

Positioning Islamic social enterprise (ISE)

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ARTICLE INFO

Article history:

Received 2 June 2018

Received in revised form

4 August 2018

Accepted 18 August 2018

Published 30 September 2018

Keywords:

Islamic social enterprise

Islamic third economic sector

Islamic social finance

ABSTRACT

The Islamic Social Enterprise (ISE) is increasingly gaining attention due to its flexibility to perform trading activities for income generation while at the same time offering societal contributions. The roles of ISE is greatly viewed from value-based perspective, where the ISE's objective is to support the Islamic third economic sector in easing the needs of those unfortunate and middle class citizens. Involving in trading activities is imperative for this institution given that collections from donations are insufficient as the demand for contribution is very high, as well as there is some cost acquired in its management. In this case, ISE's sustainability should be taking care of to ensure the continuous contributions can be given to society. There are several perspectives on the definition of ISE since it is normally formatted in different forms, receiving initial and continuous source of collections from different Islamic charitable contracts and running different activities. Therefore, this paper attempts to position the definition and the context of ISE by deliberating its definitions and characteristics. Thus, the paper reviews the existing literature from the area of Islamic third economic sector and Islamic transaction law and inter-relating these aspects in the context of ISE. The focus is given on the aspect of the institution's objectives, source of capital using the Islamic charitable contracts, its activities and; income generation and distribution. Based on the findings, the distinctive yet flexible definition of ISE expands the new and relevant area of Islamic third economic sector using Islamic charitable contracts. The discussion highlights that ISE should be guided by *maqasid syariah*, and follow the Islamic principles. This paper points out that not all Islamic charitable contracts are applicable for ISE, which should be comprehended for new established ISE.

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1. Introduction

ISE plays functional roles to generate wealth for societal purpose, either in the form of a small independent entity, wing of the non-government organizations (NGOs), local entity or international-based entity. Islamic Relief is a worldwide Islamic non-profit institution (NGO) that has its own ISE outlets, known as Charity Shoppe. Others that can be included under the same criteria such as *Waqf* Annur Clinic (under the *waqf* institution - *Waqf* Annur Corporation) and Kedai Amal (under NGO - Amal Palestin) in Malaysia (Kamaruddin & Auzair, 2018; Mishbahrudin & Mohd Noor, 2016; Muhamed, Ramli, Shukor & Kamaruddin, 2016). There are increasing numbers of ISE with varieties of services offered, including education, healthcare, hospitality services and consumer goods trading (Kadir & Sarif, 2016; Mishbahrudin & Mohd Noor, 2016). This type of institution is setting up from capital (in the forms of goods or money) that is collected via donations and almsgiving. ISE fulfills the needs of the needy by offering goods and services at an affordable prices and fees, whereas at the same time provide income for its own sustainability. Even though there are some understandings on the idea of ISE, yet it is far from enough. Given that there are varieties of institutions that facilitate to support the Islamic third economic sector's objectives with the diversity Islamic contracts that are adopted, misunderstanding on the linkages and opportunities between the two substances can lead to the misconception.

Altruism and almsgiving is an honorable trait in Islam. There are few mechanisms established in Islamic traditions to accommodate those purposes. These include *waqf*, *zakat*, *sadaqah*, *hibah* and *qard hasan* contracts. With an increase in numbers and types of *waqf* assets, the management of *waqf* institution becomes more innovative to generate income from *waqf* assets to benefit large numbers of the recipients. Meanwhile, another similar institution that is now developed worldwide is *zakat* institution. This institution is dedicated for collection and distribution purpose due to specific requirement of the *zakat* contract, where the function is contrary with ISE. In this case, not all Islamic charitable contracts are applied for ISE.

The Social Enterprise (SE) is well known in the Western countries in 1980s. SE is defined and conceptualized in a very broad spectrum. The term 'social enterprise' is interchangeably perplexed with the terms volunteerism, social work, welfare and entrepreneurship. The terms infer two areas, namely social and entrepreneurship. These two areas are then combined to form SE. Literatures show that SE has been viewed from many aspects such as from the perspectives of its: (i) objectives (Spear, Comforth & Aiken, 2009; Kerlin, 2006); (ii) activities (Di Domenico, Haugh & Tracey, 2010); and (iii) forms of establishment (Defourny & Nyssens, 2008). SE has primarily social objective where its surpluses are principally reinvested in the business or in the community, rather than being driven for maximizing shareholders' wealth (Spear *et al.*, 2009; Kerlin, 2006) or maximizing profit for shareholders and owners (Defourny & Nyssens, 2010) as in private sector. Doherty, Haugh and Lyon (2014) recognize the dual mission of financial sustainability and social purposes in SE. In relation to SE's activities, Dees (1998) refers SE as a private organization that is dedicated to solving social problems and serving the disadvantaged by providing goods that may not be sufficiently delivered by public or private sector.

There are different modes of SE and ISE's establishment. These include social cooperative that has been used in Italy, Poland and France, social solidarity cooperative in Portugal, social initiative cooperative in Spain, social purpose company in Belgium and community interest company in UK. Previous studies by Spear *et al.* (2009) identify four types of SE which are: (i) mutual; (ii) trading charities; (iii) public sectors spin-offs; and (iv) new-starts SE. However, a study on SE in Eastern Asia countries conducted by Defourny and Kim (2011) identifies different types of SE based on the environment of those particular countries. The different types of SE are based on legal perspectives view.

In another perspective, SE and ISE can also be divided into three main dimensions which are: (i) economic and entrepreneurship dimension; (ii) social dimension; and (iii) participatory governance dimension (Defourny & Nyssens, 2008). From economic and entrepreneurship dimensions, ISE runs a continuous activity by producing goods and/or trading services of the consumer goods to the customers.

SE largely has been supported by voluntary workers. In addition, ISE hires minimum level of paid workers to run its business activities which also becomes part of its contribution in providing employability to society. From social dimension aspect, SE contains an explicit aims for community benefits and is run by non-profit organizations with limited profit distributions. Lastly, from participatory governance dimension, SE contains high degree of autonomy as it does not have shareholders as owners. Absence of shareholders influences decision making process since the decision does not perform based on capital ownership as normally being done by private business.

In addition, different classification of SE and ISE across the world also leads to different contribution and impact by these SE. For instance, SE in US are categorized as non-profit organization, which leads to the difficulties in distributing its profit generated due to regulator restriction. On the other hand, SE in Europe region are allowed to distribute some of its profit due to its categorization as cooperative or social firm (Kerlin, 2006). Meanwhile, this issue seems not to become as one in Asian region where SE in Asian countries such as China, Japan, South Korea, Hong Kong and Taiwan are eligible to choose either non-profit organization or cooperative as their categorization type (Kamaruddin & Auzair, 2018; Defourney & Kim, 2011).

In terms of differentiation between SE and ISE, it is highly believed that ISE operates with additional Islamic principles and values as compared to SE. There are three important Islamic concepts which are closely related in every Islamic organization including ISE, which are: (i) *al-falah* (success in this world and hereafter); (ii) *maslahah* (public interest); and (iii) *maqasid shariah* (Islamic objectives). In this case, the main objective for every Islamic organization including ISE is to achieve *al-falah*. Besides, *maslahah* also becomes another important objective that needs to be focussed by every Islamic organization including ISE. In order to achieve these two important objectives, ISE must be operated based on *maqasid shariah* (Ahmad, 1988). For this, there are five basic elements under *maqasid shariah* that need to be considered for every activity and decision made by ISE, which are: (i) preservation of faith, (ii) preservation of life, (iii) preservation of intellect, (iv) preservation of posterity and (v) preservation of wealth (Ghazanfar & Islahi, 1997; Chapra, 1992).

While ISE is considered as a new dimension of the third economic sector that aims to facilitate the socio economic of the poor, there are more difficulties to develop the concrete definition of ISE due to its variability. This paper aims to carefully position the definition and context of ISE by evaluating the relevant aspect of ISE, including the objective of ISE, Islamic charitable contracts, activities and income generation to gain robust dimension of ISE.

Therefore, this paper is organized as follow, Section 1 deals with the Introduction, while Section 2 focuses on the foundation of ISE from Islamic perspective which is *maqasid shariah*. Next, Section 3 elaborates on Islamic charitable contracts such as *zakat*, *waqf*, *sadaqah*, *hibah* and *qard hasan* and its relation with ISE. Further, Section 4 explains on positioning the ISE based on objectives and underpinning values, charitable contracts as its source of capital, activities, income generation and distribution aspects. Finally, Section 5 becomes an important section when it summarises the possible characteristics of ISE and concludes with some suggestions for future study on ISE such as operational aspects of ISE and its potential.

2. *Maqasid Shariah* as the foundation of ISE

The objective of Muslims is to achieve *al-falah*, in this world and hereafter. Consistently, to achieve this attainment, human's behavior should be guided by *shariah* (Islamic law). While there is no distinctive legal entity institution that operates business activities can be found in Islamic traditions (Kuran, 2006), it is assumed that the objective of the institution follows the objective of its founders, managers or stakeholders.

Maqasid shariah or the objectives of Islamic law are used widely to guide legal decisions, especially when there is a dynamic changes in the society that perhaps do not exist in the past. The main objective of

shariah (*maqasid shariah*) is to realize goodness and prevent harm among humans, and thus guide humans in the best way (Laldin, 2006). As has been highlighted by Ibn Ashur, the *maqasid shariah* is the acquisition of what is good and beneficial (*jalb al-masalih*) and the rejection of what is evil and harmful (*dar' al-mafasid*).

Al-Shatibi defines *maslahah* as 'a principle that concerns the subsistence of human life, the completion of one's livelihood, and the acquisition of what his/her emotional and intellectual qualities require of him/her in an absolute sense' (Dusuki & Abdullah, 2007). The concept of *maslahah* is further constructed into three elements of *dharuriyyah* (essentials), *hajiyyah* (complementary) and *tahsiniyyah* (embellishments). Al-Ghazali and extended by al-Shatibi (Ghazanfar & Islahi, 1997; Chapra, 1992) outlined five elements under the *dharuriyyah* (essentials); (i) preservation of faith, (ii) preservation of life, (iii) preservation of intellect, (iv) preservation of posterity and (v) preservation of wealth. Within this context, the Muslim economists such as Chapra (1992) and Siddiqi (2004) rightly asserts that the *maqasid shariah* should be viewed from large context by interrelating it with justice and equity through flows of distribution of wealth among different levels of society. Chapra (1992) goes further in depth by proposing that the richer should give away some portion of their wealth to help the poor obtain their needs as at the minimum at the *dharuriyyah* level.

3. Islamic charitable contracts

Islam promotes the idea of justice, brotherhood, and distribution of wealth. This basis is reflected in its encouragement on the responsibility of Muslims towards their brothers and sisters. From the private ownership perspective, there is no barrier for Muslims to own property and accumulate their wealth. However, there is requirement for them to distribute their wealth after spending part of it for their living. For Muslims, their benevolence activities to humanity are part of their obedience to Allah. There are a few types of Islamic charity funds which are obviously that each of them is differ with others. *Zakat*, *waqf* and *sadaqah* had their own unique characteristics (Sheila, Salman & Ilyas, 2012). Besides that, there are also few more Islamic charitable contracts such as *hibah*, *infak* and *qard hasan* (ISRA, 2011). These are the main mechanisms for fair distribution of wealth in Islamic society and reducing the gap between the poor and rich. However, some contracts have their own characteristics that are not suitable for trading purposes. The limitation should be taken into consideration by participants and managers of ISE.

3.1 Zakat

Zakat means 'purity'. Its importance as the obligatory almsgiving is shown in many Quranic verses. *Zakat* is also one of the five pillars of Islam, which consists of other pillars such as *shahadah*, *solat* (praying five times a day), fasting (in *Ramadhan*) and *hajj* (pilgrimage to Mecca). *Zakat* refers to the proportion of capital (of wealthy people), possessing the *nisab* (minimum *zakatable* amount) within completion of *haul* (possession of capital for a *hijriah* year) contributed to the justified recipients of *zakat* at the prescribed rate mentioned in Islamic sources (Sadeq, 2002).

Zakat and its encouragement has been mentioned in the Holy Quran in verses such as 2:43, 2:110, 2:177, 2:277, 9:71, 22:41, 23:1-11, 9:18, 4:162, 5:55-56, 31:2-5, 2:219-220, 2:267, 9:103, 9:60, 73:20, 2:245. One of the verses as below:

"Those who believe, and do deeds of righteousness, and establish regular prayers and regular charity, will have their reward with their Lord: on them shall be no fear, nor shall they grieve" (Al-Baqarah 2:277).

Zakat is mentioned definitely in Islam with specific instructions, differently from other types of charitable contracts. *Zakat* should be distributed to the specified different groups of needy. These

categories of people (*asnaf*) who are entitled to receive *zakat* have been clearly mentioned in the Holy *Quran*, including: (1) the poor; (2) the deprived; (3) those who are unable to cover their lawful debts; (4) destitute travelers; and (5) those in the path of Allah (Ibrahim, 2000). These categories are mentioned in the following verse:

"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] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise" (At-Taubah 9:60).

Based on Dean and Khan (1997), *zakat* should not be considered as merely based on benevolence, empathy or contractual agreement between the poor and rich, since it is a religious-based obligation. With the changes in types of income and business landscape, there are expansions on the concept of *zakat* payers including those related to business corporations and their obligation for *zakat*, *zakat* on corporations versus individuals, types of assets posed to *zakat* on business corporations, working capital and/or fixed assets, shares in companies offering services and manufacturing tangible products, shares held for trading or for dividend income, and the basis for the valuation of assets such as shares (Islahi & Obaidullah, 2004). Nowadays, corporations also pay *zakat* due to their status as legal entity and separateness from shareholders. The expansion of types of *zakatable* assets as well public and corporations' awareness leading to an increase numbers of *zakat* collection. Moreover, *zakat* also can be utilized as long-term investment for socio-economic development and well being of *asnaf* (Che Yaacob, Mohamed, Daut, Ismail, & Muhammad Don, 2013).

3.2 *Waqf*

Waqf (Plural: *awqaf*) is a voluntary almsgiving with unique features. *Waqf* refers to the acquiring and maintaining of charitable trust properties for the benefit of the Muslim society. *Waqf* distribution accordingly should follow the specific objective of its founder (who endows the property), whether the property is specialized to the beneficiary of the founder's family or the public (Kahf, 2003). One of the characteristics of *waqf* is the perpetuity of the assets, which give the opportunity to the donor to contribute continuously to the beneficiaries.

The first category of *waqf* is the religious *waqf*, which was initially established at the time of the Prophet SAW. The development of the mosque in Quba, and then the Prophet SAW's mosque (*Masjid Nabawi*) in the center of Medina was the examples of religious *waqf*. *Waqf* was also extended into a benevolent endowment to support for Muslim welfare. One of the examples of this *waqf* is a free public utility that was provided with the Prophet SAW's instruction. The purpose of this *waqf* is to assist a poor who had immigrated for religious reasons. The third type of *waqf* is family *waqf* which was established during Khalifah Umar al-Khattab. Through this *waqf*, the founder can put conditions that some portion of *waqf* assets' output being distributed to his family and descendants, while the balance is distributed to the poor (Kahf, 2003). *Waqf* is encouraged act based on the following hadith:

Ibn Umar reported: Umar acquired a land at Khaibar. He came to Allah's Apostle (may peace be upon him) and sought his advice in regard to it. He said: Allah's Messenger, I have acquired land in Khaibar. I have never acquired property more valuable for me than this, so what do you command me to do with it? Thereupon he (Allah's Apostle) said: If you like, you may keep the corpus intact and give its produce as Sadaqa. So 'Umar gave it as Sadaqah declaring that property must not be sold or inherited or given away as gift. And Umar devoted it to the poor, to the nearest kin, and to the emancipation of slaves, aired in the way of Allah and guests. There is no sin for one, who administers it if he eats something from it in a reasonable manner, or if he feeds his friends

and does not hoard up goods (for himself). He (the narrator) said: I narrated this hadith to Muhammad, but as I reached the (words)" without hoarding (for himself) out of it." he (Muhammad' said:" without storing the property with a view to becoming rich." Ibn 'Aun said: He who read this book (pertaining to Waqf) informed me that in it (the words are)" without storing the property with a view to becoming rich." (Hadith No.4006, Book 13, Sahih Muslim).

With the changes of needs of Muslim community, *waqf* is not confined to immovable assets (such as land only). *Waqf* assets can consist of cash and shares. The same, functions of *waqf* is expanded to fund the education and microfinance (Alias, Johari & Abdul Rahman, 2014).

3.3 Sadaqah

Sadaqah is other types of voluntary almsgiving. Differently from *waqf*, there is no specific condition of *sadaqah*, which gives some flexibility to manage the funds. Managing *sadaqah* contribution can be easier because of its looseness in terms of the distribution. As such, the trustee of *sadaqah* can manage the funds based on the actual needs of the recipients. Although the duty to help the misfortune can be done via *zakat*, *sadaqah* is also highly emphasized in Islam. *Sadaqah* is encouraged act based on the following verse:

"Indeed, the men who practice sadaqah (charity) and the women who practice sadaqah (charity) and [they who] have loaned Allah a goodly loan - it will be multiplied for them, and they will have a noble reward" (Al-Hadid 57:18).

The text of the Hadith of the Prophet SAW shows the encouragement of *sadaqah*:

It is narrated on the authority of 'Abdullah b. Amr that a man asked the Messenger of Allah (may peace be upon him): "Which of the merits (is superior) in Islam?" He (the Holy Prophet) remarked: "That you provide food and pay salutations to one whom you know or do not know" (in Khan, 1992, p. 100).

3.4 Other Islamic charitable contracts

There are other mechanisms for charity-based activities have been discussed in Islam. These *Hibah* and *qard hasan* are another two contracts that serve the same purpose. *Hibah* refers to transferring of a certain property (*mal*) without any material consideration and consent from the recipient. In addition, *hibah* is given both for richer and poorer. *Qard hasan* is a benevolent loan that is interest-free and extended on goodwill basis, primarily for welfare purposes. Different from other charitable contracts, capital that is given through *qard hasan* should be paid at the principal amount.

4. Positioning the ISE

Understanding the foundation of ISE enables the Islamic third sector participants and policy makers to position and expand the roles of ISE. Currently, research on ISE can be regarded as still at its infancy stage, hence, the definition of this specific entity has not been concluded. Compared to SE, there are a lot of previous studies discussing on SE definition. Generally, SE can be defined as:

"Primarily social objectives where its surplus are principally reinvested for that purpose in the business or in the community, rather than being driven for maximising shareholders' wealth as in the private sector" (Spear et al., 2009; Kerlin, 2006).

As part of SE, ISE may adopt similar definition as SE but it has to be distinguished with additional Islamic practices embedded within the ISE (Kamaruddin & Auzair, 2018). Therefore, based on SE definition above which specifically focuses on the objectives, source of capital, activities, income generation and its distribution process, hence, this paper articulates the definition of ISE as:

“An Islamic-based entity that gained funding (in the forms of monetary and non-monetary assets) from Islamic charitable sources (through waqf, sadaqah, hibah, and qard) and channelled them into businesses activities (goods and services) for the purpose to contribute to the needy and at the same time sustain the contribution in a long term.”

Based on this definition, it comprises four main elements: (i) objective of ISE as Islamic-based entity; (ii) Islamic charitable contracts as source of capital, (iii) activities; and; (iv) income generation and distribution. This definition excludes other Islamic-based entities that directly accept charities and distribute them to the needy, without accumulating those funds.

4.1 Objectives and underpinning values

ISE as the Islamic institutions should be based on worship or obedience to Allah SWT and operates based on Islamic teachings (Ahmad, 1988). The highest attainment of ISE's establishment is to achieve *al-falah*, following the objectives of the founder and other stakeholders. Islamic principles should be embedded in this organization as it should be driven by Islamic objectives. Following the essence of Islamic economics, *al-falah* becomes the main objective of any entity in Islam. *Al-falah* can be interpreted as the success in this world and hereafter. All works and efforts in this world should be directed to achieve happiness in hereafter as this world (all good deeds) is a bridge for success in hereafter (Akram Khan, 1994). Other principles that should be incorporated by ISE as a business legal entity such as '*adala* (justice), *ihsan* (benevolence) and *khilafah* (vicegerency), which should become parts of the essence of ISE (Hamid & Yaya, 2005).

Consistently, from the legal perspective, the ISE should be directed by the *maqasid shariah*. The ISE serves the society by offering goods and services at the affordable rates, or in certain case at free rate, which enable the poor and medium class of society member to gain the basic needs (at least at the *dharuriyyah* level). In the context of this study, ISE as a small economic unit works independently in channeling the surplus from richers to poors, with more flexible approaches. Specifically, ISE serves the donors by accepting the funds (in the form of goods and monetary funding), and channels them to the recipients via business activities for the sustainability, redistribution and reinvestment purposes. By looking at the closer perspective, the ISE involves in preservation of property as well as other dimensions including the preservation of life, taking into consideration that some ISE also offers the health services.

4.2 Selection of charitable contracts for ISE as source of capital

Understanding features of each charitable contract will ease the process to recognize the ISE and provides its solid definition. In addition, understanding the contracts can help the participants (managers) to fulfill their obligations in dealing and managing with the funds. As the basic characteristic of ISE is related to income generation, some of Islamic charitable contracts are excluded from the definition of ISE. Hati and Idris (2014) in their definition, refer ISE as non-profit organizations that collect Islamic alms such as *zakat*, *infaq*, *sadaqah*, and *waqf* and fulfil social enterprise criteria. Taking into the consideration that the contracts have different characteristic from the *shariah* view, their definition although is inclusive, yet it is relatively conflicting with some contract's requirement. For example, *zakat* contract requires that the collection from the donors must be distributed to eight types of recipients post

collection process. In this case, the collection cannot be kept and used by management to generate income led to restriction in the usage of funds.

However, *waqf* with its uniqueness and some limitations provides huge potential to be used by ISE as the capital as long as the requirements on the perpetuity of the original assets are put in place. Comparing all those contracts, *sadaqah* and *hibah* are considered as the most flexible contracts that provide no limitation and restriction in managing the capital. The contracts enable ISE to expand the capital without any restriction.

4.3 Activities

As ISE also involved with social business, Islamic charity funds' should be managed properly and prudently on the basis of trust. This moderate act has been stated in the following verse:

"And [they are] those who, when they spend, do so not excessively or sparingly but are ever, between that, [justly] moderate" (Al-Furqan 25:67).

Collected Islamic charity funds can be used for reinvestment for future benefits. Investment of funds gathered from the donors can be performed in various business activities such as trading of goods and providing services in several areas that fulfill the needs of the poor and related customers. Rather than confining the ISE activities into limited scope, this paper include the ISE's activities as related to offering goods and services. These business activities are in line with ISE social business activities. As has been discussed *sadaqah*, *waqf*, *qard hasan* and *hibah* can be utilized by ISE to generate continuous income through businesses, rather than being distributed directly to recipients, due to their flexibility in nature.

4.4 Income generation and distribution

The main characteristic that differentiates ISE from other types of institutions is laying on its establishment as the economic unit that generates income, where the capital is contributed through eligible almsgiving contracts. The distribution of income is made to the recipients (depending on types of contracts) after deducting all the involved expenses. For instance, for *zakat* collection, the distribution should specified only for *asnaf* (Rahim, 2013). Meanwhile, for *waqf*-based source, the net income should be distributed to the recipients that are specifically named by the donor, unless for *waqf am* that is opened to all. For *sadaqah*, the net income can be distributed to the poor and needy without any limitation.

5. Conclusion

In essence, ISE contributes to society in several forms. On top of giving opportunities to donor to give donations and offering affordable goods and services to the niche group of society members, it also serves the local community by providing jobs opportunity. The staff of the ISE can be those who are working as permanent staff with regular salary or volunteers with lower rate salary. The discussion of the paper constructs on the important aspects that should be included in the ISE components, nonetheless, it far enough to cover on operational aspects. ISE's characteristics should be different from other organisations in terms of it embeds the Islamic principles in governance and management. Thus, the possible characteristics for ISE are as follow:

- Based on Islamic objectives – guided by the *maqasid shariah*;
- Shariah compliance – ISE should operate according to *shariah* principles and avoid prohibited activities such as *riba'*, *gharar* (uncertainty) and *maysir* (gambling) and prohibited goods;
- Supported by Islamic charity funds – ISE can utilize Islamic charity funds such as *zakat*, *waqf*, *sadaqah*, *hibah* and *qard hasan*;

- Runs mostly by Muslims – normally ISE is driven by a group of Muslims. However, non-Muslim also can participate and have interest with ISE; and
- Revenues generate from social business – ISE should implement business conduct that is parallel with *shariah*.

This paper reviews previous studies related to Islamic third economic sector and Islamic transaction law to propose the position of ISE. This paper provides the definition of ISE, which is different from other Islamic non-profit organization due to its distinctive characteristics. The elements that are considered as imperative for the discussion are the objective of the institution, charitable contracts, activities and; income generation and distribution. This institution is different from other institutions as it is able to generate wealth. ISE is believed should aim for al-falah following its establishment and expectation of the stakeholders and be guided by the maqasid *shariah*. Future studies should be done to look at on the operational aspects of ISE and explore its potential.

6. Acknowledgement

The authors would like to thank Universiti Sains Islam Malaysia (USIM/FRGS/FEM/32/51614) and Universiti Kebangsaan Malaysia (GUP-2017-101), for the funding of this study.

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