and 'For charities, social media both a boon and a bane'; *The Malay Mail*, 1st January 2016.
[111] Under Section 137(1) of the FSA, it is an offence for any person to accept deposits without a licence. 'Accepting deposits' means accepting monies for non-trade or sales transactions which includes 'donations'.
[112] As opposed to professional fundraisers who are commercial entities offering fundraising services for a fee

> *"By registering, it gives them a legal standing, they are governed by a constitution and also gives donors some assurance that it is a credible organisation because ROS will do their checks" (Interviewee 12)*

Registration on its own does not automatically allow organisations to solicit funds from the public as it is unlawful to physically solicit for donations in public without a police permit. Clause 5, Item 4 of the constitution template issued by the ROS states that endorsement by the ROS and approval from the relevant authorities must first be obtained before any public donation activity can be undertaken. The House to House and Street Collections Act 1947, a colonial era law to regulate house to house and street collections is still enforced in Peninsular Malaysia today. Section 4(1) of the Act states application to the relevant authorities is required before undertaking any public fundraising activity. The relevant authority is defined in Section 2(1)(a) as the Officer in Charge of the Police District. In Sarawak, the Act that governs public collection of donations is Public Collections Ordinance 1996 (Chapter 21). Fundraising was unanimously agreed to be the main issue faced by the sector but there seem to be some uncertainty among the some respondents with regards to the legal restrictions of certain modes of fundraising:

> *"You cannot stand on the streets and ask for money that is actually illegal in Malaysia" (Interviewee 2)*

> *"... to collect donations from the public we have to deal with the police, the religious department if related to religion; if related to zakat, with the zakat body ... you want to have a donation box, I can't just put the box anywhere, I have to inform the police" (Interviewee 11)*

> *"I remember people needing to get police permit to collect money but I may be wrong but let say you go around collecting there's another legal restriction. Without registration without enforcement it could be anybody collecting money for charity that would be the best way to con the public" (Interviewee 12)*

The requirement was confirmed by Regulator A:

> *"... in Malaysia there is another law, there is another regulatory body whose approval must be sought before fundraising, for example the religious department or police. The two agencies will give the consent to collect donations. We do not restrict but if the organisation has committed an offence please report to us we will take action, issue warning and so on because we register them"*

However, one respondent found that even the authorities themselves are not very well versed on the rules governing public collection of donations:

*"When we go to the police [to seek permission for donations], they don't know what is going on! Let say we want to put the box at the mosques, the committee will say 'ask the religious department' but the religious department will ask why are we asking them? Since the programme needs to go on, we just do it [collect from public]."* (Interviewee 11)

When laws are vague, it not only opens the door to abuse, and makes it difficult for Regulators to prosecute as Interviewee 11 adds:

*"But the treatment is different when we do it online, which is the same thing! The concept is like 'virtual' and 'actual'. There is a loophole, ROS is not able to classify online fundraising, they just say it's wrong under Bank Negara [Central Bank of Malaysia] rules, you can't do this under BAFIA[113] (sic), but we are not collecting deposits, its donations, The act is like depositing but it's for donating, there is a lot of interpretations, so we take advantage of the loophole"* (Interviewee 11)

Collecting money without a licence is an offence in Malaysia and it may be classified as illegal deposit taking. Under Section 137(1) of the Financial Services Act 2013, it is an offence for any person or organisation whether corporate or otherwise to accept deposits without a licence form the central bank. Illegal deposit taking could also be construed as attempts to launder money and will be investigated under the Anti Money Laundering Act 2001. According to the Financial Action Task Force, one of the vulnerabilities of non-profit organisations is they are sometimes set up as a charitable organisation but raising funds to support unlawful activities including terrorism (Hamin 2015). The House to House and Street Collections Act however only regulates fundraising in public places and does not have any provisions pertaining to online fundraising. Guidelines on Regulation of Markets under Section 34 of the Capital Markets and Services Act 2007 regulates crowdfunding in Malaysia but the law only regulates equity crowdfunding platforms and is silent on community or charitable crowdfunding either via crowdfunding platforms or directly through the charity's website. Interview data suggest that specific laws regulating online fundraising is almost non-existent and this could lead to unsuspecting donors being taken advantage of. A 1987 circular issued by the Prime Minister's Department on soliciting donations from the public by registered organisations was found on the internet which states that charitable organisations are restricted to only one public donation activity per year and the duration of the activity shall not exceed one month. Another condition stated in the same circular was on fundraising expenses - it is not to exceed 1/12 of the total collection. None of the interviewees mentioned this rule or the circular which suggests that its existence is not widely known.

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[113] Banking and Financial Institutions Act 1989, now superseded by Financial Services Act 2013

## 8.6 Regulation: Legal environment and regulatory issues

Another main focus of the interviews were the legal and regulatory issues surrounding the Malaysian Third Sector. The participants were asked about enforcement of laws and monitoring of activities by the Regulators.

The majority of respondents cited annual general meetings and submissions of audit report as the two reporting requirements of the Regulators. Interviewee 5 mentioned that the ROS will send reminders if the organisation is late in submission of annual returns which suggests monitoring is present despite a number of respondents claiming otherwise. Regulator B states that they are happy with the annual returns compliance rate which stood at almost 87% in 2016.

Shortage of staff is often given as the possible reason for the lack of enforcement by the Regulators. Interviewee 6 stated that with so many different types of activities, it is difficult for the ROS to be strict all the time while Interviewee 12 wondered how the ROS copes when they have to manage many different kinds of organisations from political parties to trade associations. She also feels that the welfare department is understaffed and notes that some laws are vague and different local laws, especially building laws make it confusing for not only charities but also residents and local businesses. Regulator A on the other hand addressed the issue of not having enough manpower from a different perspective, taking the 'complementary view', as partners to the government as suggested by Young (2000) where TSOs are seen as 'agents of the state' going to areas where the government has no reach:

> *"The government have their limits, we cannot reach everyone, so when NGO exist, it helps a lot. For example the Ministry of Women, they don't have enough officers to meet people in the rural areas, so when there are NGOs they become our representative, the NGO will go everywhere to reach out, we need the NGOs because despite people saying we have millions of public servants, 1.2 million, but we are still not able to reach out [to all] because there are limitations, personnel, coverage" (Regulator A)*

Lack of regulatory enforcement is highlighted by many respondents; they find that Regulators were not adequately monitoring the organisations or their activities. Respondents suggest that a culture of 'self-reporting' exists in the Malaysian Third Sector where instead of monitoring, the regulator waits for reports before taking action:

> *"ROS only acts when there is a report, [only] when there is a case they will take action. Laws are not strict but we do not want to get into trouble" (Interviewee 9)*

> *"There are laws but it's not enforced, but if involves politics it's strictly enforced, when it comes to enforcement, in Malaysia someone has to first report, report to ROS then they will check. Or if you make political statements people will report" (Interviewee 11)*

*"I guess also there is not much monitoring from SSM. When we want to renew our licence for the centre we will call all the authorities to do the check-up but no one really tells us or comes. [A government department] is supposed to monitor us but nowdays like we beg them to come, no one wants to come. They don't visit us as much but they fund one of our supervisors, this person will go for meeting every three months with [the government department]"* (Interviewee 2)

Despite agreeing that registering with ROS would be ideal, the CSOs argue that its downside is the Regulator's power to interfere coupled with inconsistent interpretation and application of the laws. Respondents commented that the many different interpretations of the laws not only lead to inconsistencies but also generates arbitrary decisions. They are of the opinion that laws regulating Third Sector organisation and activities in Malaysia are inconsistent where different standards are applied to different cases:

*"It's very inconsistent, there are some where they violate the regulations ... they never get punished, it feels very subjective and arbitrary ... The problem is here the regulator is actually the main person who decides but if you have a regulator that applies one set of standards for one group but another set of standard for another ... the Regulators have their own personal sympathies, they have their own interpretation, they have their own understanding of what is considered approve-able or not, sensitive or not"* (Interviewee 4)

The respondents also claim that the ROS rules and regulations are too narrow and restrictive which create a constrained environment. It is the opinion of the respondents that the many laws regulating Third Sector activities limit their freedom to express themselves. This is also cited as one of the reasons some organisations register as private companies with the SSM:

*"The laws are as they are, too restrictive in my opinion, they define too narrowly the scope of our activities and identity of associations, which is the reason why it's so hard for society to be registered, people resorting to establishing a company, indicative (sic) that there is a problem"* (Interviewee 4)

*"All these different laws as a whole create a constraining environment for NGOs, even government policies can have a constraining environment. So what we've learnt is that the entire ecosystem is constraining. The University and University Colleges Act, why isn't it easy for you to get a whole bunch of interns coming or why don't you go to universities to talk about these things [civil society issues]? We can't! Then you have Printing Act, even when I talk to the Star [newspaper], they can't run [the news]"* (Interviewee 7)

Another respondent was more forthright in his assessment of the ROS claiming that they were not strict when it comes to issues involving copyright. He feels that the ROS does not do enough to enforce copyright laws:

*"They should [be strict] by right, I would not say they are not but I do not say they are because if they have done their work, no other club would have been able to register [a duplicate club] ... you [ROS] would not allow any club that bears the same name, logo, colours, ROS guideline for them [logo] is not extensive, very basic, very generic ... they forgot about copyright"* (Interviewee 1)

Regulator A argues that the government does not have sufficient manpower to reach all segments of society hence the need for Third Sector organisations to provide the link, to connect the State and the public on policy issues. The Regulator's view that the Third Sector serves as a link is not consistent with the view of most of the interviewees, where they are of the opinion that the Third Sector serve as independent avenues to overcome the state's shortcomings in service provision and not act as agents of the State. Interviewee 11 however claims that the structure of division of duties within the public sector creates coordination problems and is cited as one reason why enforcement is lacking:

*"You have to understand the government structure, there are agencies whose job is to grant licences but enforcement is done by someone else, authorisation is different body"* (Interviewee 11)

To overcome the problem, a central body like a charities council to guide TSOs was suggested

*"Singapore there is also a Charities Commission, if we can put something like that in place, I could be really ignorant there could be something like this flying around in Malaysia but honestly I don't think there is, if we could do that and ensure there is enforcement in providing legal guidance to the Third Sector I think at least they [TSOs] can just get on with doing their job"* (Interviewee 12)

*"There is no laws on NGOs, a lot of things [laws] are not there, human resource law. Things we discuss among us one is on regulatory perspective there is no one regulatory body we can refer to, that we can seek guidance from"* (Interviewee 3)

However, one interviewee opines that such body already exists:

*"Technically the ROS is supposed to be this [TSO regulator], it [ROS] needs to be impartial and we need to have less regulation but more streamlining of the regulation"* (Interviewee 4)

Therefore, the establishment of a central regulator may not be sufficient to solve this issue if its root causes, interpretation and enforcement of the laws, are not addressed. That said, there was also no indication of self-regulation among the Third Sector actors interviewed. While acknowledging the existence of regulatory issues, there was no indication of any sector-driven initiatives to overcome them. The three Regulators interviewed were non-committal when asked

about a central regulatory body, although two suggested that they are open to the idea of one single body to oversee the sector.

One of the Regulators informs that the ROS, SSM, BHEUU and Labuan FSA are already working together with the central bank to monitor the finances of TSOs while another regulator opines that the different Regulators have their purposes and the main concern is how TSOs obtain their funds:

> *"That issue was brought up, people quote authorities in other countries, Australia has a Charities Commission but so far in Malaysian context all of the Regulators are able to play their role sufficiently, to me my opinion and most of the concerns that we have is the source of income whether it's coming from illicit business or not then we have AMLA laws to govern that. To me there is no issue we [Regulators] can coexist with each other"* (Regulator B)

*Summary*

The picture of the Third Sector painted by the respondents showed a political environment where the State is seen to have a tight grip on Third Sector activities, controlling which activities can or cannot be undertaken. Pockets of the sector, in particular the civil society organisations, are critical of how laws are interpreted and enforced. The control over the Third Sector especially civil society can be said to be unusual as Malaysia is not seen as an authoritarian regime, unlike China or Vietnam where controls over Third Sector activities are evident (Li et al. 2017; Sidel 2009). Despite some respondents highlighting state interference in Third Sector affairs, they did not indicate any decrease in the 'social entrepreneurial' spirit, indicating that intensity of Third Sector activities is not affected by political pressures.

However, the view on enforcement is different depending on who we speak to. Apart from the civil society groups who feel that the Regulators are being too hard on them, the other groups seemed to be of the view that enforcement is lacking. Inconsistent interpretation and selective enforcement are their two main grouses. Overall, the responses indicate that Third Sector organisations are loosely monitored and Regulators are lenient when enforcing laws. The general feeling from the interviews was that most of the respondents do not think very highly of the Regulators. The many criticisms and adverse opinions on the regulatory regime point towards regulation being a weakness in the Malaysian Third Sector. However, this shortcoming was not attributed to the existence of different regulatory bodies as it concerns mainly interpretation of laws.

## 8.7 Summary and conclusions

This chapter explored the awareness of the sector, its *raison d'etre*, its governance structure and regulatory issues as seen from the perspective of its actors and regulators.

Interview data suggest that the term 'Third Sector' is not common in Malaysia, despite it being widely used in global research and scholarly activities. The common term used by respondents to describe the sector and its organisations was Non-Governmental Organisations often by its acronym NGO. The decision to use 'Third Sector' in this research as discussed in section 2.1.2 was due to it being seen as more encompassing and less exclusive compared to the other terms.

Evidence of Weisbrod's (1977) government failure theory was visible in the Malaysian Third Sector, interview data suggest that Malaysian Third Sector organisations exist to fill the gaps in the provision of public services. Elements of the stakeholder or entrepreneurship theories (Ben-Ner and Hoomissen 1991; James 1987; Rose-Ackerman 1996) are also evident in the Malaysian Third Sector as it is common for TSOs to be set up by groups of individuals with the objective of achieving a certain mission, either to make up for a shortfall in public services or in response to a disaster or social issues. The act of stakeholders taking the initiative to overcome the shortcomings of the State suggest an overlap between the government failure and stakeholder theories with the applicability of the latter was driven by the existence of the former.

Interview data also suggest altruism and private charitable initiatives are present in the Malaysian Third Sector. This is seen from the efforts by individuals and groups to set up associations including unregistered groups to address social issues. This demonstrates the strength of the sector as it provides space for society to contribute where social entrepreneurs provide goods and services without the profit motive via the Third Sector. However, despite highlighting the altruistic and entrepreneurial spirit of the Malaysian Third Sector community, there are also instances of TSOs being used by 'stakeholders with benefits' to further personal, political or commercial interests.

Strict controls forced some segments of the sector especially those involved in rights and advocacy to seek alternative registration options in order to obtain legitimacy. This state of affairs however does not contradict with respondents' view that the sector exists to complement the government in the provision of public goods and services. Instead it demonstrates the State's control over who is allowed to provide those goods, and to a certain extent, what is allowed to be provided. While the State does not interfere in activities they deem to be non-controversial, their definition of what is 'controversial' is vague and inconsistent.

The choice of legal form depends largely on the expected response from the regulator to the application and unregistered organisations are common due to the onerous registration requirements and processes imposed by the ROS as well as the vague interpretation of the laws governing registrations. Organisations who feel they could fall under the 'sensitive' or 'controversial' categories and those short of resources tend to register as companies. Their existence together with active unregistered Third Sector groups may make it difficult to accurately gauge the number of Third Sector organisations and this in turn could result in the size of the sector being underestimated. While these TSOs can move faster without being hindered by bureaucracy, there is however very little remedy if anything untoward happens during the course of them providing social or welfare services due to them not being directly regulated by any laws protecting the stakeholders. The issue is the definition of 'sensitive' or 'controversial' – without it being clearly and officially defined, inconsistencies in regulation will continue and the losers will be the beneficiaries especially if regulatory uncertainties prevent them from getting assistance or from being heard.

# Chapter 9: Conclusions

This thesis presents the shape, scope and size of the Malaysian Third Sector to address its lack of basic descriptive information. The research employed a multi-method study, analysing interviews and organisational data to identify characteristics of the Malaysian Third Sector and identified Third Sector theories that applies to the Malaysian landscape. This endeavour was also motivated by the potential of interview and organisational data to contribute towards Third Sector policy development and resource allocation. This chapter summarises key findings of this research, linking together literature with the qualitative and quantitative studies to present an improved account of the Malaysian Third Sector.

## 9.1 Overview of key substantive findings

Data on Malaysian Third Sector organisations are collected and maintained by different government agencies and Regulators. These data were coded differently and stored in various formats, and during the research, inconsistencies in data classification, duplications and outdated information were found. Despite the vast amount of data collected by these agencies, it was discovered that most remained inaccessible to the public. To overcome these shortcomings, the databases of the ROS, BHEUU, ROY, SCO, JHEKS, data on CLBGs from SSM and charitable trusts from LFSA were merged into one central database. This Malaysian Third Sector Dataset provides information on the organisations' names, activities, State where they were registered, year of registration, ethnic or religious affiliation, and beneficiaries of their services. These chunks of data were organised with the aid of machine-assisted keyword classification system. A coding algorithm written in Stata (version 15) was employed where keywords and phrases were used as the basis to assign TSOs into the appropriate ICNPO category. This may be the first time where data on Malaysian Third Sector organisations are housed in a single dataset.

Legal and regulatory issues were repeatedly raised by interview respondents, in particular problems of bureaucracy, lack of clarity in the regulation of fundraising, barriers to registering TSOs and inconsistencies in the interpretation and application of laws. These issues have led some TSOs to choose the easier option of registering as commercial entities. A few respondents suggested a central regulator would overcome these problems. However, the idea of a central body regulating the sector is not new, it has been previously proposed by scholars (George 2001; Othman and Ali 2014; Ali and Hassan 2017) and local policy institutes[114].

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[114] See: IDEAS moots Charities Commission to regulate NGO funding, *The Malay Mail*, 4 November 2016

The Malaysian Third Sector is rapidly growing, 75% of all registered organisations as of 31st December 2016 were registered during the preceding 20 years (Table 7-2). The expanding middle class, a more affluent and educated population are possible reasons for the increased awareness of the need to formalise associational life which could explain the surge in new registrations seen from the late 1990s onward. This is also consistent with the government failure theory, where collective goods provided by the Third Sector is reliant upon certain socio-economic conditions, education and affluence being the main ones.

The distribution of Malaysian Third Sector organisations is concentrated in the highly populated, urban and industrialised States on the west coast of the Malay Peninsula. However, results of the Spearman's correlation indicated there is no sufficient evidence to suggest economic development and population wealth are associated with the total number of registered TSOs.

Malaysian TSOs are present in all segments of the economy and the sector is represented in the 11 ICNPO major groups. However, despite having seven regulators, 75% of Malaysian TSOs are registered with the ROS. Most Malaysian TSOs are in the advocacy, religious, sports and recreational categories while, health services, environment and international activities collectively make up less than 1% of all organisations (Chart 7-5). Advocacy organisations are the fifth largest component of the Malaysian Third Sector despite closer scrutiny by the State due to its negative reputation (Alatas 2003; Khoo 2013). Several interview respondents highlighted that not only are employment prospects unattractive, being part of an advocacy or civil society organisation carry some risks due to the negative reputation of the organisations. In this case, perception of the civil society sector in Malaysia suggested by interview data was not reflected in the organisational data. A large number of advocacy groups could be seen as a response to society's demand for representation and those employed by, and involved with the organisations are seen to be motivated by the desire to contribute to the wellbeing of society (Preston 1989).

The prominence of member-serving organisations was observed in the organisational dataset. The prevalence of such organisations is not unique to Malaysia, it is common in many countries including the United States (Salamon and Aneheir 1997), India (Sen 1997), and Europe in the form of cooperatives (Defourny and Develtere 2009). Membership organisations in the Malaysian Third Sector are established based on ethnicity, religion, and certain fixed criteria such as trade and profession, place of employment or residence, or academic institution attended, to name a few. These organisations make up 43% of the Malaysian Third Sector population (Table 7-3), making criteria-guided exclusivity a prominent feature of the Malaysian Third Sector.

Literature suggests that religion is a major driver of Third Sector activities (James 1987; Defourny and Develtere, 2009; Lyon and Hasan 2002; Berger 2006). Religion is also prominent in the Malaysian Third Sector, and is a factor in its development and growth, either through awareness of charitable acts brought about by religious belief or as a means of spreading the faith (Winder 1998; Denker 2007, Nga 2015). New registration of organisations with religious keywords since 1949 ranged between 5% and 48% annually (Appendix VI) and currently 17.5% of Malaysian TSOs are engaged in religious rituals. A large number of religious organisations suggest that Hansmann's concepts of 'donative' and 'mutual' TSOs are more prominent in the Malaysian Third Sector compared to 'commercial' type TSOs.

Religion also characterises the South East Asian Third Sector, 47% of charities in Singapore are religious-based (Commissioner of Charities Annual Report 2018) and is also prominent in the Thai (Pongsapich 1997) and Philippines (Carino 2001) Third Sectors. However, unlike in Thailand and the Philippines, the majority of the religious organisations in the Malaysian Third Sector are not from the dominant religion. This indicates the relevance of Weisbrod's government failure theory to the Malaysian Third Sector where non-median voters turn to the Third Sector for their religious needs.

In addition to religion, the underlying forces of the Third Sector in Malaysia are also closely associated with ethnicity (Douglas and Pedersen 1973; Hilton 2007). Organisational data showed that 8% of registered TSOs in Malaysia have ethnic keywords in their names and more than half of them focus on promoting the rights of specific ethnic or clan groups. Before independence from British rule, ethnic organisations make up 20% to 50% of new registrations each year. The first ten years of self-rule saw the proportion dropping to between 14% and 28%. From 2000, the proportion of ethnic-based organisations from the total number of new registrations averaged 4% a year (Appendix VI). The government's focus on the welfare and development of the native Malay and Bumiputera population are possible reasons for 70% of TSOs with ethnic keywords in their names being non-Malay/Bumiputera organisations, which further reinforces the applicability of the government failure theory on the Malaysian Third Sector.

Other than TSOs focussing on ethnic rights or religious rituals, many social, recreational and welfare organisations were also found to be established based on religion or ethnicity (Section 7.3). This is consistent with Douglas and Pedersen's conclusion that religion and ethnicity are drivers of Malaysian associational life. Although the scope of their study only covered organisations registered with ROS in the Malayan Peninsula, the comparison could still be valid as 75% of TSOs in the Malaysian Third Sector Dataset are registered with ROS and 88% of all Malaysian TSOs are registered in the Peninsula.

Theories on the Third Sector were developed against the backdrop of western liberal democracies. Given the different worldviews, they may be expected to be less applicable in non-western contexts. This research, however, discovered that existing theories are able to explain the Malaysian Third Sector. The number of TSOs championing the welfare of the minority, non-median voter group reflects the applicability of the government failure theory to the Malaysian Third Sector. This is further strengthened by the negative relationship between Malay and Muslim population and number of ethnic rights and religious organisations in a given State. Consistent with the assertions of Salamon and Anheier (1998), the distribution of Malaysian TSOs demonstrate how population heterogeneity reflects the composition of its Third Sector. In addition to the government failure theory, citizen action highlighted in the interviews suggest the applicability of the stakeholder theory where consumers of Third Sector services take charge of production instead of relying on the State to meet their social and welfare needs.

The prominence of donative TSOs over those which are more commercially oriented makes the market failure theory less relevant. Applicability of the social origins theory was inconclusive due to the absence of detailed financial and human resources data. Despite its efforts to represent the universal third sector landscape, the social origins theory is said to be mainly based on the Christian-Western perspective (Kabalo 2009) and Malaysia's colonial history and unique nation-building process made the theory only partially applicable.

## 9.2 Limitations and recommendations for further research

This research suffered from a lack of depth in data. Cooperation from data custodians was minimal resulting in the data missing crucial information such as financial data, employee and volunteer information and organisational mission statements. This additional information would have made the map of the Malaysian Third Sector more accurate and provide a better representation of the sector. Although news reports suggest data is often withheld and not shared, there remains a possibility that they are not available.

The dataset is also limited by the absence of data on deregistered organisations. A comparison with Douglas and Pedersen's data of registered organisations in 1973 indicate that almost 7,000 organisations could have been removed from the ROS register between 1973 and 2016.

The availability of the organisation's mission statement would overcome the problem of unclassified organisations and improve the accuracy of the classification exercise. The unique and sometimes non-representative names could be supplemented with keywords from their mission statements to enable a more accurate classification to the relevant ICNPO category.

Despite communal and religious-based organisations amounting to more than 20% of all registered organisations in the Malaysian Third Sector Dataset, the topic of ethnicity and religion being the drivers or focus of the sector was not brought up by the respondents apart from one who admitted that their goal was to help the Malays while another respondent commented on the preferential treatment accorded to certain Malay and Muslim based CSOs. The other respondents did not discuss the issues of race and religion, which could be attributed to them feeling uncomfortable or embarrassed to address topics deemed sensitive (Irvine 2011) or the pressure to comply with social expectations made them hold back from expressing certain views or experience (Oltmann 2016). The behaviour of certain respondents could also be influenced by the fact that they have only recently been acquainted with the researcher and may not yet have the full confidence to express themselves freely (Kavanaugh and Ayres 1988). This uncertainty could affect data quality, without an honest or true account of how issues on ethnicity and religion influence the sector makes it difficult to fully understand their impact on the development and growth of the sector.

This research has uncovered the general shape, scope and size of the Malaysian Third Sector but much more remains unknown. It is recommended that data on TSO finances, employee numbers, and volunteers be added to the Malaysian Third Sector Dataset. Financial and human resources information would also enable this map of the Malaysian Third Sector to be improved and the size of the sector can be more accurately determined and a measurement of its impact on the economy can be undertaken.

## 9.3 Summary and conclusions

This research uncovered four main inter-linked themes in the Malaysian Third Sector – fractionalisation, exclusivity and relevance of the government failure and stakeholder theories.

The colonial period in Malaysia's history and the road to nationhood contributed to the development of the country's Third Sector. Colonial policies of allowing migrant communities to administer their social welfare affairs independently led to the emergence of early Third Sector organisations. The colonial government's divide and rule policy caused Malaysian society to be fractionalised along ethnic and religious lines. Economic policies of the colonial government favouring the European and other non-indigenous population compelled the post-independence Malaysian government to institute affirmative action policies aimed at correcting the socio-economic imbalance and to establish a Malay-led Malaysian identity. These policies were designed to 'restructure Malaysian society' and eradicate poverty regardless of racial background but at the same time was seen to favour the mainly Muslim indigenous population (Means 1978;

Torii 1997; Jomo 2004; Balasubramaniam 2006). This view is further supported by the presence of numerous State-backed programmes, institutions and incentives catering to the needs of the native population, and the small amount of funding allocated to religions other than Islam. Government policies favouring the majority indigenous population suggest the applicability of the government failure theory in the Malaysian Third Sector where the State's focus on the needs of the median voter explains the minority population's continued reliance on the Third Sector for their social welfare needs. Attention given to the majority group drove Malaysia's non-indigenous, non-Muslim population to turn to the Third Sector for their social and welfare needs (Tan 1988; Heng 1996; Cogswell 2002; Raman and Tan 2015). This led to the prevalence of exclusive, member-serving organisations, set up to promote and protect the interests of the minority, non-median voter groups.

Exclusivity in the Malaysian Third Sector could also be attributed to society being fractionalised along ethnic and religious lines. This is especially seen in TSOs with two-level exclusivities such as ethnicity and profession or religion and welfare services (Section 7.3). While new registrations have greatly increased in absolute terms since the turn of the century, the proportion of new ethnic and religious-based TSOs remain relatively constant at around 20%, (Appendix VI) suggesting that fractionalisation is still prevalent in the Malaysian Third Sector. The minority population's utilisation of the sector to supply social welfare services suggest that the stakeholder theory also explains the Malaysian Third Sector, and the applicability of the theory was corroborated by interview data.

Fractionalisation and exclusivity could have a negative impact on the sector. Having multiple social welfare organisations catering to different groups within the same community or geographical area would provide duplicate services, indicating resources are not being used efficiently, especially if the fragmentation leads to each organisation serving very small groups. Existence of exclusive TSOs could also cause certain segments of the society to not get an adequate supply of social welfare services or deprived of support from the sector if TSOs in the local area only serve specified groups. One of the roles of the Third Sector is to complement the State's provision of social welfare services but excessive reliance on the sector by certain segments of society could indicate inequalities in government policymaking resulting from the government's focus on meeting the demands of the median voter. Moving forward, disparities in policymaking should be rectified to ensure they address the needs of all stakeholders.

Events during the British colonial era moulded the Malaysian Third Sector. The modern Malaysian Third Sector, however, is also shaped by pro-native and pro-median voter policies, instituted in response to the historical events. These policies caused the sector to remain

fractionalised and encouraged the establishment of exclusive, member serving organisations. Fractionalised along religion and ethnicity, the sector's existence and motivation are explained by the government failure and stakeholder theories.

## 9.4 Contribution of research

Besides providing directions for further research, this study has made four important contributions to the literature and knowledge on the Malaysian Third Sector, and research methods in general.

Firstly, this research has come up with a detailed account of the Malaysian Third Sector by identifying its boundaries and arranging its components in an internationally recognised format, enabling it to be compared with Third Sectors cross-nationally. The map of the Malaysian Third Sector is presented in a machine-readable format and is uploaded onto an online project management and code versioning system, 'Github', making it accessible to and downloadable by anyone. It can be used by actors and policymakers to better understand the sector and assist in the development of relevant policies that address and protect the needs and welfare of all stakeholders. The map provides a bird's eye view of the sector which could be used in conjunction with other data especially those exclusive to policymakers, regulators and Third Sector actors to further improve the sector's delivery system. The map could also highlight deficiencies in the sector, in terms of the distribution of providers and types of services across the country.

The research findings could assist policymakers to develop measures to address the issue of fractionalisation in the sector by coming up with policies that ensure the sector promote inclusiveness and giving everyone in the community access to their services. The sector should be encouraged to establish non-exclusive TSOs which would enable more people to benefit from the services provided by the sector. For example, the government could incentivise the setting up of inclusive TSOs by not allowing exclusive TSOs access to government grants. A less fractionalised Third Sector would reduce duplication, especially where two or more non-religious TSOs are providing the same service to different segments of the same community. Eliminating duplicate programmes or activities would also enable TSOs to take advantage of economies of scale to reduce costs and increase efficiency.

In addition to fractionalisation, the findings also highlight the need for regulators and other government agencies to address the issue of regulatory inconsistencies raised by the interview respondents. Their feedback suggests there may be a need for the different Regulators and government agencies to streamline the rules, there should not be instances where similar cases

are dealt differently by different Regulators (Section 4.5) not only it is unfair but will also damage their credibility and reliability. The multiple regulator environment was suggested as a cause of inconsistencies in the application and interpretation of laws and the proposed central regulatory body similar to the Charities Commission in the UK or Singapore could be a remedy and ensure consistency in regulation.

This research also exposed the issues of unregistered TSOs and vague fundraising rules – these issues need to be resolved to ensure the welfare and rights of stakeholders are protected and also to minimise the risk of fraud or unethical practices within the sector. Regulators could look at ways to make it easier for organisations to obtain legal status such as simplifying the documentation or providing assistance to promoters who are less versed with the regulatory processes. Registration would enable their activities including fundraising exercises to be monitored and safeguard against any unethical or illegal practices. Interview data suggest fundraising laws should highlight the 'dos and don'ts' in soliciting donations, clearly identifying who can fundraise, permissible methods of raising funds and locations where TSOs can or cannot solicit for donations.

Organisational data showed an uneven distribution of TSOs, particularly in the education and health subsectors (Chart 7-6). Policymakers could use this information together with data held by government agencies such as the Welfare Department, Education Ministry, Health authorities, or with data held by TSOs themselves to identify reasons for this phenomenon and decide if the situation requires policy intervention to ensure it is able to meet the needs of society. For example, the Third Sector dataset assembled by this research could be used together with data held by the Welfare Department on welfare infrastructure such as facilities for the disabled to ascertain if the needs of the group are sufficiently met. They could also use the map to identify geographical areas or segments of society that are overwhelmingly served or under-served by the Third Sector and look into reasons for, and impact of, the situation on society. For instance, the Education authorities can use the map to assist their investment decisions by comparing the number of Third Sector learning centres against the number of pupils per classroom or the teacher-student ratio in State schools in a given geographical area.

Third Sector funders and actors can use the map to improve resource allocation and direct their delivery strategy, to channel their efforts to subsectors or communities that are most in need. Donors and grantmakers can utilise the research findings to assist their allocation of funds. For example, the government's focus on the median voters suggests that minority groups may find themselves more in need of financial support and funders could direct their funds to segments of society that get little or no attention from the State. At the same time, they could reallocate funds

given to organisations serving the already well-funded median voters to other segments which are more in need of financial assistance. Organisational data show very few TSOs offer education and health services and funders could take appropriate action if it is found that lack of funds is the reason for the situation.

Similarly, providers of Third Sector services can use data from the map to identify regions or communities that require further assistance. Organisational data showed that Perlis, Kelantan and Terengganu have only 2, 4 and 1 registered TSOs in the education category respectively. There are only 8 registered TSOs providing health services each in Kelantan and Terengganu while Melaka, a smaller State both in terms of population and size has seven. This information can be used by TSOs to improve resource allocation and direct their delivery strategy, to channel their efforts to subsectors or localities that are facing shortages or most in need. Potential Third Sector service providers and new entrants to the sector would be able to identify areas that require further Third Sector 'investment' by looking at areas or communities that are under-served by the sector. Again, this will avoid duplication and provide better use of scarce resources. The map can also identify access capacity by looking at the number of TSOs vis-à-vis beneficiaries and provide signals for them to reallocate their resources to avoid wasteful competition.

The research identified exclusivity as a major characteristic of the sector, actors could reflect on this finding by revisiting their operating model to assess if exclusivity is the best way to maximise the efficiency and effectiveness of their activities and services. For example, they can compare the utilisation of their capacity against other exclusive TSOs in the same geographical area and assess if joint operations could improve their service delivery. While exclusive TSOs are prominent, there are also many in the sector which are inclusive, serving everyone regardless of background or affiliation. These TSOs can utilise the map to identify areas which are only served by exclusive organisations and initiate ways to extend their support to those communities.

The map presents beneficiaries with a directory of Third Sector services which can be used either to seek available assistance or to demand specific services to be provided in their communities. In addition, data on the distribution and types of TSOs can be used by the Third Sector community to demand support from existing TSOs or to seek policy reviews, for example, to encourage inclusivity to ensure a wider segment of society is able to enjoy the benefits of the sector. The stakeholder theory applies to the Malaysian Third Sector indicating that the Malaysian public is willing to initiate the provision of social welfare services independent of the State. This research identified education, health services, and the environment as categories least served by the Third Sector, giving an indication of areas that could require attention from the citizen action groups.

Secondly, this research has contributed to the body of knowledge through its assessment of the applicability of existing Third Sector theories on the Malaysian Third Sector. This research's findings on the applicability of the theories can be further tested to establish if the same applies to other countries with similar demographics and/or historical background. In addition, the discovery that religion is a common theme in the Third Sectors of a number of South East Asian countries could also be the basis for the development of what Raewyn Connell (2007) terms as a 'southern theory', in this case, a model of the Third Sector from the perspective of societies in South East Asia.

Thirdly, the study on the history of the Malaysian Third Sector has contributed to the understanding of its roots and provided an insight on how Malaysia's colonial past continues to influence the characteristics of its Third Sector. The study found that both colonial and post-independence policies resulted in ethnic and religious fractionalisation and this separation played a part in the development and growth of the sector. This can be further explored to understand how colonialism shapes the structure and scope of the Third Sector in other former colonies of western powers.

Finally, the development of a keyword-based algorithm used to assign TSOs to the most appropriate ICNPO category and can be used as a basis to further improve the classification of Malaysian TSOs. Making the codes available to the public via internet-based sharing platforms also enable it to be continuously improved. Being a keyword-based code, its use is not limited to the classifying TSOs but can be used as a general classification tool, it can be replicated and applied to similar exercises by researchers not only in Malaysia but also anywhere in the world. The use of machine-assisted algorithms increased the efficiency of this research. Managing large amounts of data would be difficult if done manually which could increase the possibility of errors. This research also utilised alternative methods of data collection in the effort to improve data quality. While the first suggests the importance of using appropriate tools in research, the latter highlights the need to be flexible and creative in conducting research in order to obtain the best possible results.

Exploring the perspectives of Malaysian Third Sector actors and the merging of the different datasets into a central database of Malaysian TSOs are efforts towards a better understanding of the Malaysian Third Sector. An improved account of the Malaysian Third Sector is the contribution of this research to the existing body of knowledge.

# Appendices

## Appendix I: Interview questions

**Interview protocol**
- Introduce self, university and research topic
- Explain purpose of interview
- Explanation of how respondent's identities are kept unknown
- Request for tape recorder permission
- Request to sign consent form

**Topic guide for third sector organisations:**

A      Can you briefly tell me a bit about yourself and your role at [organisation]
*[Probe]* duration of service, previous employer

B      Can you tell me something about [organisation]
*[Probe]* legal form, year established, activities, target group, no. employees, volunteers

1      Can you describe the <u>role</u> of the voluntary/ charitable/ non-profit organisations in Malaysia?
*[Prompt]* Objectives/ aims of voluntary/ charitable (third sector) organisation.

2      Why do you think voluntary/ charitable (third sector) organisations <u>exist</u>?

3      In your opinion, how do you describe the <u>awareness and understanding</u> of the voluntary/ charitable (third sector) amongst the Malaysian public?

4      What is the common or preferred <u>legal structure</u> (form) of a voluntary/ charitable/ non-profit organisation in Malaysia?
      4a      Why is [Q4 answer] the preferred choice?
      4b      *[Follow-up if Q4a answer requires elaboration]* Why are legal forms other than [Q4 answer] not popular?

5      What is your opinion on individuals or (<u>ad-hoc or unregistered</u>) groups of individuals undertaking voluntary/ charitable (third sector) activities?
Are they common? If yes, why?
*[Prompt]* Such as third sector activities organised by individuals using social media as a promotion platform
      5a      In your opinion, must voluntary/ charitable (third sector) activities be undertaken by formal organisations?
      5b      *[Follow-up if Q5 answer requires elaboration]* Do you think voluntary/ charitable (third sector) activities are best undertaken by formal organisations?
*[Probe]* Would it be less effective if undertaken by individuals or ad-hoc and unregistered groups?

6      What is your opinion of the <u>laws</u> governing voluntary/ charitable/ non-profit organisations in Malaysia?
      6a      Are the laws sufficient or too much?
      6b      Are they strictly enforced? *this question will not be asked to regulators

7      Can you give examples of common or popular voluntary/ charitable <u>activities</u> in Malaysia? It can either be your opinion, observation or fact.
      7a      Why is [Q7 answer] common? Any particular reason?

8       Can you give examples of government backed or corporation sponsored voluntary and charitable organisations in Malaysia?
        8a      Are they are more noticeable than independent non-profit organisations?
        8b      What are the pros and cons of being closely associated with the state and/or market?
        8c      Is it healthy for the sector to be closely associated with the state and/or market?

9       What are your thoughts on CSR as a charitable/voluntary activity?
        What is the reason for your answer to Q9?
        9a      Do you think the motives of CSR are purely charitable and voluntary?

10      I'm going to move on to human resources issues.
        Can you describe the demographics of a typical voluntary/ charitable/ non-profit activist/volunteer?
        *[Prompt]* Age group, gender, education background, social background, race, religion
        10a     What do think are the reasons for the observed demographics? What are the factors influencing the demographic pattern?
        10b     Can you describe the manpower (volunteer & employee) challenges faced by voluntary/ charitable/ non-profit organisations?
        *[Probe]* How easy is it to get staff and volunteers? Do they stay for the long term? Is a career or 'stepping stone'?

11      The next few questions will be on funding.
        What is the most common fundraising method for voluntary/ charitable/ non-profit organisations?
        *[Prompt]* What are the available options? What is the most popular?
        11a     Are there any legal restrictions on fundraising activities?
        11b     Can you describe the main/common challenges in fund-raising?

12      Can you describe the current issues surrounding the voluntary/ charitable (third sector)?
        *[Prompt]* Controversies, problems, debates or 'wish-list'.

**Topic guide for third sector Regulators**
A       Can you describe the functions and role of [regulator]

1       Can you describe the role of the voluntary/ charitable/ non-profit sector in Malaysia?
        *[Prompt]* Objectives/ aims of voluntary/ charitable / third sector organisation.

2       Why do you think voluntary/ charitable (third sector) organisations exist?

3       In your opinion, how do you describe the awareness and understanding of the voluntary/ charitable (third sector) amongst the Malaysian public?

4       What is the common or preferred legal structure (form) of a voluntary/ charitable/ non-profit organisation in Malaysia?
        4a      Why is [Q4 answer] the preferred choice?
        4b      [Follow-up if Q4a answer requires elaboration] Why are legal forms other than [Q4 answer] not popular?

5       What are the laws governing a voluntary/ charitable/ non-profit organisations in Malaysia?
        5a      In your opinion, are the laws sufficient, lacking or too much?

6      Can you give examples of common or popular voluntary/ charitable activities in Malaysia? It can either be your opinion, observation or fact.

         6a      Why is [Q7 answer] common? Any particular reason?

7      Can you give examples of are government backed or corporation sponsored voluntary and charitable organisations in Malaysia?

         7a      Are they are more noticeable than independent non-profit organisations?

         7b      What are the pros and cons of being closely associated with the state or market?

         7c      Is it healthy for the sector to be closely associated with the state or market?

8      What are your thoughts on CSR as a charitable or voluntary activity?

     What is the reason for your answer to Q9?

         8a      Do you think the motives of CSR are purely charitable and voluntary?

9      The next few questions will be on funding.

     Based on your experience, what do you see to be the most common fundraising method for voluntary/ charitable/ non-profit organisations?

     *[Prompt]* What are the available options? What is the most popular?

9a      Are there any legal restrictions on fundraising activities?

10      Can you describe the current issues surrounding the voluntary/ charitable/ non-profit (third) sector?

     *[Prompt]* Controversies, problems, debates or 'wish-list'.

# Appendix II: Interview disclosure sheet and consent form

**Interview Information Disclosure Sheet**

**CONTRIBUTION OF THE THIRD SECTOR TOWARDS THE ECONOMIC DEVELOPMENT OF MALAYSIA**

This interview is being conducted in part to fulfill the requirements for my PhD degree in Sociology and Social Policy. The study has been approved by the university's research ethics committee. My research supervisor's name is Dr. Alasdair Rutherford and he is contactable at alasdair.rutherford@stir.ac.uk

I am particularly interested in these areas of the third/voluntary/charitable sector:
1. Definition and scope
2. Activities and funding
3. Governance and regulatory structure
4. Manpower and volunteers
5. General/current issues on the sector/organisations

**Will your participation in the project remain confidential?**
Your name will not be recorded on the questionnaires and the information will not be disclosed to other parties. Your responses to the questions will be used for the purpose of this project only. You can be assured that if you take part in the project you will remain anonymous. Your participation in this study is entirely voluntary. If you do agree to participate you are free to withdraw at any time during the project if you change your mind. If you withdraw from the study all the information and data collected from you will be destroyed and you name will be removed from all study files.

**Data Use and Storage**
Information collected from interviews will be transcribed and merged to explain the Malaysian third sector, its organisations and motivations of the participants. It can be accessed in the form of this research findings by any interested party as it can be used for further studies. Information and theories derived from these interviews will be retained for as long as it remains relevant.

Your time and involvement is greatly appreciated. The entire interview should take approximately forty-five minutes to one hour. You are entitled to access the data you provide in this interview and withdraw your consent from participating at any time.

With your consent the interview will be tape-recorded and the interviewer will take notes. This is done to ensure all information is accurately recorded. Recordings are stored confidentially and not distributed onwards. No individual or organisational identification will be disclosed in the transcript or the final thesis.

I would be grateful if you would sign this form on the line provided below to show that you have read and agree to the contents.

## Appendix III: Ethics approval

**UNIVERSITY *of* STIRLING**

**Faculty of Social Sciences**

Colin Bell Building

University of Stirling
Stirling FK9 4LA Scotland

Telephone: +44 (0)1786 466273
E-mail: socsciethics@stir.ac.uk

sd/MM

13 May 2016

**Nur Azam Perai**

Dear Nur Azam Perai

**Contribution of the Third Sector towards the Socioeconomic Development of Malaysia (tentative)**

Thank you for your application to the School of Social Sciences Research Ethics Committee on 12 May 2016 for ethical scrutiny of the above project.

It was agreed by Dr E Duncan (Independent Chair) that this would be considered as a Light Touch review and as Chair I confirm ethical approval of the above project.

Good luck with your project.

**Please notify the School of Social Sciences Ethics Committee if you need to make any further amendments to the application.**

Yours sincerely

Dr Margaret Malloch
Chair of Ethics Committee

c.c.     Dr A Rutherford
         Professor P Lambert

## Appendix IV: Interview participants
**Interview Participants**

| Anonymisation | ICNPO category | Period of registration | Employment status | Registration |
|---|---|---|---|---|
| 1 | 1300 | 2000-2010 | volunteer | ROS |
| 2 | 4100 | 2000-2010 | salaried employee | SSM – CLBG |
| 3 | 8100 | post 2010 | | ROS |
| 4 | 7100 | 2000-2010 | | SSM – CLBG |
| 5 | 4100 | 2000-2010 | | ROS |
| 6 | 9100 | pre 2000 | | ROS |
| 7 | 7100[1] | post 2010 | | SSM – Private Limited |
| 8 | 7100 | pre 2000 | volunteer | ROY |
| 9 | 4300 | 2000-2010 | | ROS |
| 10, 11 | 4100 | post 2010 | salaried employees | ROS |
| 12 | 4300 | post 2010 | volunteer | ROS |
| 13 | 8100 | pre 2000 | salaried employee | SSM – CLBG |
| Regulator A | | | | n/a |
| Regulator B | | | | |
| Regulator C | | | | |

1 Not included in MTSD due to being registered as a private company with SSM

**Appendix V(a): Number of organisations by Regulator and State**

**Number of organisations by Regulator**

| Regulator | No. of organisations | Percent |
|---|---|---|
| BHEUU | 359 | 0.45 |
| JHEKS | 734 | 0.92 |
| LFSA | 17 | 0.02 |
| ROS | 59,479 | 74.58 |
| ROY | 8,351 | 10.47 |
| SCO | 8,774 | 11.00 |
| SSM | 2,036 | 2.55 |
| Total | 79,750 | 100.00 |

**Number of organisations by State**

| State where TSO is registered | No. of organisations | Percent |
|---|---|---|
| Johor | 9,788 | 12.39 |
| Kedah | 3,964 | 5.02 |
| Kelantan | 2,136 | 2.70 |
| Melaka | 2,771 | 3.51 |
| Negeri Sembilan | 3,503 | 4.43 |
| Pulau Pinang | 5,643 | 7.14 |
| Pahang | 3,736 | 4.73 |
| Perak | 7,336 | 9.28 |
| Perlis | 594 | 0.75 |
| Sabah | 4,809 | 6.09 |
| Sarawak | 5,254 | 6.65 |
| Selangor | 16,279 | 20.60 |
| Terengganu | 1,882 | 2.38 |
| Kuala Lumpur | 10,399 | 13.16 |
| Labuan | 310 | 0.39 |
| Putrajaya | 612 | 0.77 |
| Total | 79,016 | 100.00 |

Data on JHEKS registration not available

## Appendix V(b): Number of organisations in each State by Regulator

**Number of organisations in each State by Regulator**

| State where TSO is registered | Regulator | | | | | | |
|---|---|---|---|---|---|---|---|
| | BHEUU | LFSA | ROS | ROY | SCO | SSM | Total |
| Johor | 14 | 0 | 7,869 | 968 | 808 | 129 | 9,788 |
| Kedah | 9 | 0 | 2,687 | 721 | 510 | 37 | 3,964 |
| Kelantan | 13 | 0 | 1,320 | 365 | 404 | 34 | 2,136 |
| Melaka | 4 | 0 | 2,036 | 374 | 320 | 37 | 2,771 |
| Negeri Sembilan | 7 | 0 | 2,337 | 663 | 460 | 36 | 3,503 |
| Pulau Pinang | 7 | 0 | 4,609 | 461 | 457 | 109 | 5,643 |
| Pahang | 6 | 0 | 2,535 | 688 | 488 | 19 | 3,736 |
| Perak | 17 | 0 | 5,739 | 875 | 642 | 63 | 7,336 |
| Perlis | 5 | 0 | 342 | 136 | 105 | 6 | 594 |
| Sabah | 0 | 0 | 3,429 | 598 | 722 | 60 | 4,809 |
| Sarawak | 1 | 0 | 3,991 | 123 | 1,085 | 54 | 5,254 |
| Selangor | 110 | 0 | 13,002 | 1,174 | 1,513 | 480 | 16,279 |
| Terengganu | 0 | 0 | 982 | 604 | 282 | 14 | 1,882 |
| Kuala Lumpur | 156 | 0 | 7,982 | 526 | 778 | 957 | 10,399 |
| Labuan | 0 | 17 | 187 | 30 | 76 | 0 | 310 |
| Putrajaya | 10 | 0 | 432 | 45 | 124 | 1 | 612 |
| Total | 359 | 17 | 59,479 | 8,351 | 8,774 | 2,036 | 79,016 |

Data on JHEKS registration not available

**Appendix V(c): Number of organisations in each State by ICNPO Group**

**Number of organisations in each State by ICNPO Group**

| State where TSO is registered | ICNPO Group | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total |
| Johor | 2569 | 269 | 41 | 793 | 26 | 607 | 1682 | 85 | 2 | 2866 | 794 | 54 | 9788 |
| Kedah | 1062 | 132 | 18 | 411 | 10 | 221 | 966 | 72 | 0 | 791 | 277 | 4 | 3964 |
| Kelantan | 824 | 114 | 12 | 264 | 2 | 37 | 480 | 47 | 1 | 124 | 218 | 13 | 2136 |
| Melaka | 861 | 91 | 11 | 200 | 1 | 257 | 564 | 43 | 0 | 535 | 198 | 10 | 2771 |
| Negeri Sembilan | 993 | 119 | 13 | 309 | 4 | 290 | 928 | 36 | 0 | 574 | 222 | 15 | 3503 |
| Pulau Pinang | 1394 | 184 | 39 | 537 | 19 | 343 | 870 | 80 | 0 | 1681 | 446 | 50 | 5643 |
| Pahang | 1272 | 125 | 15 | 344 | 11 | 90 | 968 | 39 | 0 | 553 | 317 | 2 | 3736 |
| Perak | 1886 | 296 | 37 | 734 | 22 | 273 | 1622 | 98 | 0 | 1784 | 552 | 32 | 7336 |
| Perlis | 216 | 16 | 5 | 46 | 1 | 9 | 166 | 18 | 0 | 69 | 48 | 0 | 594 |
| Sabah | 1921 | 180 | 32 | 405 | 32 | 104 | 1079 | 42 | 0 | 333 | 653 | 28 | 4809 |
| Sarawak | 2710 | 210 | 33 | 400 | 16 | 75 | 674 | 52 | 0 | 494 | 573 | 17 | 5254 |
| Selangor | 4421 | 653 | 72 | 1807 | 80 | 2227 | 2195 | 539 | 6 | 2758 | 1366 | 155 | 16279 |
| Terengganu | 667 | 57 | 10 | 124 | 3 | 22 | 699 | 19 | 0 | 114 | 162 | 5 | 1882 |
| Kuala Lumpur | 3076 | 476 | 51 | 1286 | 28 | 683 | 1211 | 686 | 10 | 1218 | 1377 | 297 | 10399 |
| Labuan | 167 | 2 | 1 | 18 | 1 | 2 | 55 | 19 | 0 | 19 | 26 | 0 | 310 |
| Putrajaya | 311 | 20 | 0 | 61 | 1 | 57 | 73 | 14 | 0 | 11 | 62 | 2 | 612 |
| Total TSOs by ICNPO Group | 24,350 | 2,944 | 390 | 7,739 | 257 | 5,297 | 14,232 | 1,889 | 19 | 13,924 | 7,291 | 684 | 79,016 |

## Appendix V(d): Organisations in each State by ICNPO Subcategory

**ICNPO Group 1**

| State where TSO is registered | ICNPO subcategory | | | |
|---|---|---|---|---|
| | 1 100 | 1 200 | 1 300 | Total |
| Johor | 269 | 1019 | 1281 | 2569 |
| Kedah | 75 | 589 | 398 | 1062 |
| Kelantan | 58 | 456 | 310 | 824 |
| Melaka | 82 | 402 | 377 | 861 |
| Negeri Sembilan | 66 | 522 | 405 | 993 |
| Pulau Pinang | 169 | 590 | 635 | 1394 |
| Pahang | 83 | 583 | 606 | 1272 |
| Perak | 175 | 806 | 905 | 1886 |
| Perlis | 11 | 125 | 80 | 216 |
| Sabah | 183 | 866 | 872 | 1921 |
| Sarawak | 252 | 1227 | 1231 | 2710 |
| Selangor | 358 | 1830 | 2233 | 4421 |
| Terengganu | 55 | 322 | 290 | 667 |
| Kuala Lumpur | 316 | 1057 | 1703 | 3076 |
| Labuan | 9 | 97 | 61 | 167 |
| Putrajaya | 17 | 137 | 157 | 311 |
| Total | 2,178 | 10,628 | 11,544 | 24,350 |

**ICNPO Group 2**

| State where TSO is registered | ICNPO subcategory | | | | | |
|---|---|---|---|---|---|---|
| | 2 100 | 2 200 | 2 300 | 2 400 | 2 500 | Total |
| Johor | 13 | 1 | 21 | 5 | 229 | 269 |
| Kedah | 3 | 0 | 5 | 3 | 121 | 132 |
| Kelantan | 0 | 0 | 2 | 2 | 110 | 114 |
| Melaka | 2 | 1 | 4 | 2 | 82 | 91 |
| Negeri Sembilan | 2 | 0 | 6 | 2 | 109 | 119 |
| Pulau Pinang | 5 | 0 | 11 | 7 | 161 | 184 |
| Pahang | 5 | 0 | 3 | 1 | 116 | 125 |
| Perak | 5 | 2 | 14 | 3 | 272 | 296 |
| Perlis | 1 | 0 | 0 | 1 | 14 | 16 |
| Sabah | 2 | 0 | 18 | 6 | 154 | 180 |
| Sarawak | 11 | 0 | 20 | 14 | 165 | 210 |
| Selangor | 5 | 5 | 35 | 35 | 573 | 653 |
| Terengganu | 1 | 0 | 0 | 0 | 56 | 57 |
| Kuala Lumpur | 5 | 10 | 29 | 58 | 374 | 476 |
| Labuan | 0 | 0 | 1 | 0 | 1 | 2 |
| Putrajaya | 0 | 0 | 1 | 1 | 18 | 20 |
| Total | 60 | 19 | 170 | 140 | 2,555 | 2,944 |

**ICNPO Group 3**

| State where TSO is registered | ICNPO subcategory | | | | |
|---|---|---|---|---|---|
| | 3 100 | 3 200 | 3 300 | 3 400 | Total |
| Johor | 0 | 8 | 10 | 23 | 41 |
| Kedah | 0 | 4 | 3 | 11 | 18 |
| Kelantan | 0 | 2 | 2 | 8 | 12 |
| Melaka | 0 | 1 | 3 | 7 | 11 |
| Negeri Sembilan | 0 | 1 | 4 | 8 | 13 |
| Pulau Pinang | 3 | 7 | 4 | 25 | 39 |
| Pahang | 0 | 3 | 3 | 9 | 15 |
| Perak | 1 | 10 | 7 | 19 | 37 |
| Perlis | 0 | 0 | 1 | 4 | 5 |
| Sabah | 0 | 7 | 6 | 19 | 32 |
| Sarawak | 0 | 14 | 5 | 14 | 33 |
| Selangor | 2 | 18 | 10 | 42 | 72 |
| Terengganu | 0 | 1 | 1 | 8 | 10 |
| Kuala Lumpur | 2 | 3 | 4 | 42 | 51 |
| Labuan | 0 | 0 | 0 | 1 | 1 |
| Total | 8 | 79 | 63 | 240 | 390 |

**ICNPO Group 4**

| State where TSO is registered | ICNPO subcategory | | | |
|---|---|---|---|---|
| | 4 100 | 4 200 | 4 300 | Total |
| Johor | 724 | 34 | 35 | 793 |
| Kedah | 328 | 49 | 34 | 411 |
| Kelantan | 240 | 14 | 10 | 264 |
| Melaka | 178 | 11 | 11 | 200 |
| Negeri Sembilan | 279 | 19 | 11 | 309 |
| Pulau Pinang | 458 | 46 | 33 | 537 |
| Pahang | 280 | 44 | 20 | 344 |
| Perak | 612 | 44 | 78 | 734 |
| Perlis | 35 | 7 | 4 | 46 |
| Sabah | 335 | 50 | 20 | 405 |
| Sarawak | 329 | 46 | 25 | 400 |
| Selangor | 1662 | 53 | 92 | 1807 |
| Terengganu | 106 | 12 | 6 | 124 |
| Kuala Lumpur | 1181 | 24 | 81 | 1286 |
| Labuan | 13 | 5 | 0 | 18 |
| Putrajaya | 58 | 1 | 2 | 61 |
| Total | 6,818 | 459 | 462 | 7,739 |

**ICNPO Group 5**

| State where TSO is registered | ICNPO subcategory | | |
|---|---|---|---|
| | 5 100 | 5 200 | Total |
| Johor | 10 | 16 | 26 |
| Kedah | 5 | 5 | 10 |
| Kelantan | 1 | 1 | 2 |
| Melaka | 0 | 1 | 1 |
| Negeri Sembilan | 2 | 2 | 4 |
| Pulau Pinang | 6 | 13 | 19 |
| Pahang | 5 | 6 | 11 |
| Perak | 11 | 11 | 22 |
| Perlis | 0 | 1 | 1 |
| Sabah | 10 | 22 | 32 |
| Sarawak | 6 | 10 | 16 |
| Selangor | 33 | 47 | 80 |
| Terengganu | 1 | 2 | 3 |
| Kuala Lumpur | 20 | 8 | 28 |
| Labuan | 0 | 1 | 1 |
| Putrajaya | 0 | 1 | 1 |
| Total | 110 | 147 | 257 |

**ICNPO Group 6**

| State where TSO is registered | ICNPO subcategory | | |
|---|---|---|---|
| | 6 100 | 6 300 | Total |
| Johor | 607 | 0 | 607 |
| Kedah | 218 | 3 | 221 |
| Kelantan | 36 | 1 | 37 |
| Melaka | 256 | 1 | 257 |
| Negeri Sembilan | 287 | 3 | 290 |
| Pulau Pinang | 341 | 2 | 343 |
| Pahang | 89 | 1 | 90 |
| Perak | 270 | 3 | 273 |
| Perlis | 9 | 0 | 9 |
| Sabah | 103 | 1 | 104 |
| Sarawak | 74 | 1 | 75 |
| Selangor | 2212 | 15 | 2227 |
| Terengganu | 21 | 1 | 22 |
| Kuala Lumpur | 677 | 6 | 683 |
| Labuan | 2 | 0 | 2 |
| Putrajaya | 56 | 1 | 57 |
| Total | 5,258 | 39 | 5,297 |

**ICNPO Group 7**

| State where TSO is registered | ICNPO subcategory | | | | |
|---|---|---|---|---|---|
| | 7 100 | 7 200 | 7 300 | 7 400 | Total |
| Johor | 1146 | 37 | 3 | 496 | 1682 |
| Kedah | 825 | 23 | 2 | 116 | 966 |
| Kelantan | 437 | 7 | 1 | 35 | 480 |
| Melaka | 426 | 7 | 4 | 127 | 564 |
| Negeri Sembilan | 751 | 9 | 1 | 167 | 928 |
| Pulau Pinang | 555 | 16 | 2 | 297 | 870 |
| Pahang | 768 | 5 | 3 | 192 | 968 |
| Perak | 1080 | 51 | 4 | 487 | 1622 |
| Perlis | 150 | 5 | 0 | 11 | 166 |
| Sabah | 808 | 7 | 18 | 246 | 1079 |
| Sarawak | 258 | 14 | 10 | 392 | 674 |
| Selangor | 1651 | 63 | 7 | 474 | 2195 |
| Terengganu | 650 | 8 | 0 | 41 | 699 |
| Kuala Lumpur | 868 | 44 | 21 | 278 | 1211 |
| Labuan | 39 | 1 | 0 | 15 | 55 |
| Putrajaya | 65 | 2 | 0 | 6 | 73 |
| Total | 10,477 | 299 | 76 | 3,380 | 14,232 |

**ICNPO Groups 8, 9, 11 and 12**

| State where TSO is registered | ICNPO subcategory | | | | |
|---|---|---|---|---|---|
| | 8 100 | 9 100 | 11 100 | 12 100 | Total |
| Johor | 85 | 2 | 794 | 54 | 935 |
| Kedah | 72 | 0 | 277 | 4 | 353 |
| Kelantan | 47 | 1 | 218 | 13 | 279 |
| Melaka | 43 | 0 | 198 | 10 | 251 |
| Negeri Sembilan | 36 | 0 | 222 | 15 | 273 |
| Pulau Pinang | 80 | 0 | 446 | 50 | 576 |
| Pahang | 39 | 0 | 317 | 2 | 358 |
| Perak | 98 | 0 | 552 | 32 | 682 |
| Perlis | 18 | 0 | 48 | 0 | 66 |
| Sabah | 42 | 0 | 653 | 28 | 723 |
| Sarawak | 52 | 0 | 573 | 17 | 642 |
| Selangor | 539 | 6 | 1366 | 155 | 2066 |
| Terengganu | 19 | 0 | 162 | 5 | 186 |
| Kuala Lumpur | 686 | 10 | 1377 | 297 | 2370 |
| Labuan | 19 | 0 | 26 | 0 | 45 |
| Putrajaya | 14 | 0 | 62 | 2 | 78 |
| Total | 1,889 | 19 | 7,291 | 684 | 9,883 |

**ICNPO Group 10**

| State where TSO is registered | ICNPO subcategory | | |
|---|---|---|---|
| | 10 100 | 10 200 | Total |
| Johor | 2682 | 184 | 2866 |
| Kedah | 519 | 272 | 791 |
| Kelantan | 78 | 46 | 124 |
| Melaka | 424 | 111 | 535 |
| Negeri Sembilan | 438 | 136 | 574 |
| Pulau Pinang | 1606 | 75 | 1681 |
| Pahang | 398 | 155 | 553 |
| Perak | 1529 | 255 | 1784 |
| Perlis | 37 | 32 | 69 |
| Sabah | 296 | 37 | 333 |
| Sarawak | 482 | 12 | 494 |
| Selangor | 2586 | 172 | 2758 |
| Terengganu | 51 | 63 | 114 |
| Kuala Lumpur | 1147 | 71 | 1218 |
| Labuan | 18 | 1 | 19 |
| Putrajaya | 9 | 2 | 11 |
| Total | 12,300 | 1,624 | 13,924 |

**Appendix VI: New registrations of ethnic and religious organisations**

| Year | Organisations with Ethnic keyword | Percent of total | Organisations with Religious keyword | Percent of total | Total New Registrations |
|------|------|------|------|------|------|
| 1949 | 13 | 68.42 | 1 | 5.26 | 19 |
| 1950 | 287 | 51.25 | 69 | 12.32 | 560 |
| 1951 | 171 | 44.53 | 54 | 14.06 | 384 |
| 1952 | 83 | 42.13 | 21 | 10.66 | 197 |
| 1953 | 67 | 46.21 | 16 | 11.03 | 145 |
| 1954 | 61 | 40.40 | 22 | 14.57 | 151 |
| 1955 | 33 | 36.67 | 20 | 22.22 | 90 |
| 1956 | 32 | 30.77 | 18 | 17.31 | 104 |
| 1957 | 33 | 24.63 | 27 | 20.15 | 134 |
| 1958 | 39 | 29.77 | 24 | 18.32 | 131 |
| 1959 | 32 | 30.19 | 22 | 20.75 | 106 |
| 1960 | 24 | 20.69 | 37 | 31.90 | 116 |
| 1961 | 21 | 19.63 | 32 | 29.91 | 107 |
| 1962 | 22 | 17.74 | 38 | 30.65 | 124 |
| 1963 | 11 | 11.11 | 30 | 30.30 | 99 |
| 1964 | 22 | 17.74 | 33 | 26.61 | 124 |
| 1965 | 23 | 19.17 | 44 | 36.67 | 120 |
| 1966 | 53 | 21.46 | 35 | 14.17 | 247 |
| 1967 | 31 | 15.58 | 56 | 28.14 | 199 |
| 1968 | 31 | 16.85 | 64 | 34.78 | 184 |
| 1969 | 25 | 13.66 | 66 | 36.07 | 183 |
| 1970 | 20 | 11.98 | 64 | 38.32 | 167 |
| 1971 | 19 | 9.36 | 67 | 33.00 | 203 |
| 1972 | 19 | 9.90 | 59 | 30.73 | 192 |
| 1973 | 24 | 11.43 | 65 | 30.95 | 210 |
| 1974 | 24 | 12.00 | 53 | 26.50 | 200 |
| 1975 | 37 | 16.59 | 43 | 19.28 | 223 |
| 1976 | 20 | 8.93 | 72 | 32.14 | 224 |
| 1977 | 35 | 13.16 | 73 | 27.44 | 266 |
| 1978 | 46 | 12.17 | 127 | 33.60 | 378 |
| 1979 | 39 | 15.12 | 66 | 25.58 | 258 |
| 1980 | 49 | 13.76 | 93 | 26.12 | 356 |
| 1981 | 40 | 12.82 | 99 | 31.73 | 312 |
| 1982 | 25 | 8.80 | 84 | 29.58 | 284 |
| 1983 | 45 | 12.50 | 117 | 32.50 | 360 |
| 1984 | 28 | 9.76 | 89 | 31.01 | 287 |
| 1985 | 38 | 9.00 | 168 | 39.81 | 422 |
| 1986 | 42 | 8.14 | 220 | 42.64 | 516 |
| 1987 | 27 | 6.31 | 165 | 38.55 | 428 |
| 1988 | 42 | 7.17 | 256 | 43.69 | 586 |

| | | | | | |
|------|------|------|-------|-------|-------|
| 1989 | 35 | 7.26 | 195 | 40.46 | 482 |
| 1990 | 34 | 6.64 | 211 | 41.21 | 512 |
| 1991 | 42 | 8.94 | 187 | 39.79 | 470 |
| 1992 | 38 | 7.88 | 209 | 43.36 | 482 |
| 1993 | 40 | 6.12 | 256 | 39.14 | 654 |
| 1994 | 51 | 7.22 | 290 | 41.08 | 706 |
| 1995 | 58 | 7.00 | 397 | 47.95 | 828 |
| 1996 | 49 | 6.64 | 238 | 32.25 | 738 |
| 1997 | 50 | 6.36 | 286 | 36.39 | 786 |
| 1998 | 62 | 5.25 | 260 | 22.03 | 1,180 |
| 1999 | 58 | 6.04 | 275 | 28.65 | 960 |
| 2000 | 63 | 6.58 | 328 | 34.24 | 958 |
| 2001 | 64 | 7.17 | 244 | 27.35 | 892 |
| 2002 | 70 | 6.65 | 369 | 35.04 | 1,053 |
| 2003 | 82 | 7.12 | 366 | 31.80 | 1,151 |
| 2004 | 80 | 6.43 | 353 | 28.35 | 1,245 |
| 2005 | 92 | 6.99 | 305 | 23.18 | 1,316 |
| 2006 | 85 | 5.46 | 181 | 11.62 | 1,558 |
| 2007 | 97 | 5.84 | 437 | 26.31 | 1,661 |
| 2008 | 143 | 6.17 | 328 | 14.14 | 2,319 |
| 2009 | 493 | 8.56 | 640 | 11.12 | 5,756 |
| 2010 | 241 | 6.93 | 584 | 16.79 | 3,479 |
| 2011 | 386 | 7.31 | 1,177 | 22.28 | 5,282 |
| 2012 | 429 | 6.62 | 1,200 | 18.52 | 6,479 |
| 2013 | 341 | 5.36 | 923 | 14.51 | 6,359 |
| 2014 | 300 | 4.37 | 848 | 12.37 | 6,858 |
| 2015 | 346 | 4.67 | 801 | 10.80 | 7,414 |
| 2016 | 692 | 8.68 | 946 | 11.87 | 7,969 |

**New registrations – Non-Malay/Bumiputera and Non-Muslim organisations**

| Year | Nonmuslim religious organisations | Percent of new registrations | Nonmalay ethnic organisations | Percent of new registrations | Total New Registrations |
|---|---|---|---|---|---|
| 1949 | 1 | 5.26 | 13 | 68.42 | 19 |
| 1950 | 44 | 7.86 | 279 | 49.82 | 560 |
| 1951 | 29 | 7.55 | 168 | 43.75 | 384 |
| 1952 | 15 | 7.61 | 83 | 42.13 | 197 |
| 1953 | 8 | 5.52 | 67 | 46.21 | 145 |
| 1954 | 8 | 5.30 | 59 | 39.07 | 151 |
| 1955 | 9 | 10.00 | 30 | 33.33 | 90 |
| 1956 | 14 | 13.46 | 31 | 29.81 | 104 |
| 1957 | 16 | 11.94 | 27 | 20.15 | 134 |
| 1958 | 11 | 8.40 | 37 | 28.24 | 131 |
| 1959 | 14 | 13.21 | 27 | 25.47 | 106 |
| 1960 | 17 | 14.66 | 23 | 19.83 | 116 |
| 1961 | 11 | 10.28 | 19 | 17.76 | 107 |
| 1962 | 22 | 17.74 | 20 | 16.13 | 124 |
| 1963 | 21 | 21.21 | 11 | 11.11 | 99 |
| 1964 | 14 | 11.29 | 22 | 17.74 | 124 |
| 1965 | 30 | 25.00 | 22 | 18.33 | 120 |
| 1966 | 30 | 12.15 | 50 | 20.24 | 247 |
| 1967 | 38 | 19.10 | 27 | 13.57 | 199 |
| 1968 | 44 | 23.91 | 25 | 13.59 | 184 |
| 1969 | 51 | 27.87 | 23 | 12.57 | 183 |
| 1970 | 44 | 26.35 | 17 | 10.18 | 167 |
| 1971 | 45 | 22.17 | 18 | 8.87 | 203 |
| 1972 | 34 | 17.71 | 16 | 8.33 | 192 |
| 1973 | 38 | 18.10 | 19 | 9.05 | 210 |
| 1974 | 29 | 14.50 | 22 | 11.00 | 200 |
| 1975 | 26 | 11.66 | 29 | 13.00 | 223 |
| 1976 | 47 | 20.98 | 20 | 8.93 | 224 |
| 1977 | 53 | 19.92 | 29 | 10.90 | 266 |
| 1978 | 84 | 22.22 | 41 | 10.85 | 378 |
| 1979 | 46 | 17.83 | 35 | 13.57 | 258 |
| 1980 | 67 | 18.82 | 44 | 12.36 | 356 |
| 1981 | 78 | 25.00 | 34 | 10.90 | 312 |
| 1982 | 70 | 24.65 | 22 | 7.75 | 284 |
| 1983 | 85 | 23.61 | 41 | 11.39 | 360 |
| 1984 | 65 | 22.65 | 17 | 5.92 | 287 |
| 1985 | 122 | 28.91 | 34 | 8.06 | 422 |
| 1986 | 178 | 34.50 | 35 | 6.78 | 516 |
| 1987 | 123 | 28.74 | 19 | 4.44 | 428 |
| 1988 | 209 | 35.67 | 35 | 5.97 | 586 |
| 1989 | 154 | 31.95 | 28 | 5.81 | 482 |
| 1990 | 163 | 31.84 | 28 | 5.47 | 512 |
| 1991 | 147 | 31.28 | 33 | 7.02 | 470 |
| 1992 | 173 | 35.89 | 27 | 5.60 | 482 |
| 1993 | 216 | 33.03 | 22 | 3.36 | 654 |
| 1994 | 262 | 37.11 | 36 | 5.10 | 706 |
| 1995 | 341 | 41.18 | 40 | 4.83 | 828 |
| 1996 | 194 | 26.29 | 39 | 5.28 | 738 |

| 1997 | 250   | 31.81 | 34  | 4.33 | 786   |
|------|-------|-------|-----|------|-------|
| 1998 | 214   | 18.14 | 38  | 3.22 | 1,180 |
| 1999 | 243   | 25.31 | 45  | 4.69 | 960   |
| 2000 | 292   | 30.48 | 46  | 4.80 | 958   |
| 2001 | 220   | 24.66 | 42  | 4.71 | 892   |
| 2002 | 349   | 33.14 | 45  | 4.27 | 1,053 |
| 2003 | 333   | 28.93 | 50  | 4.34 | 1,151 |
| 2004 | 298   | 23.94 | 58  | 4.66 | 1,245 |
| 2005 | 253   | 19.22 | 69  | 5.24 | 1,316 |
| 2006 | 138   | 8.86  | 63  | 4.04 | 1,558 |
| 2007 | 390   | 23.48 | 74  | 4.46 | 1,661 |
| 2008 | 270   | 11.64 | 99  | 4.27 | 2,319 |
| 2009 | 475   | 8.25  | 160 | 2.78 | 5,756 |
| 2010 | 474   | 13.62 | 165 | 4.74 | 3,479 |
| 2011 | 1,007 | 19.06 | 251 | 4.75 | 5,282 |
| 2012 | 1,028 | 15.87 | 283 | 4.37 | 6,479 |
| 2013 | 706   | 11.10 | 186 | 2.92 | 6,359 |
| 2014 | 599   | 8.73  | 142 | 2.07 | 6,858 |
| 2015 | 544   | 7.34  | 172 | 2.32 | 7,414 |
| 2016 | 706   | 8.86  | 522 | 6.55 | 7,969 |

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