



MUSLIM CHARITABLE ORGANISATION:
A CASE STUDY OF DARUL AEHSAN FOUNDATION,
BANGPHLAT DISTRICT, BANGKOK

BY

ANSOREE PHETTONGKAM

A research paper submitted in fulfilment of the requirement
for the degree of Master of Science (Islamic Banking
and Finance)

IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia

JUNE 2016

ABSTRACT

Muslim charitable organisations have proved their significant role in the development of societies, especially in Muslim minority countries. However, they face the issues of organisation classification, transparency, information disclosure, and collection, distribution and fund allocation performance. This case study attempts to scrutinise the organisational structure and classification of the Darul Aehsan Foundation. Moreover, it seeks to describe the collection process, the distribution process, and the fund allocation process of the social fund of the Darul Aehsan Foundation. The institution is located in the Bangphlat district of Bangkok. It should be highlighted that the organisation is considered one of the oldest Muslim charitable organisations in the area. The study was conducted using qualitative research methods. Archival documentary survey and preliminary observation are the two main research instruments. The documentary study examined the previous literature concerning non-profit organisations in Thailand, Muslim charitable organisations, and the Darul Aehsan Foundation. It also examined the official and unofficial annual reports as well as the documents relating to the foundation projects. The preliminary survey, on the other hand, included interviews with office staff and discussion of the issues with the resources staff member in charge of the projects. The study discovered some challenges such as the absence of agreed definitions and classifications of Muslim charitable organisations in Thailand, as well as the issue of transparency and information disclosure. In terms of the Darul Aehsan Foundation, the study successfully identified the classification of the organisation. Moreover, the findings highlight the lacunae in committee board efficacy as well as effective fund collection, distribution, and allocation decision-making. It also concludes that the issues of transparency and information disclosure are still the main issues of the foundation and shall be taken into consideration in order to improve the overall organisational performance.

ملخص البحث

لقد أثبتت المنظمات الخيرية الإسلامية أن لها دورا هاما في تطوير المجتمع وخاصة في البلدان ذات الأقلية المسلمة. وعلى الرغم من ذلك فإنها لا زالت تعاني من مشاكل فيما يتعلق بالتصنيف، والشفافية، والإفصاح عن المعلومات، وجمع وتوزيع وأداء تخصيص الأموال. وجاءت هذه الدراسة لمحاولة التدقيق في الهيكل التنظيمي وتصنيف مؤسسة دار الإحسان. كما تسعى بالإضافة ذلك إلى وصف عملية الجمع، والتوزيع، وتخصيص الأموال من الصندوق الاجتماعي في مؤسسة دار الإحسان. فالمؤسسة تقع في منطقة بانغفلات في بانكوك وتعتبر أقدم منظمة خيرية إسلامية في المنطقة. أجريت الدراسة باستخدام منهج البحث الكيفي. ولأجل ذلك تم استخدام دراسة وثائقية أرشيفية، والملاحظة الأولية كأدوات رئيسية. وفي الدراسة الوثائقية الأرشيفية تم استعراض الدراسات السابقة عن المنظمات غير الربحية في تايلاند، والمنظمات الخيرية الإسلامية، ومؤسسة دار الإحسان. كما تم أيضا دراسة التقارير السنوية الرسمية وغير الرسمية وكذلك الوثائق المتعلقة بمشاريع المؤسسة. من ناحية أخرى تضمن المسح الأولي إجراء مقابلات مع موظفي المكتب والمناقشة مع الشخص المسؤول عن المشاريع. وقد توصلت الدراسة إلى اكتشاف بعض التحديات مثل عدم وجود تعريف متفق عليه، وتصنيف المنظمة الخيرية الإسلامية في تايلاند وكذلك مسألة الشفافية والإفصاح عن المعلومات. فبالنسبة لمؤسسة دار الإحسان فقد حددت الدراسة تصنيف المنظمة. وعلاوة على ذلك تبرز النتائج ثغرات في فعالية مجلس الإدارة وكذلك جمع الأموال الفعال، وتوزيعها وتخصيصها. وفي الأخير تم استخلاص أن مسألة الشفافية والإفصاح عن المعلومات لا تزال القضية الرئيسية للمؤسسة ويجب أن تؤخذ في الاعتبار من أجل تحسين الأداء التنظيمي العام.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science (Islamic Banking and Finance).

.....
Syed Musa bin Syed Jaafar Alhabshi
Supervisor

This research paper was submitted to IIUM Institute of Islamic Banking and Finance and is accepted as a fulfilment of the requirement for the degree of Master of Science (Islamic Banking and Finance).

.....
Khaliq Ahmad
Dean, IIUM Institute of Islamic
Banking and Finance.

DECLARATION

I hereby declare that this research paper is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Ansoree Phettongkam

Signature.....

Date

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF
FAIR USE OF UNPUBLISHED RESEARCH**

**MUSLIM CHARITABLE ORGANISATION: A CASE STUDY
OF DARUL AEHSAN FOUNDATION, BANGPHLAT DISTRICT,
BANGKOK**

I declare that the copyright holders of this research paper are jointly owned by the student and IIUM.

Copyright © 2016 Ansoree Phettongkam and International Islamic University Malaysia. All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM Intellectual Property Right and Commercialization policy.

Affirmed by Ansoree Phettongkam

.....
Signature

.....
Date

I hereby dedicate this research paper to my beloved parents who brought me up on the way of Islam and my beloved wife, Asma, who always supports me spiritually and academically

ACKNOWLEDGEMENTS

In the name of Allah, the Most Gracious and the Most Merciful. Praise be to Allah Lord of Universe and His Messenger, Muhammad PBUH.

First and foremost, I am very grateful to Allah SWT who give me opportunity in pursuing this Master degree. Without His helping and blessing, I would not be able to accomplish this tough task.

My sincere and special gratitude go to my beloved supervisor, Assoc. Prof Dr. Syed Musa Alhabshi who provides me constructive comments, precious suggestion, idea, valuable advices and guidance in my research paper processes. I would not be able to complete this research paper without his supervision, guidance and suggestion.

I, also, would like to give my special thanks to all of IiBf lecturers for their teaching and encouraging me in the academic life. Last but not least, my deepest gratitude to my beloved parents and my siblings who always support me to pursuing this precious Master degree.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration	v
Acknowledgements	viii
List of Figures	xi
List of Abbreviations	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction.....	1
1.2 Issues Facing Charitable Organisation	4
1.3 Problem Statement.....	6
1.4 Objectives of the Study.....	8
1.5 Research Questions.....	8
1.6 Scope and Limitation of the Study	9
1.7 Conclusion	9
CHAPTER TWO: REVIEW OF NON-PROFIT AND CHARITABLE ORGANISATIONS.....	11
2.1 Introduction.....	11
2.2 Nature of Non-profit Sector, Non-profit and Non-governmental Organisations	11
2.3 Definition and meaning of Non-profit, Non-Governmental, and Charitable Organisations	12
2.4 Classification of NPO, NGO and Charitable Organisation	16
2.4.1 Classification of NPO by ICNPO and ISIC	16
2.4.2 Classification of NGO.....	19
2.4.2.1 Classified by Level of the Operations	19
2.4.2.2 Classified by Focus Area.....	20
2.4.2.3 Classified by Activities.....	21
2.4.3 Other Classifications of NGOs	22
2.4.4 Classification of Charitable Organisation	23
2.4.4.1 Classified by Causes.....	23
2.4.4.2 Classified by Internal Revenue Service (IRS).....	26
2.6 Muslim Charitable Organisation.....	27
2.7 Conclusion	29
CHAPTER THREE: RESEARCH METHODOLOGY	31
3.1 Introduction.....	31
3.1.1 Archival Documentary Survey.....	31
3.1.2 Preliminary Observation	32
3.2 Content Analysis.....	33
3.3 Scope and Limitation of the Study	34
3.4 Conclusion	35

CHAPTER FOUR: CLASSIFICATION OF CHARITABLE ORGANISATIONS IN THAILAND AND PROFILE OF DARUL AEHSAN FOUNDATION	36
4.1 Introduction.....	36
4.2 Charity, Voluntary, and Philanthropic Sector in Thailand	37
4.3 The Key Categories of NPOs in Thailand	40
4.4 Background of Darul Aehsan Foundation	42
4.4.1 Brief History of Bangphlat District and Muslim Communities ...	42
4.4.2 Muslim Charitable Organisations in Bangphlat and Background of the Community	44
4.4.3 The Establishment and its Objectives	46
4.5 Board of committee	47
4.5.1 Current Board of Committee.....	47
4.5.2 Modification of Committee Board in 2010	48
4.6 Organisation feature and financial sources.....	48
4.6.1 Zakat and Sadaqah	48
4.6.2 Waqf.....	49
4.6.3 Mubarak Mansion	49
4.7 Main activities and projects and fund allocation	50
4.7.1 Education Scheme.....	50
4.7.1.1 Summer Religious School	50
4.7.1.2 Monthly Religious Class	50
4.7.1.3 Kindergarten of Darul Aehsan Foundation	50
4.7.1.4 Santiwittaya School	51
4.7.2 Poverty Alleviation Scheme.....	52
4.7.2.1 Aid Fund for Orphans, Poor and Needy Seniors.....	52
4.7.2.2 Scholarship for The Needy and Poor People.....	52
4.7.3 Medical Services Scheme	52
4.8 Fund allocation decision	53
4.8.1 The Collection Process.....	53
4.8.2 The Processes of Recipient Selection	54
4.8.3 The Distribution and Monitoring Processes.....	54
4.9 The Foundation Website.....	55
4.10 Classification of Darul Aehsan Foundation.....	55
4.11 Key Findings and Analysis.....	56
4.12 Conclusion	60
 CHAPTER FIVE: RECOMMENDATIONS AND CONCLUSION.....	62
5.1 Introduction.....	62
5.2 Summary of Research Findings.....	62
5.3 Recommendations.....	64
5.4 Contributions of the Study.....	65
5.5 Suggestions for the Future Research	66
5.6 Conclusion	67
 BIBLIOGRAPHY	68

LIST OF FIGURES

Figure 4.1	Descriptive model of the organisation's donation management process	53
Figure 4.2	Diagram of Darul Aehsan Foundation Features	56

LIST OF ABBREVIATIONS

CBO	Community-based organisation
CO	Charitable Organisation
ICNPO	International Classification of Non-Profit Organisations
IFI	Islamic Finance Institution
IIRO	International Islamic Relief Organisation
IIROSA	International Islamic Relief Organisation of Saudi Arabia
INGO	International NGOs
IOK	Islamization of Knowledge
IR	Islamic Relief
IRS	Internal Revenue Service
ISIC	International Standard Industry Classification
MCO	Muslim Charitable Organisation
NACE	General Industry Classification of Economic Activities
NCWO	National Council of Women's Organisations
NESDB	National Economic and Social Development Board
NPI	Non-profit Institution
NSO	National Statistics Offices of Thailand
NTEE	National Taxonomy of Exempt Entities
SNA	System of National Accounts

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Alms and donation are essential principles of most religions, including Islam, Christianity, Judaism, Hinduism, Buddhism, and Japanese culture. Those financial worships are explicitly stated in the holy books: Quran, Bible and Torah. In the Quran, zakat and *sadaqah* are two acts of worship that bring people closer to Allah and could both purify (*tathirah*) and sanctify (*tazkiyyah*) the soul of Muslim. Allah states in the Quran, chapter 9, verse 103

“Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah’s blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing”. (Al-Hilali & Khan, 1993)

Moreover, there are several hadith encouraging Muslim to give *sadaqah* for the sake of Allah. For instance, in *Sahih Bukhari*, Book 24, Hadith 45, Abu Huraira narrated that the Prophet (ﷺ) said,

“Every day two angels come down from Heaven and one of them says, 'O Allah! Compensate every person who spends in Your Cause,' and the other (angel) says, 'O Allah! Destroy every miser.'” (Az-Zubaidi, 1996, p. 360)

In Christianity, honouring an individual’s sacredness could be done by giving and donating, God says in Matthew “... And the king will answer them, ‘I tell you the truth, just as you did it for one of the least of these brothers or sisters of mine, you did it for me’” (Matthew 25: 40).

Muslims are strongly encouraged to contribute alms and help the poor and needy. The purpose of imposing zakat and promoting the other voluntary financial acts of worship are to alleviate, eradicate and reduce the poverty level by providing equitable

distribution. The act may also simultaneously deliver social justice and create sympathy and understanding amongst the wealthy towards the underprivileged people (Al-Qardawi, 2005, p. 5). In addition, several verses in the Holy Quran and quotes from the Prophet (ﷺ) emphasised the rewards of *zakat* and *sadaqah*, illustrating how beneficial these acts in this world and the hereafter.

As a result, it can be seen that Muslims tend to donate on regular basis. A survey on 4,000 UK citizens done by ICM¹ in 2012 revealed that the average Muslims' donation was \$567, while the Jews contributed less than \$412. Christians donate significantly less than the former, followed by Protestants at an average of \$308. Meanwhile, the Roman Catholics contributed at approximately less than \$272 and the Atheists' donation was averaged to just \$177 (NBCNEWS, 2013).

From the statements, non-profit organisations (NPOs) and Muslim charitable organisations (MCOs) have crucial roles as charitable intermediaries in the philanthropists and donors' nexus. During the time of the Prophet (ﷺ), these duties were entrusted to the Baitul maal. Collection and redistribution of *zakat* and recipient selection were occasionally done by the Prophet (ﷺ) himself as a form of *sadaqah* in time of financial needs. The responsibility to mobilise funds from philanthropists to the poor, needy and the other categories of financial needs remained in the hand of Islamic state until the last Islamic Empire in 1892. The ancient time has proven the efficiency of wealth redistribution processes. For the typical example, the governors of Yemen used to return *zakat* surplus to the central government as there was no more eligible recipient. In fact, it was hard to find a *zakat* recipient during Umar bin Abdul Aziz time.

¹ <http://www.icmunlimited.com/>

However, after the collapse of the Ottoman Empire as the last Islamic Empire in 1892, the zakat institution had been stumbled by the western colonisation, disturbing the state and *Baitul mal* nexus. The institutions started to lose their performance and efficiency. When the cloud of western colonial rules started to fade out in the 1960s-1970s, Muslim scholars had started discussing on Islamisation of knowledge (IOK), including the establishment of an Islamic economics system and Islamic finance (Al-Attas, 1993). The discussion also involved the potential of zakat, *sadaqah* and waqf in alleviating Muslim's poverty. It had attracted the attention of the Muslim countries and resulted in the establishment of many Islamic financial institutions (IFIs), Islamic charitable organisations and NPOs in both the international and local scenes.

In Jeddah, Saudi Arabia, the Muslim World League established the International Islamic Relief Organisation (IIRO) which is also recognised as the International Islamic Relief Organisation of Saudi Arabia (IIROSA) (International Islamic Relief Organization, n.d.). In Kuwait, 1984, the International Islamic Charity Organisation (IICO) was established by Muslim scholars and thinkers, based on the advice of Sheikh Yousuf Al-Qardawi (International Islamic Charity Organization, n.d.). In the same year, Islamic Relief (IR) was set up in United Kingdom by a bunch of medical doctors and Islamic activists (Islamic Relief Worldwild, n.d.). It has become the largest International Islamic humanitarian organisation in the world (Alterman, 2007).

MCO has experienced rapid development and expansion since the 70s despite the various issues and challenges faced by MCO. Issues such as transparency, fund efficiency as well as channelling fund to support terrorism remain as the forefront issues.

1.2 ISSUES FACING CHARITABLE ORGANISATION

Although charitable organisations have been show-casting tremendous growth and gaining positive public attentions, there are still several challenges and issues faced by the organisations. Tom (2010), from Richard Male and Associates, Kim Jonker and William F. Meehan III (2014) discussed about the Henry R. Kravis Prize for Leadership and NPO management issues and listed some of the issues and challenges faced by non-profit and charitable organisations. These issues can be listed as follow: the sector' infancy status, non-standardisation, non-unification, organisational missions issues, fundraising and development issue, incompetent leadership and leaders, succession planning and lack of accountability and clear measurement. The detail of the issues and challenges are as follows:

1. The sector is still in the infant state

Despite the sector is in its early state, it is considered as the fastest developing sector in the economic system. In the U.S. economy, for example, total asset of the sector reached USD3.22 trillion in 2013 while the public charity generated about USD1.6 trillion revenue (Independent Sector, n.d.). These numbers are equivalent to 5.4% of the U.S. GDP.

2. Absence of standardization

Since this sector is one of the fastest growing sectors in the economic system, especially in developed countries, no universal standards have been set for the industry. This sector is in urgent need for a standard code of conduct which may be accepted by all members in the community.

3. The sector is not unified

The sector is highly diverse and sophisticated. The main similarities between child charity organisation, art museums, homeless care or aid funds might be on the tax-exemption privilege. Therefore, it is quite difficult for an organisation in the field to provide solid agreement on certain agenda to move forward.

4. The organisation mission issues

In profit-driven organisations, the organisations and their leaders strive to maximise the amount of profit received by the stakeholder. However, the missions might be vague in NPO/MCO due to the numerous stakeholders from internal and external organisation. The mission creep is the real threat to the organisation and might be inevitable.

5. Fundraising success factor

NPO/MCO requires money to achieve higher job scale, and the typical rule of thumb states that every dollar paid for development will return in four dollar of fund. Non-surprisingly, successful NPOs tend to spend more on the development projects.

6. Lack of leadership and leaders

Leader and leadership might be the most discussed but least understood topic. They are the key survival factors of an organisation. Without these two entities, funding from donors might be misused and divert the organisation to the wrong way. Therefore, the development of leaders and leadership must be strongly taken into the account in terms of lacking strong personality, competent, independent, spirited and ethical leader in the sector. In addition, the board members are another important part of the success. Apart from leader and board members, the composition of board member is also crucial.

Example of successful management shows that diversified committee members with different backgrounds could help the organisations to accomplish their missions.

7. Succession planning

Many of top non-profit leaders are in their fifties and sixties. They are not doing a good job in developing the young leaders or looking at designing a succession strategy within the organisations.

8. Lack of accountability and clear measurement

These are causing people to lose their confidence and trust towards NPOs. Transparent and clear measurement should be closely monitored to ensure the accountability among the stakeholders: donors, funders, board members, volunteers, and community. Study from Helen Keller International on 800-plus NPOs for over the past 9 years, showed that 75% of the NPO are lacking in terms of reliable impact data and information (Jonker & Meehan III, 2014).

1.3 PROBLEM STATEMENT

Thailand was ranked as the world's most generous country in 2011 according to the World Giving Index (Charity Aid Foundation, 2011). This reflects the selflessness nature of Thai people through money donation which explains the significant roles of non-profit and charity organisations which act as the collectors and distributors of such fund for the optimum benefits of the society.

According to ICO NIDA (n.d.), non-profit and charitable organisations in Thailand play an important role towards the country's development, including: 1) catering for facilities that are not sufficiently provided by private and government

sectors, 2) assisting the government in achieving the country's development goal, 3) acting as representatives for the people, and 4) verifying government policy transparency.

In addition, these organisations are in a fast growing sector. However, even though Muslim charities have become a popular research topic in the recent years, many Muslim charitable organisations in different countries are still lacking of data records and implemented research, especially in Thailand. Therefore, a research in this area is deemed as contributing and hopefully be valuable for future development.

Moreover, transparency, accountability and disclosure issues are highly concerned especially after the 9/11 incident². According to Benthall (2003), most Muslim charitable organisations regard checking and monitoring as merely the donors' right and not part of the main process of the operation. In addition, previous study done by Suphanpong (2008) in Thailand which covered 284 organisations, showed that one of the greatest challenges in fundraising of non-profit organisations is the lack of proper and verifiable records of their budget plans, hence unearth the need to inculcate the importance of data record and disclosure to these organisations.

Darul Aehsan Foundation is selected as the case study due to its objectives and various approaches in managing its funds for the benefits and welfare of the community, conclusive of both Muslim and non-Muslim. The foundation is supported by stable and high income members of the society which makes it a prominent aspect. In fact, Darul Aehsan Foundation has been in operation since 1979. Darul Aehsan community is where the author lives and grew up, which the author witnessed the changes the

²Since the terrorist event of September 2011, the global community expects greater transparency of social funds from charitable organisations. Hence, it is an important event that should be considered as it affects the transparency and accountability of all Muslim charitable funds.

foundation has brought. It will be a useful study for the community to grasp what has been done by the organisation, how far it has come and what are the potentials held by Darul Aehsan Foundation.

1.4 OBJECTIVES OF THE STUDY

Despite the proliferation of Muslim charitable and non-profit organisations resulted by the Islamic revolution and Islamisation in 60s-80s, they generally face sustainability issues and challenges in the modern world. In order to cope with these challenges and issues, MCO requires extensive study on several topics including management, governance, and performance. Hence, this study aims:

1. To describe the organisational structure of the Darul Aehsan Foundation;
2. To describe the collection process of the social fund in Darul Aehsan Foundation;
3. To describe the distribution process of the social fund in Darul Aehsan Foundation;
4. To describe the allocation process of the social fund in Darul Aehsan Foundation; and
5. To determine the classification of the organisation.

1.5 RESEARCH QUESTIONS

In conducting a proper research, research questions are determined as the guideline. The research questions of the study are as follows:

1. What is the organisational structure of Darul Aehsan Foundation which serves the community?
2. How is the collection process of Darul Aehsan Foundation fund?

3. How is the redistribution process of Darul Aehsan Foundation fund?
4. How is the allocation process of Darul Aehsan Foundation fund?
5. How Darul Aehsan Foundation is classified based on the existing convention?

1.6 SCOPE AND LIMITATION OF THE STUDY

This study faced some limitations in terms of covering and data collection. The study only focuses on the collection, decision making and distribution processes of Darul Aehsan Foundation fund, in order to scrutinise the effectiveness of the collection and allocation processes. Therefore, the management and administrative processes of are excluded in this study. However, the topic may touch some of the managerial and administrative angles that are strongly relevant with the topic under study. In addition, the study only focuses on Darul Aehsan Foundation as the case study. Therefore, the other foundation or Islamic charity organisations in Bangphlat district are not included in the study.

Furthermore, an obstacle in collecting the data is due to the lack of proper record of historical data and information of the activities conducted by the foundation. Hence, it is quite hard to trace and retrieve long-previous data and information.

1.7 CONCLUSION

In this chapter, a brief introduction is discussed to include the background of a non-profit/Islamic charitable organisation. Issues faced by NPO and MCO are also discussed. Most of the problems arise due to the infancy state of the sector, in addition with the absence of a uniformed standardisation, the sector's diversity. This is further worsened by the issues of clashing organisation missions, fundraising and development,

insufficient leadership and competent leaders, absence of stout succession planning and lack of accountability and clear measurement. The chapter also covers the problem statement, objectives of the study, research questions, limitation and scope of the study. The information mentioned above is the introduction to comprehend the nature of the MCO and NPO which will be discussed in the next chapter.

CHAPTER TWO

REVIEW OF NON-PROFIT AND CHARITABLE ORGANISATIONS

2.1 INTRODUCTION

In order to precisely address the problems and issues in this study, it is crucial to comprehend the basic understanding of the nature, definitions, classifications and structure of non-profit sector, non-profit organisations (NPOs), non-governmental organisations (NGOs) and charity organisations. In practice, understanding the definitions and classifications of NPOs and other charity organisations would enable the transferring and exchanging knowledge and experiences among the organisations, leading to minimal operational cost (Vakil, 1997). Meanwhile, for the academic purpose, understanding in NPOs and NGOs framework and their classification would enhance the knowledge pertaining the non-profit sectors (Salamon & Anheier, 1992a).

This chapter focuses on the general characteristic, definition and classification of the NGOs, NPOs and charities, attempting to distinguish these organisations in terms of terminology and functions. In addition, the chapter also focuses on Islamic charity and fraudulent issues which impedes and negatively affect the Muslim charity in general, especially after the 9/11 incident. Furthermore, the study further attempts to offer an ideal model and structure of Muslim charity as a possible benchmark in this case study.

2.2 NATURE OF NON-PROFIT SECTOR, NON-PROFIT AND NON-GOVERNMENTAL ORGANISATIONS

The terms “non-profit”, “voluntary” and “charity sectors” were used by the beginning of the 17th century in English Elizabethan Poor Law (Cheek, Kramarek, & Rooney,

2015). In US, 'non-profit' has been used in the tax law since 1950s. It attempts to define these types of organisations in which profits and distributions are not circulated among the stakeholders. However, the purpose of defining these terms is mostly for legal and tax reason.

The main reason behind emerging this sector could be the compensation of the governmental sector and for-profit sector failure in providing the adequate services to the society (DiMaggio & Anheier, 1990). Therefore, this sector has its own unique features as well as represents innovation in form of organisation resulting from inadequate state welfare and failure of both sector in development (Takao, 2001).

Despite its importance and recent growth in last few decades, non-profit institutions (NPIs) are still not given enough attention. Moreover, the sector's resources have been devoted to the other sectors. Fortunately, the academic world has somewhat acknowledged that most current studies pertaining the sector only touch on the surface issues, while other attractions come from the policy makers and press circles (Salamon L. M., 2010). A clear example for this issue is the NPIs/NPOs international recognition from UN which only occurred in 1993 when it was written into the System of National Accounts (SNA).

2.3 DEFINITION AND MEANING OF NON-PROFIT, NON-GOVERNMENTAL, AND CHARITABLE ORGANISATIONS

As mentioned in previous section, non-profit sector or (NPI) is defined, though it is not consensus among the scholars, by UN in Handbook of Nation Accounting in The System Nation Accounting 1993 (SNA) as follows: