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Examining co-operative challenges in sustaining the economic well-being and education of Muslim reverts (*muallaf*) in Malaysia

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ABSTRACT

In Malaysia, where religion is intricately linked with state policy, *muallaf*, individual who convert to Islam, are defined differently under state laws. Islamic teachings emphasise the importance of supporting *muallaf* by providing them with knowledge, guidance, and financial assistance, particularly through *zakat*. However, *zakat* aid is often short-term and limited by the eligibility criteria for *asnaf* recipients. To facilitate their integration into Islam and provide sustained support, the establishment of a co-operative for *muallaf* is proposed. Such co-operatives can offer a broader range of financial services and are more flexible, with greater potential to empower *muallaf* economically and sustainably. This paper aims to identify the challenges faced by co-operatives in maintaining the financial well-being and educational opportunities of *muallaf* in Malaysia. This study adopts a qualitative approach. The findings reveal several obstacles encountered by co-operatives in supporting *muallaf,* including legal limitations, financial constraints, educational barriers, and the limited availability of Islamic products. The study concludes by proposing measures to enhance the economic stability and educational access of *muallaf* in Malaysia.

1. Introduction

Malaysia has long been recognised as a multi-ethnic country, characterised by a diverse range of ethnicities and religions. The *muallaf* community, or those who embrace Islam, is among the groups that play a significant role in this diversity. In economic development, co-operatives have proven to be an

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effective tool in helping *muallaf* improve their standard of living. Among the *muallaf* community, co-operatives provide an appropriate platform for them to thrive economically based on principles of justice, equality, and mutual assistance. From the Islamic perspective, the concept of co-operative aligns with the principles of *Ta'awun*. Cooperation, or *Ta'awun,* is a noble value in the work practices of Muslims. The Quran encourages Muslims to cooperate in doing good (*ma'ruf*) for the well-being of their community, as stated in Surah *al-Ma'idah*:

"And help one another in righteousness and piety. However, do not help one another in sin and aggression." (Qur'an, 5:2).

Islamic co-operatives represent an alternative co-operative model that improves societal efficiency and benefits partners and the national economy simultaneously. Fundamental principles, such as profit-and-loss sharing models, avoidance of speculation, and encouragement cooperative values, govern Islamic finance and contribute to efficient business operation. Islamic cooperatives promote transactions based on real goods and services and profit-sharing agreements. Also, Islam cooperatives aim to build an ethical financial system with the hope of distributing the wealth that reduces poverty rates in the long run (Hamzah, 2017).

The history of cooperatives in Malaysia began in 1907 with the establishment of "co-operative companies" to help farmers. Since independence, cooperatives have been the backbone of Malaysia's economic sector. In the beginning, co-operatives in Malaysia focused on the agricultural sector through resource sharing among farmer groups to increase efficiency in crop production and marketing. However, over time, the role of co-operatives has expanded to various economic sectors, including trade, services, and industry (Othman et al., 2013).

Since the establishment of the first co-operative in 1922, co-operatives have been a crucial foundation in Malaysia's economic sector. In the 1980s, the Ministry of National and Rural Development launched the '*Era Baharu Koperasi*', spearheading the cooperatives to be more progressive and dynamic. The Malaysian government responded to the move by taking various initiatives to support the growth and development of co-operatives nationwide. Key measures include the establishment of the Ministry of Co-operatives and Consumerism in 1956 to manage co-operative-related policies, followed by the formation of the Malaysian Co-operative Council in 1971 to strengthen co-operative management. Subsequently, institutions such as *Majlis Koperasi Malaysia* (MKM), *Suruhanjaya Koperasi Malaysia* (SKM), and Angkatan Koperasi Kebangsaan Malaysia (ANGKASA) were developed as centres for cooperative education and management. As a private business organisation, the efficiency of co-operative management can be assessed based on financial and non-financial aspects such as social value, management functions, and relationships among co-operative members (Abd Rahman & Zakaria, 2018).

The Co-operative Act of 1993 incorporated SKM and assigned it the responsibility of monitoring the cooperative sector. Beginning with just eleven co-operatives originally, the number of registered co-operatives has now exceeded 14,000 bodies, with more than 7.5 million members. According to the Interim Report of Co-operative Movement Statistics for Half-Year Performance Report of 2020, the total assets of co-operatives reached up to RM 143 billion, while their revenues amounted to RM 24.6 billion in 2019. This number demonstrates the critical role of cooperatives in shaping Malaysia's economy and benefiting millions of its citizens. Co-operatives in Malaysia have undergone changes and adjustments in line with globalisation trends and ever-increasingly complex economic needs. There has been an increase in various types of co-operatives, including entrepreneurial co-operatives, consumer co-operatives, and educational co-operatives (Munajat, 2021). In essence, the co-operative movement can serve as a powerful platform to support the economic and educational advancement of *muallaf*, promoting their welfare and inclusion in Malaysia's broader economic framework.

According to the Malaysian parliamentary session report from February 13th to April 4th 2023, the latest number of *muallaf* registered in Malaysia is 61,449. The number of *muallaf* who have returned to their previous faiths (apostasy) cannot be recorded because such data can only be obtained from the court when an application to leave Islam was filed. Various measures have been taken to ensure that *muallaf* remain followers of Islam and are not tempted to commit apostasy. These measures include establishing the Institute of Islamic Studies and Da'wah to provide adequate knowledge, ensuring the welfare of *muallaf*, offering temporary accommodation, and providing financial assistance to help them live according to Islamic law (Portal Rasmi Parlimen Malaysia, 2023).

Malaysia is witnessing an increasing number of *muallaf*, indicating a positive growth that warrants sustained efforts. The increase is attributed to the beauty of Islam and the efforts to explain it by various parties that applied effective methods to spread the religion (Muharam, 2023). The number of *muallaf* in Malaysia is estimated at 10,000 people per year. Sabah and Selangor recorded the highest number of *muallaf*, with 20,115 and 16,708, respectively, from 2010 to 2018, averaging 2,000 people per year (Ahmad, 2021). The increasing number of *muallaf* in Malaysia strengthens the need for cooperatives to provide tailored economic, educational and social services to ensure their smooth integration into the community and long-term welfare.

Currently, the role of co-operatives in developing the *muallaf* community is increasingly emphasised and expanded with programmes and assistance provided to improve their economy and well-being. However, cooperatives are faced with current issues that hamper the economic and educational development of *muallaf*. The issues include limited access to sharia-compliant financing, a lack of awareness about co-operatives, insufficient skills and entrepreneurial guidance, inadequate support and business networks, challenges in risk management, and economic welfare imbalances within the *muallaf* community in rural areas.

This paper is structured to address the objectives of the study by first providing an overview of the development of the *muallaf* community in Malaysia and the role of cooperatives in supporting their integration. It then explores the current challenges faced by cooperatives in delivering effective socio-economic and educational support to *muallaf*, particularly in rural areas. Following this, the paper presents an analysis of the key factors that hinder co-operative initiatives, supported by relevant data and case examples. Finally, the paper offers practical recommendations and policy suggestions aimed at strengthening the role of co-operatives in enhancing the welfare and long-term sustainability of the *muallaf* community.

2. Research Methodology

The design of this study followed the qualitative methods, where the data was analysed descriptively. It was used to understand and identify the issues and context of the study in-depth based on secondary information sources (Ismail & Ali, 2018). In the context of this study, data collection from documents and descriptive analysis (content analysis) were used to examine the contribution and challenges of co-operatives in sustaining the economic and educational well-being of *muallaf*. Ab. Rahman et al. (2017) explained that document analysis can help researchers obtain data directly without needing to refer to individuals or officers involved. From the aspects of validity and evidence, it is unquestionable because its sources can be verified and are consistent. This data is also often used to present, reinforce, and support information and can make comparisons between old data and new information.

3. Finding and Discussion

3.1 The Concept of Muallaf

The fourth edition of *Kamus Dewan* (Dewan Bahasa dan Pustaka, 2010) defines *muallaf* or new converts as those who have newly embraced Islam. The term *muallaf*, derived from the Arabic words *allafa*, *yua'llifu*, and *ta'lifan*, means to unite or bring something together with something else (Ibn Manzur, 1998). The specific meaning of the term is described in Surah *al-Taubah*:

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"Indeed, zakat expenditures are only for the poor and for the needy and for those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise." (Qur'an, 9:60).

The group of *muallaf* referred to in the above verse are those whose hearts are inclined towards Islam. They were categorised as one of the groups eligible to receive *zakat* to strengthen their faith in the truth of Islam. Qutb (1998), in his interpretation of *Fi Zilal al-Qur'an*, divided *muallaf* into three groups: those who have newly embraced Islam and are strengthened in their faith by receiving *zakat*, those who have not yet embraced Islam but are hoped to be inclined towards Islam through *zakat*, and those who are already Muslims and are given *zakat* to attract their relatives and acquaintances to embrace Islam.

Subri et al. (2015) explained that the diverse use of the term *muallaf* in Malaysia stems from differences in thought, sociocultural and academic discourse, and legal perspectives. The study posited that some individuals view the term "*muallaf*" positively due to the priority and advantages of receiving zakat and religious guidance. However, others disagree based on the "second-class" treatment *muallaf* can receive from the Malay Muslim community. However, the terms "new convert" or "our brother" are commonly agreed upon, as they are friendlier and close and celebrate their presence in the spirit of Islamic brotherhood. This is further supported by a semantic study by Mat et al. (2019), who compared the terms Conversion, Reversion, Repentance, *Aslama*, and *Muallaf*. The study prefers to retain the term "*muallaf*" in the Malaysian context due to the special rights and specific treatment in terms of educational and financial assistance given to the new converts.

However, the State Religious Administration Councils in Malaysia have reinterpreted the term. Ab. Rahman et al. (2018) stressed that this reinterpretation occurred due to new *ijtihad*. During the reign of Caliph Umar al-Khattab RA, a serious investigation process was carried out by Islamic scholars, as zakat aids were halted among Muslims, as their faith was deemed firm. Thus, based on this event, as well as referring to contemporary scholars such as Dr Yusuf al-Qaradawi, Umar al-Aqshar, Dr Wahbah al-Zuhaily, and Dr Mustafa Khin, the eligibility criteria for zakat recipients among the *muallaf* were determined, based on considering the customs of the Muslim community in Malaysia.

Based on the views of researchers on *muallaf* in Malaysia, such as Kasimin (1985), Chuah and Muhamad Shukri (2008), Puteh (2005), Abdullah (2009), Muhamat (2014), Shaharuddin et al. (2017), Rahman (2017), and Abd Majid (2012) *muallaf* or new converts are defined as individuals who have recently embraced Islam by reciting the *shahada* and whose hearts are inclined and softened by Allah SWT's guidance to accept Islam as their way of life. Their inclination towards Islam will strengthen their faith and practice, provided they receive proper guidance and attention, along with financial support through *zakat*.

However, *muallaf* often face internal and external challenges that affect the firmness of their adherence to and appreciation of their new religion. Abdullah and Sham (2009), Muhamat (2014), and Abdul Ghani (2017) found that new converts are at risk of experiencing psychological crises from the initial phase of embracing Islam to the phase of establishing themselves in their new religion. Major challenges in terms of religious guidance, family and community acceptance, and self-adjustment are crucial aspects that need to be addressed by state religious institutions to ensure that this group continues to receive appropriate assistance, especially in terms of education, counselling, and financial support.

3.2 Development of Co-operatives in Malaysia

From a historical point of view, the development of the co-operative movement can be devided into four parts. First, the initial stage of the establishment of co-operatives in Malaya, Sabah and Sarawak around 1922 to 1945. Second, the development stage of the co-operative movement from 1945 to 1982. Third, the new era of the cooperative movement began from 1982-2004. Fourth, from 2004 to now, the cooperative era is currently being developed as an instrument of the Islamic financial system (Idris & Safaai, 2012).

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The British colonialists introduced the idea of establishing cooperatives in Malaysia. In 1911, based on the circumstances at the time, Sir Arthur Young established a committee to study the pros and cons of establishing a co-operative. However, as the First World War (1914-1918) broke out, his efforts to establish a co-operative failed. At that time, the British officials felt that the society in Malaya was experiencing severe economic and social problems. The harmony of their lives had been impacted the debt issue. This issue was compounded by the form of customary and cultural practices that demanded excess spending, which directly discouraged them from being thrifty (Ramli, 1990; Mohamed Hisham, 2004).

The British government at that time took a serious view of the situation that was plaguing the Malay community. Thus, the government established a special government savings bank for the farming community. However, this programme was not successful and did not receive a response, especially from the rural community. Following that, British officials introduced a bill for the constitution and enforcement of cooperatives, in 1922 known as the "Cooperative Enactment". This law was copied from the co-operative law passed and used in India since 1912. As a result of the enactment, the government established a body that regulated the affairs of co-operatives, named Jabatan Kemajuan Kerjasama, and later, it was renamed Jabatan Pembangunan Koperasi (JPK) in 1922.

The co-operative movement in Malaysia and Malaya began with the establishment of the Thrift and Loan Co-operative for Telecom and Post Department Employees, which was registered on July 21, 1922. This co-operative was established in Perak with a total of 547 members and a base capital of RM 14,239.00. After the establishment of the first co-operative, many co-operative companies were established between 1922 and 1925. Most of the co-operatives established were rural credit cooperatives. The first rural credit co-operative company in history was Syarikat Kampung Tebuk Haji Musa cooperating with Tanggungan Terhad, which was established in Parit Buntar, Perak, on January 12, 1923.

Between 1923 and 1939, the development of Malayan cooperation companies was considered slow and not comprehensive. Several problems, such as administrative affairs, the attitude and response of the local population, the unstable economic situation and the Malay community, who do not understand the ins and outs of cooperatives and acting as an advisory body, dampened the development of cooperation companies at that time. To meet these needs, the government established the Cooperation Board in 1926. Between 1928 and 1931, the co-operative could not grow due to adverse economic conditions, as the price of the main commodities, especially rubber and coconut prices, had fallen, causing nineteen rural credit co-operative companies to close. After 1934, the economic situation started to improve, leading to the establishment of several cooperatives for Malays and Indians. Before the outbreak of the Second World War (1941-1945), the federated Malay States, the Straits Settlements, and the non-federated Malay States had established their cooperative laws. During the Japanese rule, all co-operative movements stopped except in Kedah and Selangor.

The co-operative movement entered the second phase when the British returned to rule. Compared to the previous stage, the movement of the co-operative was updated and reorganised. In 1948, a co-operative company law known as 'The Co-operative Societies Ordinance 1948' was passed, and until now, this ordinance has been in force, with some amendments made over time. The reorganisation of the co-operative movement achieved encouraging results. The 1950s and 1960s saw the co-operative movement grow rapidly, especially in rural areas. However, the performance of cooperatives in rural areas is less encouraging due to the weakness of the management, the lack of support and understanding of the members, and the attitude of the members of the board of directors who like to embezzle the cooperative's money.

The growth of many cooperatives causes pressure on them, especially small ones, to obtain financial resources to carry out their activities. Consequently, the establishment of Bank Rakyat, also known as Bank Kerjasama Rakyat, took place in 1967. This bank is the first bank in Malaysia to provide loans to cooperatives. In the early stages of its establishment, Bank Rakyat provided various facilities, including credit facilities for small and medium co-operatives in rural areas. Until now, Bank Rakyat is still carrying out that function, and they are regarded as the main bank for the co-operative movement in Malaysia.

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During this second phase, the cooperative movement was also introduced in East Malaysia. The cooperative movement in Sarawak only started on 3rd May 1949, while in Sabah, it was introduced in 1959. Originally, the co-operative laws in force were 'Co-operative Ordinance 1949 (Cap. 66 of The Laws of Sarawak)' and 'Co-operative Ordinance No.3/1958 of Sabah', and the rules were made under these ordinances. From 1970 to 1981, the government continued to encourage the development of cooperatives in line with the socioeconomic development of the time. Several specialised agencies, working with Jabatan Pembangunan Koperasi (JPK), streamlined the cooperative movement during that period. Some of the notable agencies are Lembaga Pertubuhan Peladang (LPP) in August 1973 and Lembaga Kemajuan Ikan Malaysia (LKIM), established on 1 November 1971. Thus, in 1974, LPP and LKIM assumed the responsibility of supervising agricultural cooperatives. Other cooperatives in cities not based on agriculture and fisheries remained under JPK regulation, but in Sabah and Sarawak, JPK was the body that regulated all cooperatives.

In addition, this phase also saw the establishment of Angkatan Koperasi Kebangsaan Berhad (ANGKASA) because of a reflex desire to integrate co-operatives in Malaysia. ANGKASA is regarded as an umbrella organisation for co-operatives, aimed at protecting their interests at the regional, state, and national levels. ANGKASA was established in May 1971, whose manifesto reads: More focus on expanding widely, cooperation among co-operatives and connecting co-operative bonds with the government in line with DPN. In addition, Maktab Kerjasama Malaysia was also established in 1956 and incorporated in 1968, which functions specifically for studies in the field of co-operatives. This college is a statutory body placed under the Ministry of Land and Co-operative Development at that time (Abd Rahman & Zakaria, 2018).

During the second phase, Islamic cooperatives were also established in Malaysia. The first Islamic cooperative to be established was Koperasi Belia Islam Berhad (KBI), which was initiated by the Malaysian Islamic Youth on 31st May 1977. Throughout its operation, KBI has received awards from the Ministry of Land Development and Co-operatives for the 'Model Co-operative' category in 1985 and 'Quality Award' in 1993. After the successful establishment of the first Islamic cooperative, because of the diligent efforts of the Malaysian Scholars' Association (PUM), on November 22, 1980, Koperasi Muslimin Berhad (Muslimin Co-operative) was established.

Looking at the development and encouraging response from the community, the government organised a delegation to Pakistan and the Middle East countries in April 1985 to study their implementation of Islamic cooperatives. Pakistan was chosen as a model at that time because the country successfully implemented organised Islamic cooperatives and administration that followed the *sharia*h rule. The research and discussion with Islamic cooperatives in Pakistan resulted in the government establishing a steering committee to enact the establishment of an Islamic-based cooperative company chaired by Anwar Ibrahim. These efforts have spearheaded the growth of Islamic cooperatives throughout time.

Ismail and Said (2012) listed 42 co-operatives that practice Islamic principles, including Perlis Islamic Religious Affairs Department Council Officials Co-operative, Kedah Religious Officials Co-operative, Community Welfare Co-operative, Perak State Religious Teachers' Multipurpose Co-operative, Cahaya Malaysia Co-operative, Malaysian Islamic Youth National Co-operative, Malaysian Priests' Multipurpose Co-operative, Perwira Co-operative Malaysia Berhad, UTM Co-operative, UKM Co-operative, UPM Co-operative, UIA Co-operative, KOSWIP, KKUM, MARDI Co-operative, Malaysian Prison Co-operative, MOCCIS and Bank Rakyat.

Next, with the rapid development of co-operatives, the government declared the New Era of Co-operatives in 1982, which was the third phase of co-operative development. This new era of cooperatives was the result of the government's awareness of the need to shift the community's focus to the role of co-operatives. In the past, the community viewed cooperatives as an establishment related to credit and aid only. However, in the New Era of Co-operatives, the government aimed for the community to view co-operatives as a development tool. With that, the New Era of Co-operatives was launched in 1982, as a continuous effort by the government to advance the co-operative movement in Malaysia. The New Era of Co-operatives in 1982 introduced six new types of co-operatives, namely, District Development Co-operative, Village Industry Co-operative, National Development Co-operative, Village Development Co-operative, Employee Investment Co-operative and Co-operative Auditor Institute.

The fourth phase of the development of co-operatives is the recommendation of scientists that co-operatives participate as a component of the Islamic Financial and Banking System in Malaysia. This suggestion was welcomed by Tan Sri Dr Mohd Yusof Noor, who stated that cooperatives in Malaysia have an asset value of millions of ringgits and, thus, need to be properly developed to support the development of the Islamic Banking and Finance System in Malaysia. Also, co-operatives need to prepare to stand together with other NBFIs in the Third Wave of development of the Islamic Finance and Banking System in Malaysia. This development is something interesting, and it is hoped that continued efforts will be made to develop the co-operative movement together with other NBFIs.

3.3 The Role of the Islamic Economy in Supporting the Development of Muallaf s in Malaysia

Islamic economics is the study and application of *shariah* laws and regulations, which prohibit injustice in obtaining and distributing material resources to satisfy human needs and allow individuals to fulfil their societal and religious commitments (Zaman, 1984). It allows considerable freedom within specific limits, such as the prohibition of interest *(riba')*, uncertainty *(gharar)*, gambling (*maysir)*, and other forbidden elements. According to Islam, all transactions must comply with *shariah* because certain requirements render a transaction haram (Ismail et al., 2020).

Islamic economics is founded on the concept of mutual brotherhood, where each Muslim is expected to assist one another, reflecting a complete set of Imaan (faith). This principle emphasises altruism and caring for others, leading to a sense of brotherhood through economic activities, mutual help, and cooperation. The attitude of mutual sacrifice and cooperation to meet the needs of the poor and needy is central to this concept (Ulum, 2017). Islamic economics can support the development of *muallaf* in Malaysia through mutual assistance and understanding.

One key principle of Islamic economics is zakat, an obligatory payment that members of the Muslim community must make. Its goal is to collect surplus wealth from society's wealthier individuals and distribute it to the underprivileged and needy. Eight groups are eligible for zakat; five of these groups are specifically designated to reduce poverty: the impoverished, the needy, debtors, slaves (to aid in their freedom), and travellers experiencing financial difficulties. The other three groups include those who oversee the administration of zakat, those whose hearts lean toward Islam, and those who follow Allah's path (Punding et al., 2024). By practising zakat, the needs of *muallaf* can be met effectively.

4. The Challenge of Sustaining the Economic Well-being and Education of *Muallaf* in Malaysia

4.1 Legal Challenges

According to the provisions in the State Islamic Religious Administration Enactments, several interpretations have been made to confirm the status of a person's conversion to Islam. Analytical studies by Ab. Rahman et al. (2018) and Bhari et al. (2019) found that the interpretations within the State Islamic Religious Administration Enactments for the states of Penang, Kedah, Perak, Selangor, Negeri Sembilan, Melaka, Johor, Terengganu, and Pahang are similar, where they define a *muallaf* as someone who has newly embraced Islam by reciting the shahada in Arabic clearly and understanding its meaning consciously and voluntarily without coercion. Leniency is given to disabled *muallaf* to recite the shahada using sign language that witnesses can understand. However, no specific interpretation of *muallaf* was outlined in the State Islamic Religious Administration Enactments for Perlis, Kelantan, the Federal Territories (Kuala Lumpur), Sabah, and Sarawak.

In Malaysia, the determination of the duration for naming and referring to someone as a *muallaf* is based on customary practice (‘*urf*) and the decisions of each state's Fatwa Committee. Nine states, namely, Perlis, Kedah, Negeri Sembilan, Johor, Kelantan, the Federal Territories, and Sarawak, do not specify a duration for calling someone a *muallaf*, compared to Selangor, Pahang, Perak, Pulau Pinang, Terengganu, and Sabah, which generally set a period between three to seven years (Ab. Rahman et al., 2018; Bhari et al., 2019). This situation shows a lack of uniformity and alignment in determining the duration for referring to *muallaf* s in each state in Malaysia. Each state is empowered to determine the duration according to its situation and needs. Some states do not set a duration for the label to allow continuous aid due to guidance and poverty factors.

In the economic context, the absence of a definite, clear period can make it difficult for co-operatives to plan effective economic programs and activities for *muallaf*. Long-term planning might be affected as the lack of clear guidelines cannot determine how long support or assistance should be provided, impacting financing and fund management. In terms of developing education for *muallaf*, without a set period, co-operatives may face challenges in planning appropriate curriculums and educational programs. Difficulties in assessing the progress of *muallaf* over an unspecified period can affect the effectiveness of educational programs. Also, the absence of a timeline creates challenges in evaluating the effectiveness of the provided educational programs, hindering ongoing improvement efforts to ensure *muallaf* receive quality education.

4.2 Lack of Funds

Co-operatives are responsible for supporting the high capital needs required to back projects and businesses of *muallaf*. Investment in the economic sector of *muallaf* might involve high risks, and co-operatives need to have effective strategies to manage these risks and ensure successful investments. The high capital requirements also pose a challenge, especially for co-operatives with limited financial resources. Therefore, finding capital contributions and effective risk management strategies become crucial for co-operatives in empowering the economic sector of *muallaf*.

Co-operatives often face difficulties obtaining sufficient financing sources to execute projects and initiatives successfully in the economic sector. Some of the factors that hinder success are financial regulatory constraints, lack of sufficient guarantees, and limited knowledge about the economic potential of *muallaf* from recognised financial institutions (Wuryani et al., 2019). Consequently, co-operatives will struggle to provide the necessary financial support for *muallaf* to start or expand their businesses.

Morshidi (2017) explained that co-operatives may face challenges in accessing additional external capital sources, such as financings from banks or outside investors. This situation may stem from the lack of trust from external parties towards the co-operative business model or due to the lack of guarantees that co-operatives can offer as collateral for loans. In this context, *muallaf* and co-operatives alike face stigma or discrimination from the community or other parties who may doubt their intention or commitment. *Muallaf* may face discrimination based on their religion or ethnic background, while co-operatives may be viewed as less experienced or stable compared to conventional businesses.

Yacob et al. (2023) pointed out that the question that needs to be addressed within the co-operative itself is to what extent the members or the Board of Directors are willing to take risks in allowing their co-operative to engage in high-impact and large-scale business activities. Generally, most co-operatives today focus more on easily managed and less challenging economic activities. Such traditional businesses do not yield high returns for the co-operatives due to their low risk, thus failing to make a significant contribution to the economic and social well-being of the Muslim community. Most co-operatives in Malaysia tend to engage in exploitative activities rather than other business activities with higher risks that bring lucrative income to the co-operative.

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In the context of *muallaf*, this challenge relates to the willingness to take risks in pursuing greater economic opportunities. *Muallaf* might prefer more traditional business opportunities to avoid high risks. However, the drive to take risks and explore greater business opportunities can help them achieve higher economic independence.

4.3 Educational Challenges

A *muallaf* needs education to move from formal conversion to practical conversion (Awang & Che Mat, 2024). The co-operative's provision of modules or textbooks in the *muallaf's* mother tongue can help them master the Islamic content and practices. Co-operative can host daily tutoring to help them understand Islam more effectively (Ng, 2013).

The challenges of co-operatives in preserving the well-being of *muallaf* education in Malaysia involve several aspects that need to be addressed wisely. *Muallaf* need specific support to adapt to their new life, learn the religion, and improve their education. With comprehensive support, *muallaf* can have better opportunities for growth and success in the field of education (Hamid, 2020).

Co-operatives mostly suffered from a lack of funds and resources. Co-operatives often face a lack of funds to implement quality educational programs, hindering efforts in providing the courses and training required by *muallaf*. Human and material resources may also be limited, causing difficulties in carrying out planned activities (Wuryani et al., 2019). Furthermore, the use of technology in education may not be fully accessible or utilised by all *muallaf*, especially in areas with less infrastructure. Therefore, co-operatives need to continue to innovate to ensure that education programs remain relevant and effective.

Next, the lack of skills among co-operative members or co-operative management itself is also a significant challenge. Co-operatives may face a shortage of training instructors who have expertise in educating *muallaf* sensitively and effectively. Co-operative members with expertise in conversion education may not be insufficient. Also, the lack of educating and training in co-operatives can lead members to lose understanding of their roles, rights and responsibilities in co-operatives. Co-operative failure can also stem from lack of understanding of co-operative principles among their members. Therefore, co-operatives must provide education to all members to help them understand the significance, role and efforts carried out by co-operatives (Yacob et al., 2023).

4.4 Issues on Islamic Products Offered to Muallaf

Islamic products, also known as *shariah*-compliant financial products and services, encompass products, services, and related contracts that adhere to *shariah* rules. These products have unique features and characteristics that set them apart from conventional products. Examples include *Mudharabah* (profit sharing), *Wadiah* (safekeeping), *Musharakah* (joint venture), *Murabahah* (cost-plus financing), *Ijarah* (leasing), *Hawalah* (an international financial transfer system), *Takaful* (Islamic insurance), *Sukuk* (Islamic bonds), and others. Sharia law prohibits *riba*' (interest), *gharar* (uncertainty), and *maysir* (gambling), as they can be detrimental to one party. Investments in enterprises that provide goods or services contrary to Islamic values (e.g., pork or alcohol) are also considered haram (sinful and prohibited). Islamic products are not exclusively for Muslims. These products are open to everyone, and both Muslims and non-Muslims are increasingly accepting Islamic financial products and services (Lajuni et al., 2020).

A co-operative is a voluntary association of individuals who work together to meet their common economic, social, and cultural needs and goals through a jointly owned and democratically controlled enterprise. Co-operatives are based on the principles of self-help, responsibility, democracy, equality, equity, and solidarity. Members adhere to ethical values such as honesty, openness, social responsibility, and care for others. Co-operatives are open to anyone who can use their services and are willing to accept the responsibilities of membership without discrimination based on gender, social status, race, political affiliation, or religion (International Cooperative Alliance, n.d). One challenge for co-operatives is that they

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offer benefits to all members regardless of these factors. This inclusivity could pose a difficulty when establishing a co-operative specifically for *muallaf* due to the religious factor.

New *muallaf* to Islam are often like children with little Islamic knowledge. They are required to attend Islamic classes for *muallaf* offered by the State Department of Islamic Religion (JAIN) and registered non-governmental organisations (NGOs). However, some *muallaf* do not fully appreciate Islam for various reasons. This situation is precarious because a lack of understanding might lead *muallaf* to return to their former religion and create misunderstandings, particularly about religious issues (Aliakbar & Md Rasip, 2023). Additionally, *muallaf* often lack knowledge and understanding of Islamic products, perceiving them as similar to conventional loans. This misconception leads to *muallaf* to refusing Islamic products, believing they will not benefit them.

5. Conclusion and Recommendations

Several recommendations and suggestions address the challenges faced by co-operatives in Malaysia. First, co-operatives can collaborate with religious institutions and dawah NGOs to provide social support tailored to the needs of *muallaf*. This partnership ensures that the assistance will be holistic and meet their spiritual and physical needs. Second, it is crucial to develop comprehensive contingency plans to handle various scenarios, including changes in the number of *muallaf* and their needs. These contingency plans can help co-operatives respond to any unexpected changes quickly and effectively.

Additionally, co-operatives can offer entrepreneurial opportunities to *muallaf* through training programs, mentoring, and initial capital to help them start their businesses. These aids will enable *muallaf* to become self-reliant and contribute to the local economy. Implementing microcredit programs is also a good step. These programs can help them start small businesses be more independent and lessen their dependence on zakat. Furthermore, establishing credit co-operatives to provide *muallaf* with financings that have easy conditions and low-profit rates can be a positive measure. This will give them access to the necessary capital without a heavy financial burden. Moreover, co-operatives can invest in safe and Shariah-compliant investments. By allocating a portion of the co-operative's funds to these investments, the co-operative can generate additional income to further support *muallaf*. Lastly, co-operatives can engage in business ventures such as agriculture, retail, or services to create additional revenue streams for the co-operative. This not only enhances the co-operative's finances but also provides job opportunities for the local community.

Among the recommendations to overcome the challenges of *muallaf* education are fundraising and collaboration with non-governmental organisations (NGOs) and the private sector to secure the necessary funds and resources for *muallaf* education. In addition, co-operatives also need to disseminate awareness of the needs of *muallaf* through seminars, workshops and campaigns, provide training for instructors and invite experts in *muallaf* education. Next, co-operatives need to develop a flexible curriculum and provide additional guidance to help *muallaf* adapt as well as create programs that integrate education and social support for the overall well-being of *muallaf* (Awang et al., 2023). In this modern era, co-operatives need to leverage technology in a way that is accessible to all, including using online platforms for education. With a planned and collaborative approach, co-operatives can play an important role in ensuring that the well-being of *muallaf* education in Malaysia can be achieved and continued effectively.

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Conflict of interest statement

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

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Authors' contributions

Mohd. Zuhaili Kamal Basir carried out the research, wrote, and revised the article. Muhammad Zulkhairi Zakariah is responsible for reviewing, proofreading, editing, and handling the publication process as the corresponding author. Azlan Yusof Punding conceptualized the central research idea and provided the theoretical framework. Muhammad Anas bin Abdul Razak collected the necessary literature to use as references and supervised the research progress.