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Defining Boundaries: Towards an Identity of The Malaysian Third Sector

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Abstract

Reviews of the literature suggest the Malaysian third sector lacks basic descriptive information. Research on what makes up the sector is scarce, indicating little effort was undertaken to define and identify its components from the Malaysian perspective. This paper proposes the scope of the Malaysian third sector by suggesting its boundaries and identifying the constituents. Inclusion was based on the structural-operational definition of third sector organisations developed by Salamon and Anheier (1992, 1996) and the primary basis for exclusion is distribution of profits to shareholders and promoters. It is proposed that social, voluntary, non-governmental and nonprofit organisations make up the Malaysian third sector, while state linked organisations and profit-distributing organisations such as cooperatives and social enterprises are excluded. Knowing the third sector's boundaries and constituents would allow more focussed research to be undertaken; enabling actors, researchers, and policymakers to identify issues and develop policies and strategies to address them.

Keywords: third sector, non-governmental organisations, nonprofit organisations, cooperatives

Introduction

Literature reviews suggest that research on the scope and constituents of the Malaysian third sector is scarce, indicating little effort was made to define and describe the sector from the Malaysian perspective (Hasan, 2015). Given the third sector's structural, functional, and definitional diversity, identifying its scope enables the sector to be better understood (Kendall & Knapp, 1995; Salamon 2010; Salamon & Sokolowski, 2016). A well-described sector would guide policy development, improve resource allocation and quantify its contribution to the economy (Banks & Brockington, 2019), improving the sector's efficiency and the effectiveness of its activities (Mohan, 2011; Barman, 2013).

In order to describe the sector, its scope must first be established. Constituents need to be identified and exclusions to be justified. In short, sector boundaries need to be drawn. Identifying boundaries require precise concepts and it involves developing a typology, a systematic classification of entities based on their common characteristics. They are then classified by firstly specifying commonalities followed by spelling out differences to create detailed subgroups (Salamon & Anheier, 1992). Three methods can be applied to develop typologies; the common-sense method, theoretical, and empirical method (Warriner, 1984, cited in Rich, 1992). The common-sense method is a non-scientific and arbitrary way of grouping items. However, this approach risks failing to adequately define contents of the group. The theoretical method defines groups based on prior theory and places organisations into the identified

groups according to the theoretical basis. The empirical method identifies groups after analysing data, from which organisations are assigned to the appropriate groups.

This paper offers a conceptualisation of the Malaysian third sector based on Salamon and Anheier's (1992, 1996) structural operational definition. The central idea focusses on independence and the non-distribution criteria to clearly distinguish third sector organisations (TSO) from those operating in the private and public sectors. We also aim to justify the sector's inclusions and exclusions in order to refine the simplistic argument that what is not part of the public and private sectors, are therefore, third sector. The idea of 'it encompasses all that is not in the other two sectors' is refuted by qualifying its constituents and justifying the exclusions of possible elements. It is also the objective of this paper to counter the argument that many studies on the scope of the Malaysian third sector are available in existing literature. The primary objective is to propose the scope and boundaries of the Malaysian third sector by suggesting inclusions and explaining the rationale for leaving out certain types – this endeavour has yet to be undertaken. We have not found any literature explicitly mentioning Labuan FSA registered charitable foundations or trade unions as a component of Malaysian third sector, while associations registered with the Sports Commissioner are hardly mentioned as a TSO in Malaysia.

The Third Sector Defined

The third sector is comprised of organisations that do not neatly fit into either the public or private sectors. It is often referred to as the civil society, social economy, or the voluntary, nonprofit, and charitable sectors (Salamon et al., 2017; Evers & Laville, 2004; Lyons, 2001). Such terminologies, however, only highlight certain characteristics and suggest a collection of 'leftover' or residual entities that do not fit into either the public or private sectors (Corry, 2010). The sector is also described as a 'loose and baggy monster' due to the multitude of organisations within it, making understanding them a complex affair (Kendall & Knapp, 1995).

Salamon (2010) uses civil society interchangeably with 'nonprofit' but does not refer to civil society in terms of a noun as it would include organisations beyond his defined scope. Civil society is also defined to include organisations normally contained within the third sector such as non-governmental organisations (NGO), professional and student bodies, and trade unions (Farouk, 2011). It is also a political process that pursues social justice and when viewed from a normative understanding, should be distinct from combined civility and incivility of the third sector (Bunyan, 2014). They represent two disparate research paradigms; civil society encompasses the role of intermediate organisations in society's political sphere, which is different from the third sector's social welfare paradigm (Wagner, 2012). While a definite consensus cannot be ascertained from these arguments, the characteristics of civil society organisations fit with the general definition of a third sector organisation specified by the structural-operational approach (Salamon, 2010). In addition, TSOs advocacy role, efforts to influence public policy and promote political interest (Hansmann, 1980; Hall, 1987), correspond with the objectives of civil society organisations.

The non-distribution constraint is also applied to identify and describe the third sector and its organisations (Hansmann, 1987; Salamon & Anheier, 1992). Non-distribution of profits is central to the North American definition where the prohibition of distributing excess income to shareholders determines its tax status and is the primary criteria for a TSO. 'Nonprofit distribution' refers to non-distribution of profits to shareholders and promoters; it does allow profits to be made but ploughed back into the organisation for the benefit of its beneficiaries. For this reason, Salamon and Anheier (1996) exclude cooperatives and social enterprises from the International Classification of Nonprofit Organisations (ICNPO) on the basis that they distribute profits to their members and shareholders. The European definition, in contrast, includes cooperatives and mutual benefit societies. Evers and Laville (2004) suggest 'civil and solidarity-based economy' is a better description as they view the sector being based on solidarity and hybridisation of different economic principles. They contend that cooperatives and mutuals are very much part of the third sector as their existence is to serve a social purpose and sharing of surplus income is not the main objective.

The sector can also be viewed from the perspective of ‘funding conditions’, where each type of funding comes with different conditions and obligations. Globally, tax revenue is the government’s main source of funding (Enache, 2020). The private sector on the other hand, obtains funding from investors or lenders and both require repayment in the form of dividends or interest. The third sector, however, 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 but the absence of funding conditions necessitates trustees and regulators to be extra vigilant to ensure it does not lead to poorer governance or lack of transparency on the part of the TSOs. The third sector, therefore, can also be defined by its motivation and funding conditions (Brown & Korten, 1989).

Studies on the third sector found that its role is to complement both the state and the market by filling gaps in the provision of public goods and services, making up for the limitations of the public and private sectors (Weisbrod, 1972; Etzioni, 1973; Salamon, 2010). The third sector presents the middle ground between sole reliance on the state or market (Salamon et al., 2000) and has an important social economic function such as providing public goods and services, promotion of civic action, and policy development (Barman, 2013; Casey, 2016). Main functions of a TSO include undertaking tasks delegated by the state, meeting demand not fulfilled by the state, and performing advocacy or political functioning role to influence state policies (Hall, 1987). He further argues that third sector’s existence is 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, and resource and coordinating functions. Hall and Brenton suggest a complementary relationship, in the literal sense, between the state and the third sector. Following this, when viewed in the context of Najam’s (2000) Four-C model of government-third sector relations, the sector has similar goals as the state but its implementation could either be similar or dissimilar. Therefore both ‘cooperation’ and ‘complementarity’ relationships in the Four-C model could apply to third sector – government relationships. Although seen as a distinct space, the third sector often has both direct and indirect links with the public and private sectors (Goodin, 2003). This is especially true if their activities are funded by government grants or corporate social responsibility funds.

Etzioni (1973) includes public-private partnerships in the scope of the third sector but Lorentzen (2010) does not share the notion of two units overlapping as he believes classifications should be mutually exclusive. Lorentzen’s view is based on the premise that the third sector’s cooperation with the state and the market causes borders between them to blur and could eventually eliminate the concept of an independent third sector. The overlapping interactions between the state, private, and the third sector with an organisation’s governance, accountability, control, and role of its employees led to the emergence of hybrid organisations (Brandsen et al., 2005; Billis, 2010). These organisations obscure the distinction between sectors especially when they are seen to be part of, or assuming the functions of, two or more sectors. Knutsen (2016) terms the blurred sectoral boundaries as the ‘new paradigm’ a concept that downplays the idea of a distinct third sector. She suggests the ‘Organisational Identity’ approach where audience or stakeholders determines a TSO’s hybridity.

Salamon and Anheier’s (1992, 1996) definition of the third sector is often cited in academic literature and is also applied by the United Nations System of National Accounts. They propose a structural-operational definition to classify independent, non-state, and non-market organisations with the following criteria:

- i. Has a formal structure, regardless of registration status,
- ii. Organisationally separate and not part of the state apparatus,
- iii. Does not distribute profits to owners or members,
- iv. Has internal governance procedures in place, and;
- v. Significant voluntary input in operations and management.

The criteria however, defines the third sector mainly from a North American perspective and does not take into account the organisational diversity such as mutual aid organisations which historically are key components of the sector (Morris, 2000). The structural-operational definition ignores the purpose and intended beneficiaries of some nonprofit organisations (Mohan, 2011) and is rigid because it only applies to organisations meeting the five criteria but excludes those deemed to be ‘in-between’ (Kntsen,

2016). Salamon and Sokolowski's (2016) re-conceptualisation of the third sector/social economy sector agrees that the 'non-distributing constraint' is a narrow description and suggest expanding the scope to include mutual help associations, cooperatives and social enterprises into the definition. A limitation of the activity-based structural-operational definition is its inability to consider the organisational diversity or purpose. Despite criticism on its inclusiveness and accuracy, common usage of the definition is assumed to be based on its long and extensive coverage, rich body of data, and global network of collaborators.

Different views and definitions of the third sector stem from the researchers' diverse worldviews, cultures, and academic backgrounds (Knutsen, 2016; Casey, 2020), as well as the complexity of the sector itself (Kendall & Knapp, 1995). Salamon and Anheier look at it from the governance angle hence its focus on the non-distribution constraint, Evers and Laville look at its social purpose while Moulaert and Ailenei (2005) see the social utility provided by the organisations as central to the definition. The sector is also described based on its objectives and activities (Reed & Howe, 1999; Morris, 2000), suggesting that the function and output of its actors influence its definition. Hansmann (1980) describes TSOs by its function, distinguishing the 'operating nonprofits', those producing goods and services, from the 'advocacy' organisations which are mainly pressure groups. He also distinguishes commercial nonprofits from donative nonprofits based on their income sources. TSOs with both commercial and donative sources of funds are examples of hybrid organisations when seen from its financial sources. 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 to be understood in its different settings (DiMaggio & Anheier, 1990; Evers & Laville, 2004). In spite of the differing characterisations, the common feature agreed by the majority of researchers is that despite its linkages with the private and public sectors, the third sector is the '*realm of independent citizen activity outside both government and business*' (Ott & Dicke, 2012:2).

This paper uses 'third sector' as the umbrella term to describe organisations that lie outside the full control of the public and private sectors. 'Third sector' suggests an all-encompassing nature compared to other specific terms. 'Third' should not be taken as rank or residual but instead denotes there are at least three sectors in the country's economy in which the third sector groups qualified organisations that are not part of the public and/or private sectors. The third sector supplements the public and private sectors due to it being motivationally and organisationally distinct (Goodin, 2003). Nevertheless, TSOs do collaborate with the public and private sectors without compromising on their autonomy and remain in control of their objectives. There are 'hybrid organisations' and are included within the scope of the third sector (Billis, 2010). Evers and Laville's (2004) model of the third sector shows that the function of some of its components such as quasi-government organisations, cooperatives and social enterprises overlap with the public and private sectors. The third sector therefore, does not compete with the public or private sectors and often are partners or contractors in the provision of public goods and services. The voluntary, charitable and nonprofit nature of the sector suggest that its existence is not driven by monetary rewards but instead is fuelled by altruistic intentions to meet social needs. Third sector organisations are platforms to address social welfare issues either through service provision, advocacy or by providing necessities, material assistance or social-recreational programmes. Its existence, therefore, suggests existence of gaps in the provision of societal needs as well as evidence of citizen empowerment.

What is known about the Malaysian third sector?

Third sector organisations and activities are not uncommon in Malaysia. Clan associations and voluntary associations based on regional or trade affiliations are widespread among the Chinese community since their mass arrival in Malaya during the 1800s (Heng, 1996). There are also records of Indian societies in the northern Malaysian states of Penang and Perak during the same period (Khou, 1992). Although there is evidence of Malay societies during the mid-18th century (Musa, 2006), growth of formal associational life amongst the Malays only began towards the middle of the 20th century (Weiss, 2005). Third sector activities are also commonly undertaken informally without involving a structured organisation. The practice of '*gotong royong*' (mutual help) is prevalent especially in Malaysia's rural communities (Thompson, 2004).

However, despite the sector's long history in Malaysia, not much is written about its theory. Hasan (2015) found only four English language papers on the Malaysian third sector published between 2001 and 2013. Although more English language papers were written over the past decade, they mainly focus on specific aspects of the sector such as accounting and financial disclosure (Hasnan et al., 2012; Abu Bakar et al., 2014). Ali and Hassan (2017) discussed Malaysian charity regulations including the need for a charities commission but only identified the Registrar of Societies (ROS), Companies Commission of Malaysia (SSM) and the Legal Affairs Division of the Prime Minister's Department (BHEUU) as current regulators. George (2001), in her extensive review of the Malaysian charity laws only gave a very general description of the sector's components.

This is, however, not to say that studies on scope of sector have never been undertaken. Douglas and Pedersen's 1973 study found that ethnicity and religion are driving forces behind the establishment and growth of voluntary organisations in Malaysia. Unfortunately, the sector has gone through many changes over the past fifty years and the environment in which the study was based does not reflect the present landscape as it only involved organisations registered with the Registrar of Societies and did not take into account organisational and population data of Sabah and Sarawak. Nevertheless, their account on the third sector's historical aspects is extensive and invaluable. Since the efforts of Douglas and Pedersen, the Malaysian third sector has never been presented in totality as many subsequent studies did not consider all the possible organisations that could make up the sector. Weiss and Hassan (2003) edited a volume describing and analysing several key social movements in Malaysia, focussing on Malaysian civil society issues and themes. Tumin and Nurhadi (2007) presented a historical account of NGOs in Malaysia, while Che Soh and Tumin (2017) examined the role of healthcare NGOs between 1957 and 2015. Arshad and Haneef (2016) discussed the third sector together with the concept of *waqf* and suggest that the European model of the social economy reflects the Malaysian third sector better, in addition to being able to fit the ideals of *waqf* into the sector.

A drawback of the recent literature on the Malaysian third sector is non-inclusion of organisations registered with the Registrar of Youth Societies (ROY), Labuan Financial Services Authority (LFSA) and the Department of Trade Union Affairs (JHEKS) in their analysis. This may suggest subsequent research focusses on other areas within the Malaysian third sector but inconsistent conceptions of the sector could bring about conflicting findings or conclusions. In addition, some were somewhat counterfactual – the number of organisations registered under ROS' 'politics' category cited in one study was inconsistent with the registry's records. Another study stated that Malaysian TSOs with revenues of less than RM 1,000,000 must register with the ROS, while those with revenues exceeding RM 1,000,000 are to register as Companies Limited by Guarantee with the Companies Commission of Malaysia. However, these financial conditions are not specified by both regulators and neither are they a criterion for registration. Kasim et al. (2006) published a background report titled 'Philanthropy and the third sector in Malaysia' under the auspices of Asia Pacific Philanthropy Information Network (APPIN). While it provided a thorough description of the sector, the information presented may not reflect the current landscape. It predates the establishment of the Registrar of Youth Societies and stated that the Scouts and Girl Guides are registered with the ROS when in fact they are governed by individual Acts of Parliament. It also stated that 'there is no nonprofit private hospital' which by its nature may be accurate but there are a few hospitals in Malaysia that proclaim to be nonprofits such as the Assunta Hospital, Hospital Fatimah and Tung Shin Hospital. The APPIN report is very comprehensive and detailed, but would benefit from updates to include recent developments on the sector. This paper aims to improve upon the good work undertaken by these authors and present an updated account of the Malaysian third sector.

There are a number of cross-national comparative studies on the third sector including the Johns Hopkins University Comparative Nonprofit Sector Project, CIVICUS Civil Society Index, and the European Third Sector Impact. They have a common objective – to increase third sector knowledge. Studies on the Asian third sector include Sidel's (2003) analysis on third sector regulatory environment, and nonprofit self-regulation initiatives in Asia-Pacific countries, and a volume examining third sector regulations in six Asian nations edited by Hasan and Onyx (2008). Malaysia, however, was not involved in any of the studies, including studies where most of the participating

nations were from the developing world. Non participation in international studies could hamper the development of knowledge on the Malaysian third sector.

Methodology

This paper asks: what makes up the Malaysian third sector? Who are its constituents? Who are excluded and what is the basis for their exclusion? Literature research was used to identify Malaysian third sector boundaries. Fiss' (2011) 'integrative theory' approach guides this effort where different perspectives of an issue are brought together and new knowledge is developed through the identification of these unique typologies. Classification systems are to be based on theory, standards or criteria must be developed to direct and validate the taxonomy and provide a logical and consistent relationship between the third sector and the rest of the economy. A guided classification system is required to avoid arbitrary, common-sense based taxonomies as the absence of guiding principles will make the possibilities for inclusion be practically limitless. Without a definite basis or criteria, inclusion and exclusion would not be guided and would be very random and inconsistent (Rich, 1992).

Broadly, this research paper is guided by the Lazarsfeld methodology (cited in McKinney, 1969). The first step entails developing the 'type construction', which is the theoretical framework based on prior research. Next, the logical evaluation of the typology is undertaken followed by data identification. The reduction of 'property-space' is performed next, which involves refining the boundaries and justifying the exclusions. The final stage is an examination of the model vis-a-vis other examples. The process utilises published academic work on the third sector, non-governmental organisations, nonprofits, cooperatives, social enterprises, and the social economy to identify the various insights on different organisations and models. Inclusion into, and exclusion from, the Malaysian third sector are justified through the clustering of these diverse ideas.

Identifying scope of the Malaysian third sector

Structured industrialisation programmes undertaken by the Malaysian government brought a lot of development to the country since its formation in 1963. The role and contribution of the government and private sectors in this success is well documented (Yusof & Bhattasali, 2008) but the role of the third sector in Malaysia's development is less 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), therefore, defining the boundaries and scope of the third sector is a means to identify its constituents and enable its contributions to be measured and recognised.

In the absence of an agreed boundary of the Malaysian third sector, this paper utilises the structural-operational definition developed by Salamon and Anheier (1992, 1996) to identify the sector's boundaries. The adoption of this definition is firstly to enable Malaysian third sector organisations to be explicitly identified. Secondly, the requirement to be structurally separate is to ensure exclusivity by clearly demarcating the public, private and third sectors. The application of the 'non-distributing' constraint and voluntary elements is to highlight the altruistic nature of the third sector and to suggest altruism is a significant feature. The structural operational definition is proposed as it reflects the independent and philanthropic nature of the third sector by focussing on its structural distinction, voluntarism and non-distribution of profits. In contrast, the European solidarity economy model (Evers & Laville, 2004; Moulart & Ailenei, 2005; Defourny & Pestoff, 2014) includes profit distributing organisations such as cooperatives and social enterprises which indicate that market practices are present, suggesting pure philanthropy is a secondary criterion. The structural-operational definition excludes cooperatives and from the scope of the third sector due to their profit-distributing nature and guided by this, cooperative societies and known social enterprises are omitted from the proposed boundaries of the Malaysian third sector.

The Malaysian Co-operative Societies Act 1993 defines a cooperative as a society consisting of individuals promoting the economic interest of its members through cooperative principles.

Meanwhile, The National Co-operative Policy identify high-value commercial activities as its first 'strategic thrust' and the Malaysian Co-operative Societies Commission reported that 80% of the total income of Malaysian cooperatives came from financial services where a cooperative bank is one of the largest banks in Malaysia. Cooperatives serve its members and allocate profits to its 'patron-owners' while nonprofits are directed toward social issues without taking profitability into account (Hansmann, 2013). Distributing profits contravenes the non-distribution requirement, making them similar to the capitalist firm. Cooperatives are very much part of the market sector, either as socially responsible alternatives to the investor-owned, shareholder based capitalistic firm (Kalmi, 2007) or an option in areas where the capitalist activity is weak or absent (Evers & Laville, 2004). This suggest that cooperatives and market firms strive for a similar goal, which is the pursuit of distributable profits. Birchall and Ketilson (2009) define 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. In the United Kingdom, some financial cooperatives such as mutual insurance companies and building societies are virtually indistinguishable from commercial for-profit organisations (Salamon & Anheier, 1992).

The Cooperative Information Report published by the United States Department of Agriculture Rural Development describe cooperatives as business that distribute benefits to their owners. The US Department of Agriculture defines of cooperatives as user-owned, user-benefiting, and user-controlled businesses (Nilsson, 2010). The International Cooperative Alliance describes cooperatives as member-focused for-profit enterprises which are owned and run by and for their members driven by both values and profits. The Cooperative UK website defines cooperatives as '*businesses owned and run by their members*' and '*range from multi-billion-pound businesses to small community enterprises*', and refers to them in commercial terms. Section 4.41 of The United Nations' System of National Accounts (SNA 2008) equates cooperatives with corporations due to the structure of their commercial motivations and profit-distributing nature. These definitions by cooperative regulators and umbrella bodies highlight the element of commerce and profit distribution in cooperative societies. In some developed countries, they have evolved so much to look very much like conventional private enterprises (Defourny & Develtere, 2009), where their financial structure reflects that of a profit-oriented firm (Fajardo García, 2012). For these reasons, the proposed scope of the Malaysian third sector excludes cooperative societies.

Social enterprises are commercial entities that use market mechanisms to achieve social purposes (Salamon & Sokolowski, 2016). The Malaysian Social Enterprise Blueprint 2015-2018 estimates there are about 100 social enterprises in Malaysia, operating in education, poverty eradication, environmental sustainability, rural development, and employment for the marginalised and at-risk youths. Malaysian social enterprises are a relatively new phenomenon with more than 75% established after 2010. However, there is no clear legal definition of 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 often registered as businesses with the Companies Commission of Malaysia, either as sole proprietorships, partnerships or companies limited by shares, hence are recorded as commercial entities and cannot be distinguished from other profit maximising enterprises. Despite its charitable intentions, this paper excludes social enterprises from the proposed boundaries of the Malaysian third sector due to their profit distributing nature. However, if such enterprises are registered as Companies Limited by Guarantee, they would be included as part of the third sector due to their registration status prohibiting them from distributing profits to their patrons as per Guidelines pursuant to section 20C of the Companies Commission of Malaysia Act 2001.

Origins of NGOs can be traced to the aftermath of the Second World War; the term was used by the United Nations (UN) to describe international organisations providing cross-border development assistance (Martens, 2002). Today, NGOs are often discussed in developing country context (Werker & Ahmed, 2008; Lewis, 2010) and seen as third sector actors in many areas of public action, from humanitarian to human rights. They not only serve as alternatives but also complements the state, providing in areas where governments do not, or have not yet begun to provide (Princen et al., 1995). It is therefore common in parts of the developing world for the nonprofit or third sector to be defined as

'NGOs' (Salamon & Anheier, 1992). It is also used as a 'catch-all' term for all that is non-government with some having negative, anti-government connotations (Martens, 2002). Quasi-NGOs (QUANGOs) are independent but state-funded agencies that perform a public function (Greve et al., 1999), while government-organised NGOs (GONGOs) are state agencies playing the role of an NGO (Wu 2003). These organisations are often established by the government to facilitate the implementation of its policies (Wu, 2003; Lewis, 2010; Salamon & Sokolowski, 2016) or as a vehicle to channel aid funding (Vakil, 1997). Institutionally, however, they may 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 & Sokolowski, 2016). They are in essence state-directed organisations working in the social sphere hence their inclusion could eliminate the concept of an independent third sector. Therefore, it is the position of this paper that QUANGOs and GONGOs are excluded from the proposed scope of the Malaysian third sector.

In line with the spirit of '*gotong-royong*', there would be instances where informal, unregistered groups are voluntarily brought together to undertake social or charitable activities. These groups would be difficult to identify and track due to their absence from any database. However, excluding them from the scope of the third sector would lead to a potentially large amount of missing data on the sector (Salamon & Anheier, 1992; Toepler, 2003). One objective of this paper is to identify a distinct set of entities; hence, emphasis is on formal organisations instead of individual forms of voluntary action. Informal, ad-hoc groups are very much part of the conceptual definition of the third sector, but the absence of formal evidence of their existence such as registration, filed accounts or official membership register pose difficulties in proving their identity and quantifying their contributions. Nevertheless, they are included into the proposed scope of the Malaysian third sector due to them meeting the five criteria of the structural-operational definition.

A number of TSOs are not registered with any regulator but are instead governed by individual Acts of Parliament:

- i. Parent-Teachers Associations (Education Regulations (Parents and Teachers Association) 1998 of the Education Act 1996)
- ii. Boy Scouts (Boy Scouts Association of Malaysia (Incorporation) Act 1968)
- iii. Girl Guides (Girl Guides Act 1953)
- iv. Malaysian Red Crescent Society (Incorporation) Act 1965 (formerly Red Cross)
- v. St. John Ambulance of Malaysia (Incorporated) Act 1972
- vi. Pure Life Society (Shudda Samajam) (Incorporation) Ordinance 1957
- vii. Salvation Army (Incorporation) Ordinance 1956
- viii. Farmer Association (Farmer's Association Act 1973)
- ix. Fishermen Associations (Fishermen's Association Act 1971)
- x. *Waqf* (Islamic endowments) management bodies (various state ordinances)
- xi. Hindu Endowments Board (Hindu Endowments Act 1906)

These organisations meet the structural-operational definition and are therefore included within the scope of the Malaysian third sector.

Findings and discussion: components of the Malaysian third sector

Having identified the criteria for inclusion and presented justifications for exclusion, this paper proposes that the Malaysian third sector is made up of the following organisations:

- i. Societies registered with the Registrar of Societies,
- ii. Companies Limited by Guarantee registered with the Companies Commission of Malaysia,
- iii. Sports associations registered with the Office of the Sports Commissioner,
- iv. Youth associations registered with the Registrar of Youth Societies,

- v. Trusts and foundations registered with the Legal Affairs Division of the Prime Minister's Department,
- vi. Charitable foundations registered with the Labuan Financial Services Authority,
- vii. Trade unions registered with the Department for Trade Union Affairs,
- viii. Unregistered volunteer groups undertaking social welfare activities, and
- ix. TSOs, *waqf* management bodies and Hindu endowments board governed by individual Acts of Parliament and state ordinances.

Table 1: Number of organisations by Regulator as at 31 December 2016

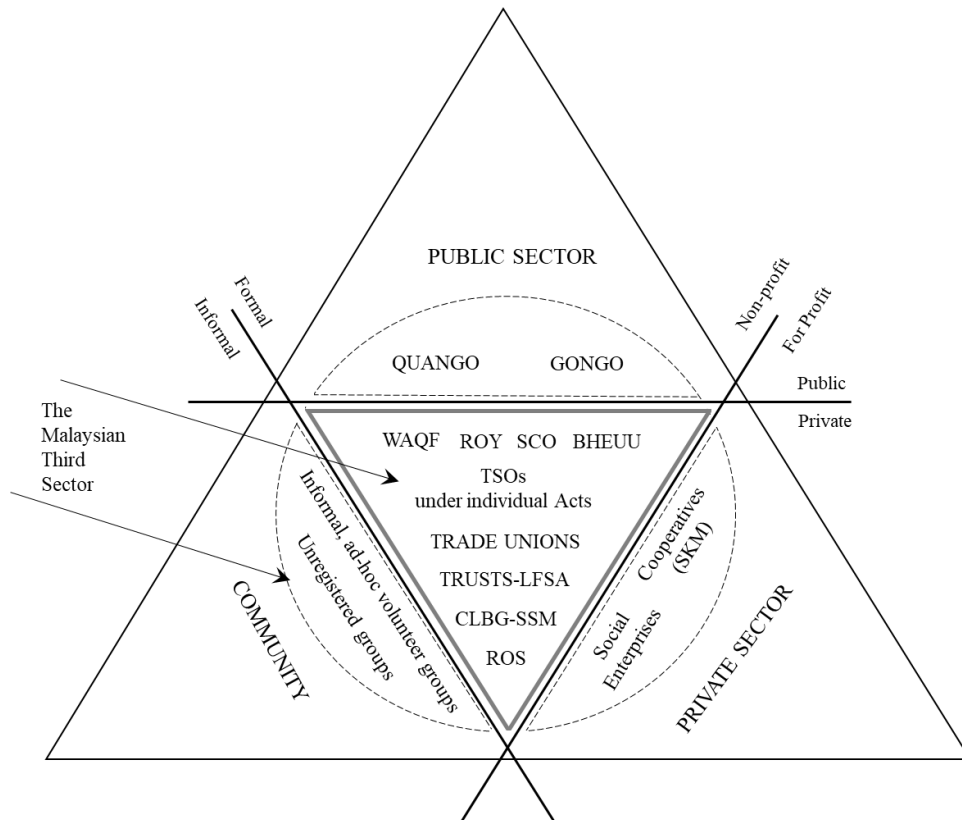
Regulator	No. of organisations	Percent
Legal Affairs Division of the Prime Minister's Department	359	0.45
Department for Trade Union Affairs	734	0.92
Labuan Offshore Financial Services Authority	17	0.02
Registrar of Societies	59,479	74.58
Registrar of Youth Societies	8,351	10.47
Office of the Commissioner of Sports	8,774	11.00
Companies Commission of Malaysia	2,036	2.55
Total	79,750	100.00

Source: Author, 2019

All organisations registered with any of the seven regulators and TSOs governed by individual Acts of Parliament are exclusive, they cannot be registered with more than one regulator. They are included in the scope of the Malaysian third sector as they meet all five criteria outlined by the structural-operational definition. This paper defines the third sector as the area which is entirely outside the public and private sectors and excludes all profit-distributing businesses, state-linked organisations. Precise identification of inclusions and exclusions would avoid blurring the borders and ensuring the components are mutually exclusive. Organisations that distribute profits to their owners or capital providers meet the criteria of a private sector firm despite them donating part of their profits to charity. For this reason, cooperatives and social enterprises are excluded from the proposed boundaries to ensure the components are unique and made up of organisations separate from the private and public sectors. Also excluded are *zakat* (Islamic tithe) collection bodies. It is the view of this paper that *zakat* being compulsory, would not fit into a sector that has 'voluntarism' as a core feature hence, would be better suited to be included in the public sector. *Waqf* management bodies and Hindu endowments boards are included due to them being charitable, voluntary and non-profit distributing. Despite being managed by state religious bodies, they are independent and not directed by government policies. Organisations included within the proposed boundaries conforms with Hall's (1987) and Brenton's (1985) description of TSOs, where they play an advocacy, resource and coordinating function. Although not adopting the European model, Evers and Laville's (2004) model is used to illustrate the proposed boundaries of the Malaysian third sector. Boundaries proposed by this paper are represented by the indicated areas, it excludes informal groups, state sponsored NGOs, and profit distributing businesses such as cooperatives and social enterprises.

The proposed model of the Malaysian third sector takes into consideration the objectives and activities of its constituents (Reed & How, 1999; Morris, 2000), their social purpose (Evers & Laville, 2004) and the social utility provided (Moulaert & Ailenei, 2005). It includes hybrid organisations but only those which do not distribute profits to their capital providers or not under direct control of the state. Unregistered organisations and temporary, one-off groups are included despite difficulties in getting reliable data due to their absence from any official database.

Fig 1: The Malaysian third sector, adapted from Evers and Laville (2004:17)



The proposed boundaries of the Malaysian third sector adopt the North American model due to its exclusion of profit distributing cooperatives and social enterprises. The sector's components are mutually exclusive to avoid blurring the borders and attempts were made to ensure no units overlap so boundaries remain distinct and clearly demarcated. This would enable the sector to be motivationally, and organisationally distinct, and separate from the public and private sectors.

The modified welfare triangle presented in Figure 1 differs from the one proposed by Arshad and Haneef (2016), as this paper focusses on identifying organisations that make up the sector rather than the activities undertaken. The model presented by this paper also differs from Salamon and Sokolowski's (2016) re-conceptualisation of the third sector with regards to cooperatives and social enterprises. To ensure the proposed boundaries are clear and distinct, many 'hybrid organisations' such as state affiliated NGOs and social enterprises are excluded despite their purpose, objectives and intended beneficiaries meeting the criteria for a TSO. Nevertheless, TSOs identified to be included within the proposed boundaries of the Malaysian third sector meet the core philosophical notions of the third sector outlined by the structural-operational definition: private, distinct, non-profit distributing and are driven by elements of voluntarism.

Conclusion

Identifying the boundaries and scope of the third sector facilitate accounting for its constituents, activities and contributions. Without a clear boundary, actors and policymakers would not be guided as to what makes up the sector, which in turn, would pose challenges to analysis, policy development, and resource allocation. A boundary which clearly states the inclusions and exclusions would provide consistent measurement of impact and contribution, provide standardisation in discussion and aid policy development. There is currently no consensus on the scope of the Malaysian third sector, different researchers interpret the sector differently and no discussion on the position of cooperatives and social enterprises within the three-sector economy has been undertaken. As an effort to achieve uniformity in the definition of the Malaysian third sector, this paper proposes a boundary guided by the

structural-operational definition developed by Salamon and Anheier (1996). The proposal includes organisations which are:

- i. Fully independent from both the government and private sectors – to ensure an autonomous group of organisations without any market or government elements, and
- ii. Non-profit-distributing – excludes organisations with private sector elements of distributing profits to capital providers to ensure the grouping of distinctly third sector organisations.
- iii. Supported by significant amount of voluntary input

Defining the sector presents its realities and provides legitimacy and this paper hopes to provide the Malaysian third sector with a distinct identity. The proposed boundaries intend to facilitate the visibility of the third sector in Malaysia. Registration as the basis for inclusion enables measurement of the sectors' contribution to the economy and nation. Financial, human resources and other administrative data are kept by regulators and these enable the sector's size and impact to be measured. There is however, the issue of how to quantify the impact of unregistered ad-hoc groups to the sector. Their inclusion completes the sector but further research would be required to come up with ways to measure their contribution to, and proportion within, the sector.

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