

CHAPTER 1

INTRODUCTION

1.1 Introduction

Donation is one of the common things in our society nowadays. If we take a look to the parties who carry out the fundraising activities, they are given the responsibility to integrate and be trustworthy in handling the process of public donation fund. Most of them are from the non-governmental organizations (NGOs). In Malaysia, among NGOs who are actively involved in doing the fundraising are like Islamic Relief Malaysia (IRM), Aman Palestin, Majlis Perundingan Pertubuhan Islam Malaysia (MAPIM) and many more. The methods used to carry out the fundraising are either directly done in the public or through the internet.

Based on the survey in 2017, Aman Palestin invited people to join the 'Jom Menyumbang RM50' campaign as an effort to help Palestinian in defending the sanctity of the Al-Aqsa mosque (Yusra, 2017). Chief Executive Officer (CEO) of Aman Palestin Bhd, Awang Suffian Awang Piut stated that Aman Palestin has set a target of RM9 million from public donation as a mission to cover the cost living of Palestinian. Next, Islamic Relief Malaysia (IRM) for the first time did a fundraising while entertaining in helping Somali. The CEO, Zairulshahfuddin Zainal Abidin stated that it is one of the new ways to approach the public to help the famine victims in Somalia (Ardyhansah, 2017).

Even though the fundraising activity has become a noble practice among society in Malaysia but there is still an issue relating to the commission rate that can be taken from the public donation. This can be proven when there is an individual questioning whether taking 60% for the commission and another 40% is giving to those in need is relevant or not (*Mufti of Federal Territory*, 2018). In fact, this may cause the leakage of donation fund by irresponsible people for their own benefit. For instance, there is a donation fund activity carried out by non-recognized NGO which might be organized by IS militant groups to support their activities. This issue was confirmed by Chief Assistant Director of Bukit Aman Special Branch Counter Terrorism, Ayob Khan Mydin Pitheay (“Kutipan derma NGO”, 2016). In other case, police has arrested five individuals for being disguising as a donation agent by using the name of active NGO around Ampang (“Polis tahan 5 individu kutip derma guna nama NGO”, 2017). In addition, there is a syndicate of donation fund using Thailand people in Kota Bharu where they got 30% for the commission from the donation collected and 70% is given to the syndicate (*Norhidayatidayu*, 2017).

Because of that, the focus of this study is to form a systematic and syariah approach management model of commission taken from the public donation. This is one of the ways to ensure that the commission taken is relevant and reasonable other than the donation fund is sufficient to be given to those in need.

In this regard, while the fundraising activity is widespread around the country, it should take into account the issue of commission rate that can be taken to overcome any problem happen in the future. Research in this issue is very important to be done as it is

one of the initiatives to enhance legal aspect associated with donation. It is also aims to increase the integrity of community in Malaysia in managing the public donation transparently.

1.2 Problem Statement

In this research, fundraising activity done by NGOs is increasingly gaining attention among Malaysians. This act has become a noble practice for Malaysians to help needy people. The donation fund usually reaches hundreds of thousands and even exceeds millions of ringgit which is a very high amount of value. This shows that donation can get a good income in helping to develop the institution and society.

However, the issue here is there is no precise guideline that can be applied by NGOs relating to the commission rate taken from the donation. In fact, *Mufti* of Federal Territory (2018), Dato' Seri Dr Zulkifli Mohamad Al-Bakri stated that taking commission is permissible but those who make a donation need to re-evaluate relating to the commission percentage taken as to ensure that it is parallel to the purpose of fundraising conducted. It can be concluded that this issue is still ambiguous as the *mufti* also did not clearly stated about the percentage of commission that can be taken from the donation collection.

Although there are number of studies by previous researchers, they are not focused on the syariah approach management model in taking commission. Instead, the discussions are more tend to the concept of syariah in terms of contract, securities, *takaful*

and hotel. For example, Faizal, Hairi and Nurlida (2018) have stated about the strengthening syariah compliance risk culture in the financial stability and payment systems report 2018. Then, there are past researches relating to the *takaful* like insurance: *takaful* gaining around written by Mahmoud (2008) and analyzing the syariah compliant issues currently faced by Islamic insurance (Asif, 2011). Besides, Wan Sahida, Suhaimi, Khairil and Yakkob (2011) have explained about the implementation of syariah compliance concept hotel, syariah-compliant hotel in Egypt: concept and challenges by Hesham, Badran and Abdul-aleem (2014), syariah-compliant hotels by Henderson (2010) and many more. However, there is no further explanation about the syariah approach management model of commission taken from the public donation.

In addition, there were past researches relating to the NGOs. For instance, the involvement of NGO in terms of humanitarian aid (Atika, Kartini & Nidzam, 2015), the role of Islamic NGO in realizing the Islam Hadhari approach in Malaysia (Azyyati, Fariza & Salasiah, 2013), the role of Sabah Islamic NGOs in fostering communal unity: a preliminary studies (Abd Hakim, Ros & Mufidah, 2018) and the role of Islamic NGO to the implementation of *islah* and *da'wah* in a society (Farawahida & Norsheila, n.d). Based on these past researches, the researchers discussed about the humanitarian aid activities such as Aqsa Syarif and Aman Palestin that help those in need in many ways. Besides, Nadwah Ulama dan Ilmuwan Malaysia (NUIM), Majlis Perunding Wanita Islam Malaysia (MPWIM) and Majlis Amal Islami Malaysia (MAIM) are also involved in realizing the Islam Hadhari approach in Malaysia by doing various activities. Muslim Youth Movement of Malaysia (ABIM) and United Sabah Islamic Association (USIA) also play the role to foster unity among people in Sabah. Meanwhile, ABIM Johor created

few alternatives like doing motivational talks to achieve the aim of implementation of *islah* and *da'wah* among the society. Nevertheless, there is still no discussion about the commission rate taken by the NGOs.

Therefore, one best solution need to be identified relating to the commission rate. Thus, the purpose of this research is to study the management aspects of donation fund by NGOs in Malaysia and analyzing the existing law relating to the donation management. Besides, this research is conducted to analyze the types of contract used and the factors affecting the determination of commission rate of public donation by related NGOs. Thus, it can develop a syariah approach management model of commission taken from the public donation.

1.3 Research Questions

1. What are the management aspects of donation fund by NGOs in Malaysia?
2. How far the provision of existing law assists in the donation management?
3. What are the types of contracts used and the factors affecting the determination of commission rate of public donation by NGOs in Malaysia?
4. How is the form of syariah approach management model of commission taken from the public donation by NGOs in Malaysia?

1.4 Research Objectives

1. To study the management aspects of donation fund by NGOs in Malaysia.
2. To analyze the existing law relating to the donation management.
3. To analyze the types of contracts used and the factors affecting the determination of commission rate of public donation by NGOs in Malaysia.
4. To develop a syariah approach management model of commission taken from the public donation for the use of NGOs in Malaysia.

1.5 Significant of the Research

In this research, this study focuses on the commission management taken from the donation fund done by NGOs in Malaysia. It means that this research will reinforce the explanation about the commission rate taken from the public donation. It also helps to fill in the lack of the research which is still not has been studied yet by other researchers by standardizing the commission rate.

Therefore, this study will give benefit to those who wish to implement the donation activities. This study is also expected to help Malaysian NGOs to improve the quality of accountability management of the commission from the donation fund. All the weaknesses and disadvantages need to be corrected to ensure that there is no issue of malpractice and misuse of donation. In fact, every single member of the committee should play their respective aspects so that the donation fund will have a positive impact particularly on the commission rate taken from the activity.

1.6 Scope and Limitation of the Research

In order to ensure that this research is focused and achieve the objectives, the researcher puts some research limitations. Firstly, this study will only involve the NGOs which have been registered in Malaysia. This is because the focus of this study is to see how the NGOs in Malaysia manage the commission rate taken from the donation fund.

Secondly, this research will only focus on six selected NGOs who carry out fundraising activities among Malaysians. The selected NGOs are Islamic Relief Malaysia (IRM), Aman Palestin, Majlis Perundingan Pertubuhan Islam Malaysia (MAPIM), Cinta Syria Malaysia (CSM), Muslim Volunteer Malaysia (MVM) and Pertubuhan Kebajikan Serantau Muslim. These six NGOs are selected because they are actively involved in the fundraising activities. They also show their interest and determination to find out the best commission rate that can be taken from the public donation. Other than that, they are very well cooperated during the research conducted from the start until the end. Because of that, it will ease this study as it is very closely related to the commission rate taken from it.

1.7 Definition of Terms

The terms used in this study are defined as follows;

1. Commission rate: According to Cambridge Dictionary online, commission is a payment to someone who sells goods that is directly related to the amount sold, or a system that uses such payments (Commission, n.d.). In this research,

commission rate is a sum of money taken from the donation collection made by the NGOs which aim to cover the management cost and operation cost of such NGOs.

2. Contract: According to Cambridge Dictionary online, contract is a formal agreement between two people or companies, or a legal document that explains the details of this agreement (Contract, n.d.). Contract in this research means an agreement or '*aqad*' which involves two parties in the *muamalah* of Islam and there is a payment or wage to one of the parties.
3. Donation management: A donation is something which someone gives to a charity or other organization (Donation, n.d). Donation management refers on how the NGOs manage the public donation wisely.
4. Influencer: According to Freberg, Graham, McGaughey, and Freberg (2011), social media influencer is a new type of independent, third-party endorsers who shape an audience's attitudes through blogs, tweets, and the use of other social media channels. In this research, influencer is the influential people like celebrity or artist that help the NGOs in the fundraising activity.
5. Non-governmental organization: The World Bank defines NGOs as private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development (Malena, 1995). In this research, it refers to Islamic charitable organization that has Islamic values to help those in need.
6. Public donation: The donation from the public, corporate bodies and others which related to it.

7. Syariah approach: Refers to the commission that is relevant, reasonable, does not excessive and does not take more than it should be for the benefit of the company or organization.

1.8 Conclusion

As a conclusion, this chapter discussed about the overview and the problem statement of the research. The objectives of the study are outlined to answer the questions of the research and the significant of the research is explained in this chapter. Nevertheless, the researcher still puts limitation as to ensure the research is not deviate from the main objectives. The definition of terms is also stated for easy understanding through this reseach.