

Tabung Haji Malaysia as a World Role Model of Islamic Management Institutions

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ABSTRACT: TH has served as a role model of innovative hajj management and Islamic financial services for most Islamic countries in the world. The consistent track record of TH has gained world recognition in providing excellent and satisfactory hajj services to Malaysian pilgrims. TH was awarded the “Anugerah Zakat Kebangsaan 2012, Information Security Organization of the Year, Most Innovative Information Security Professional, ISO Certification for Information Security Management System (ISMS) and Hajj Management and Operation in Malaysia & Saudi Arabia, CSR Leadership Award and several states’ awards. Recently, during the 1436H/2015M Hajj Season, TH was awarded with the international Hajj Management System MS ISO 9001:2008 recognition by SIRIM QAS International Sdn Bhd for its achievement in maintaining excellent service for hajj pilgrims. Today, TH has more than 8.85 million depositors and a network of 123 branches with more than 6,000 touch-points nationwide. TH also made its presence known globally by operating an office in Jeddah, the Kingdom of Saudi Arabia. The presence of TH in the marketplace domestically and internationally have proven to be progressive in several investment sectors, such as Islamic finance, property development, construction, information technology, oil and gas, hospitality and plantations. TH is becoming a symbol and icon for the Muslim community in the world due to their excellent and progressive managing of their services based on the Islamic teaching as tawhid to Allah SWT being the main principle.

Keywords: Tabung Haji, Pilgrims, Role Model, Islamic Management Institution, Malaysia.

I. INTRODUCTION

1.1 Background

The inspiration behind TH was Royal Professor Ungku Aziz of the University of Malaya, a reputed academician and an authority on rural economy, who presented the idea of setting up the Pilgrims Savings Corporation. Incorporated in 1962, Tabung Haji is a manifestation of the government’s concern over the welfare of Muslims in relation to their pilgrimage to the Holy Land. TH, however, is not merely a pilgrims’ travel and Hajj service. It is in fact a non-banking Islamic savings institution set up under a Special Act of Parliament and comes under the direct control of the Prime Minister’s Office in Malaysia. Its board and senior management are all appointed by the Prime Minister’s Office and they are accountable to the Malaysian government. The Pilgrims Fund Board Act 1969 (Revised 1973) was amended and revised in 1995. Together with the exclusion of TH from the Government Scheme of Service (SSB) and the introduction of its own employment scheme, the amendment envisaged TH to be able to make it more productive and innovative in its investment.

1.2 Statement of the Problem

This study attempts to explore the practice of Islamic management in TH towards bringing Malaysia to be a role model for serving the Muslim community in Malaysia performing their Hajj, providing savings and investment services based on the shariah principle. The journey to Ka’abah, generally, used to cost the lifetime savings for most Malaysian Muslims with lots of sacrifices and hardships. The involvement of the Malaysian government will be able to facilitate a smooth service for would-be pilgrims, especially the rural and urban poor who are easily manipulated by unscrupulous middleman and travel operators. The early existence of TH was more focused on providing Hajj services, but now they are becoming a role model entity expanding their business and investment portfolio in excellence achievements and are gaining world recognition.

Thus, the need to investigate the application of the Islamic management practices by TH has become essential in order to develop the Islamic management model for other countries. The disappointment is that Tabung Haji has singularly exported the model to Muslim countries and those with large Muslim minority

populations. Perhaps this study will contribute to the model and good practices being suitable for other countries to strengthen the Islamic management in their countries.

1.3 Objectives of the Study

This paper aims to investigate the implementation of TH as a role model for financial Islamic management. This study is significant to describe the development and progress of TH especially in the Malaysian Context. Thus, it aims to find out the best practice of TH as a world role model, especially in the implementation of Islamic management institutions. What is their common Islamic practice of management? What are the major impacts socially, economically and on Islamic teachings in implementing their services? What are the challenges they face? These questions will be answered through this study guided by the following study objectives:

1. To examine the implementation of the best practices of TH in order to fulfil the Islamic management principle.
2. To investigate the successful activities of TH that make this institution deserve to be entitled a world role model in implementing the fifth pillar of Islam, Performing Hajj.
3. To study the impact of the presence of TH, contributing to the development of Islamic teachings, the society and the economy in the Malaysian context.
4. To investigate the challenges faced by TH as a financial Islamic institution.

II. RESULTS AND DISCUSSION

2.1 The Implementation of the Islamic Management

Management is a daily process in organizations of various types, it is important to have the right definition of management according to Islamic teachings. Islamic management is the management from the perspective of Al Quran and Al-hadith or the whole process of management including organizational resources depending on the guidance of Allah SWT and His prophet (peace be upon him) with an accountable mentality, integrity and skills to achieve predetermined objectives (Mohiuddin, 2009). Importantly, the tawhidic approach is needed for the Islamic teaching of the management concept so as to impose justice and fairness in managing people as the aim of man's creation (Jabnoun, 1994; Abdul Hamid, 2007) is to worship no other gods but Allah the Al-Mighty with the objective of the management's people being to seek *mardhatillah* (Allah's pleasure) (Nordin & Othman, 2012).

Business strategy is the domain of business owners and top-level managers, and serves as a guideline for all managerial decisions. An effective strategy can help an organization to realize short- and long-term business goals, keeping the company at the top of its services by continually offering the most valuable customer experience. Islam recommends that a mission should be set so as to achieve the vision, if there is no set mission, vision attainment will be unrealistic. Planning from an Islamic point of view requires four basic principles, as Ahmad (2009) categorically states, (1) Plan for the future based on the previous experience in order to avoid failure; (2) Rational use of resources, this means that management should be able to identify potential resources at their disposal and artistically plan how to use them in order to produce the desired result; (3) Consultation before decision making, seeking advice and mutual consultation is very crucial in planning and (4) Fairness to others, this has to do with a sense of justice, justice to oneself and to others. There should be balance in distribution tasks and responsibilities. The manager should ensure that no extra burden is enforced upon the workers.

As an economic-based Islamic Financial Institution inspired with a realization to help provide investment services and opportunities while managing pilgrimage activities for the Malaysian Muslim community, TH has established its means and direction as mentioned above.

Vision. The Pillar of the *Ummah's* Economic Success; Excellence in Hajj Management

Mission

- To strengthen the *ummah's* economy
- To remain active in seeking strategic investments locally and globally to ensure sustainable growth
- To manage and enrich depositors' funds
- To continuously provide excellent services
- To facilitate and assist pilgrims in achieving *mabrur* hajj
- To provide competitive, halal and *toyiban* returns

TH provides a client's charter as a framework for defining service delivery standards, the rights of customers, and as a working tool to facilitate better understanding of TH services including putting our TH stakeholders at the forefront. It mentioned as follows:

- Help the pilgrims to get their *Mabrur* hajj with reasonable expenses
- Coordinate a timely, safe and reliable hajj flight
- Provide clean and comfortable accommodation in the holy land
- Maintain depositor's account in a professional, confidential and private control
- Invest in permissible investment, prudent and safe in order to provide returns that are comparable to the market, while ensuring continuous growth
- Provide courteous, fast and efficient services
- Provide accurate, clear and up to date information

A clear mission statement is essential for effectively establishing objectives and formulating strategies and this is the reason TH is becoming a successful and leading financial institution in Malaysia based on an Islamic Management perspective.

2.2 TH Leadership

Islam is concerned about the leadership element to create an organization that is respected by others. The planning and organizing processes require leadership and direction. This aspect is in line with the Quran saying:

“O you who have believed, obey Allah and obey the Messenger and those in authority among you. And if you disagree over anything, refer it to Allah and the Messenger, if you should believe in Allah and the Last Day. That is the best (way) and best in result” (Surah An Nisa 4:59). *“Indeed, Allah loves those who fight in His cause in a row as though they are a (single) structure joined firmly.* (Surah As-Saff 61:4)

Organizations require structure to grow and be profitable. Designing an organization's structure helps top management identify talent that needs to be added to the company. Planning the structure ensures that there are enough human resources within the company to accomplish the goals set forth in the company's annual plan. It is also important that responsibilities are clearly defined. Each person has a job description that outlines duties, and each job occupies its own position on the company's organizational chart. TH's best practices in organization is led by six (6) departments with their own functions which are arranged in a systematic way to ensure an efficient and competent service to all parties.

Group Managing Director & Chief Executive Officer's Office consists of:

- *Internal Audit Division.* Responsible to accomplish the objectives by introducing a systematic way to assess and improves the organization's effectiveness in managing risk and in integrity management.
- *Integrity Division.* Improves efficiency in service delivery, internal controls and the implementation of integrity culture within the organization.

Deputy Group Managing Director & Chief Executive Officer's Office consists of:

- *Legal & Secretariat Division.* Offers advisory services, drafting, review of legal documentations, litigation, investigation, preparation and prosecution of cases involving offenses under the Act 1995 and Regulations in Force and corporate and secretarial services.
- *The Risk Management.* Provides independent advice based on the concept of risk management in order to improve the operational efficiency at TH.
- *Shariah Division.* This division is accountable to ensure that policies, procedures and necessary processes are in compliance with Shariah implemented by the Shariah Advisory Committee.
- *Public Affairs and Corporate Communications.* Carry out planning and implementing the activities of internal and external relationships, disseminating accurate and timely information, coordinating image management and TH's identity towards excellence.
- *Hajj Consul.* Establishes and maintains a good relationship between TH and the Saudi authorities with relation to hajj affairs, managing accommodations for Malaysian pilgrims and purchasing supplies for the pilgrims.

Chief Operation Officer's Office consists of:

- *Depository Services and Operations Department.* Carry out all matters related to deposits and withdrawals of money at all branches and agencies appointed by TH, such as Bank Islam, Bank Simpanan Nasional and Post Offices.
- *Branch Office Operations Division.* Responsible to ensure all depositors' money from designated banks is credited to their TH account in the shortest time, in order to maximize the usage and investment of funds.
- *Savings and Withdrawals Division.* Provide services to depositors professionally and in a trustworthy manner in both Malaysia and Saudi Arabia.
- *Customer Service Division.* Carry out marketing strategies and activities, products and services to be implemented according to TH's management's current goal.
- *Human Resources Department.* Recruits workforce who are competent, confident and capable of increasing the productivity and effectiveness of the TH community, while promoting a healthy and competitive working culture in accordance with the organization's needs.

Finance Department. The Finance Department is responsible for managing the financial affairs, in line with the requirements and financial control. This department plays an important role in getting the maximum returns from short-term investments and building rentals. It is headed by the Chief Financial Officer and five (5) Heads of the Division which are the Group Strategic Finance Management Division, Services Division, Investment Services Division, Procurement & Administration Division and Information Technology Division.

Hajj Department. It provides services for Malaysian Muslims to perform the Hajj properly, safely and cost effectively as to obtain hajj *Mabrur*. It is divided into:

- *Hajj Management Division.* Manages and coordinates the activities related to pilgrims' welfare according to their position as a Guest of Allah SWT.
- *Domestic Operations Division.* Carry out registration, allocation for passport, visa and coordination of flight management, with relation to a domestic Hajj operation.
- *Guidance Division.* Provides guidance through an integrated hajj module, publishes hajj materials for pilgrims' references and provides a team of religious teachers to guide the pilgrims effectively.
- *Hajj Research and Development Division.* Prepares and controls the research and development (R & D). It leads the 'Pasukan Penggerak Utama' (PPU) and secretariat of the ISO 9001:2008 Quality Management System, Hajj Services (QMS ISO PH) and other improvement initiatives. It carries out activities under the Academy of Hajj.
- *Hajj Agency Division.* Organizes the licensing of "Pengelola Jemaah Haji" (PjH) under the provisions of section 27-36, TH Act 1995, enforces any breach of the section and increases the PjH's level of professionalism in performing hajj management.

Investment Department: This department is responsible to strengthen its investment activities to increase profitability based on Shariah compliance. Under the Corporate Finance and Services Department, it is responsible for strengthening the stock and real estate investments of TH through a comprehensive evaluation of strategic opportunities, efficient and robust monitoring systems, rehabilitation and improvement of TH's investment and regulatory corporate governance.

Organizational structure is particularly important in achieving goals and allows for the chain of command. Department or division leaders are in charge of delegating tasks and projects to subordinates so the department can meet its objectives and goals. In essence, organizational structure fosters teamwork, where everyone in the department works towards a common goal as TH practices the structure efficiently and becomes a role model for its competitors.

2.3 TH Integrity and Ethics Perspective

As the nation's role model Islamic management institutions, TH has to be stand as an organization with high level of credibility and integrity. TH continuously improving their standard of governance by enhancing the level of integrity, transparency and morality without compromising on malpractices, graft and substandard quality of service. By strengthening the level of integrity and moral standard of its personnel, it will be enhancing the level of work competencies.

TH Integrity Plan. Provides the strategic thrusts realized through programs that foster behavioural, ethical and integrity culture in every aspect of duty discharged and service delivered to its stakeholders and customers. The main objectives focus on;

- Create a business environment that is fair, transparent and with integrity; free from corruption, malpractice and misuse of authority
- the effectiveness of best practice in corporate governance and business ethics for the benefit of TH stakeholders and depositors
- Exercise more effective Corporate Social Responsibility (CSR) and Social Integrity Responsibility (SIR) to enhance quality of life and social well-being of the community
- Enhance service delivery and internal control systems
- Inculcate and imbed integrity culture in the organization
- Ensure sustainable and effective financial status.

TH Code of Business Ethics. To strengthen the business conduct that is consistently transparent and has high degree of integrity. Perhaps it will drive loyalty and trust among its stakeholders. TH was developed the Code of Business Ethics to achieve the following objectives:

- The Code was drafted based on values as described under TH Customer Charter, and it reflects TH commitment in withholding an ethical and high degree of integrity in its business practice.
- The Code is a guideline that outlines acceptable and unacceptable behaviours based on legal and ethical perspectives while transacting TH business.
- The code of ethics is an important element which will assist TH in identifying and handling issues related to ethics and in fostering values outlined by TH in line with its Vision and Mission.

TH Code of Supplier Ethics. Carry out the principles and behaviour expected and to be complied by vendors, their staff, sub-contractors and sub suppliers of TH while preparing goods or services to be supplied to TH. All duties related to TH are carried out by individuals with appropriate skills, expertise and any certification required, shall comply with the principles and standards of the Code are in line with TH vision and mission to maintain a high degree of standards in TH corporate governance. As the entity of holding the shariah principle, TH has strengthened its procurement management by enhancing its degree of accountability, transparency, integrity and sustainability to avoid any corruptions and misappropriations practice. The parties dealing with TH are obligated to comply with the whole principles, policies and rules stated under this Code.

TH Integrity Month. TH has launched an awareness development campaign by organising TH Integrity Month throughout November 2015 to enhance the level of knowledge, awareness, and skills of its personnel and stakeholders towards the development of a high degree of integrity culture within TH. It was organised for the following objectives:

- To provide a better understanding of Integrity as a culture that is stood for and practised by TH personnel, depositors, hajj pilgrims and stakeholders; and
- Enhancing efficiency in service delivery and internal control systems.

Multiple activities and competitions were held in TH's integrity month such as Quizzes at all office counters in TH branches, TH's Essay writing competition open to the public, drawing and colouring competition for Kelab TaHA members, TH's cartoon drawing competition, Creating an Integrity slogan competition, Integrity debate and crossword puzzles and integrity based competitions for offices. TH bring up the themed 'Integrity is My Practice to be inculcated to all level TH management and branches.

Integrity and Compliance: TH has designed a various communication methods, namely "Bicara Integriti" roads how, forums, round table discussions, integrity documents and other approaches designed for TH personnel, Members of TH Board of Directors, Chiefs of TH subsidiaries, bidders, tenderers, TH customers and other stakeholders. This is continuously action to enhance the knowledge, awareness and skills of integrity management to the relevant parties.

Disclosure of Interest. Internal control mechanism has developed by TH to ensure all governance issues and the compliance towards conflicts of interest and wrongdoings. All personnel of TH who have or potentially shall have any conflict of interest must make a full disclosure to his/her Head to avoid any damage to integrity values in furthering their duties are obligated under Disciplinary Regulations of Tabung Haji 2010. While under section 9, Tabung Haji Act 1995 [Act 535] provides that any member of the Board who directly or indirectly owns or receives, by his/her own self or through partnership or agent, shall declare the type and level of the share or interest to the Board.

Whistleblowing Policy on Misconduct at Workplace. TH had introduced the Whistleblowing Policy on Misconduct at Workplace since 2010 to provide the highest standard of integrity, transparency and ethics, as well as good practice in corporate governance at the workplace and among the staff. This is encourage TH personnel or the public make a report on misconduct or breach of integrity through internal reporting channel as the whistle blower identity will be protected in accordance with the whistleblowing policy. TH always committed to provide transparent mechanism in order to control and prevent any misconduct practices.

2.4 Functions and Services of Tabung Haji

TH was started in 1963 with the objective to facilitate Malaysia Muslims to perform Hajj by pooling and investing their savings. This institution can rightly be called a pioneering and successful experience in the field of Islamic finance and banking. The activities of TH are divided into the following three main focuses:

- Depository, providing savings services based on Shariah compliance
- Hajj Services in Malaysia and Mecca
- Investment

Depository Services: TH has introduced the Savings Islamic concept with a guarantee by the government called Al- Wadiah Yad-Dhamanah which means the management is not bound to give any return on the savings based on this concept. Depositors do not feel doubtful because TH has guaranteed pure and clean savings through Shariah compliance, giving the tax exemption due to the Tithe (zakat) being paid for and a competitive bonus, annually. The beauty of TH, is that it has launched Kelab Taha, officiated in 2008 by YB Dato' Dr. Ahmad Zahid Hamidi, Minister in the Prime Minister Department, which is targeted to attract young depositors, aged between 7 to 17 years old. TH offers a variety of programs and activities for young depositors performing Hajj at an early stage and organizes special programs for Club Members, such as Guidance Seminars, Religious Training Camps and others. TH has made an effort in developing a dynamic and excellent human capital by launching a special club, Kelab TaHa@U club, for college and university students. This club was officiated by YB Mejar Jeneral Dato' Seri Hj Jamil Khir bin Hj Baharom (B), Minister at the Prime Minister Department. This club offers a variety of programs and activities for young depositors to instil the interest in performing Hajj at an early age and also to develop a generation of future leaders who can contribute to the welfare and prosperity of the Muslim community and the nation.

Hajj Services: Tabung Haji is a well-known institution performing excellent, systematic and structured services for Malaysians in performing their Haj. TH's efficiency and integrity in conducting Malaysian pilgrims have gained world recognition, including from the government of Saudi Arabia. In fact, TH has been ranked first in terms of the management of the pilgrims by *Muassasah Adilla*, an institution under the Ministry of Hajj in Saudi Arabia. The selection was based on several aspects, such as discipline, regulatory compliance and understanding of Malaysian pilgrims during their stay in the Holy Land. TH's management is divided into:

Guidance Division. This division is responsible to increase knowledge and understanding on Hajj, Umrah and Ziarah, increase awareness of the real situation in the Holy Land and create committed members of a religious conscious community after returning from performing their Hajj. It is responsible to coordinate and provide an integrated guidance module through the following programs:

- *Basic Hajj Course.* The first stage of the hajj course to be attended by the pilgrims before departing for the Holy Land which covers basic knowledge related to Hajj Rituals, Healthcare and Hajj Management. The classes are conducted at the mosque every weekend for 2 hours for each session of 17 series starting in the *Rabiulawal* month.
- *Intensive Hajj Course.* The second stage of the Hajj course covers 2 days of the practical aspects of the Hajj and Umrah rituals which is held in the month of *Rejab* and *Syaaban* every year. The modules include Hajj Rituals, Health Care and Hajj Management while in Malaysia and the Holy Land.
- *Special Hajj Course.* Offers a one day course focusing on the participants scoring below 39% for understanding the Hajj rituals during the Intensive Hajj Course held earlier. It stresses on the practical exercise of the Hajj rituals in a smaller and more focused group and also invites those who are selected at the last minute to perform the Hajj.
- *Prime Hajj Course.* The final course held in the *Syawal* month is to be attended by all pilgrims who have been selected to perform Hajj in the current year. This course provides more practical hajj and umrah exercises in a larger congregation which gathers all the pilgrims from all districts of the state. It involves simulated Hajj activities such as 'staying for a while' (Mabit) and 'casting of pebbles' at night. The pilgrims will spend a night at the venue of the course.

This Division also offers a Program for Trainers through Hajj Rituals Evaluation Workshops, *Muzakarah Haji Peringkat Kebangsaan*, Intensive Classes on *Tafaqquh* Hajj and Umrah, Intensive Courses for the Holy Land Hajj Facilitators (PIHTAS), and Training of Trainers (TOT) courses for new Hajj Facilitators. These programs are organized to produce knowledgeable, resourceful, and consistent Hajj Trainers and Facilitators (PEKTA / PIHTAS) who are capable to guide the prospective pilgrims effectively and efficiently before these pilgrims perform their Hajj or Umrah, and while they are in the Holy Land.

A Hajj Advisory Committee (TH-JAKIM) has been set up consisting of 10 members, who are scholars and academicians with skills and expertise in various Islamic knowledge and disciplines. They are responsible to decide on the laws and regulations related to all issues pertaining to Hajj, make recommendations to the TH Management on issues related to Hajj affairs and administration, review and verify the Hajj publications issued by TH and serve as the Hajj Expert Council for the Malaysian pilgrims. TH also offers;

- *Badal Haji*. Perform by one person on behalf of another person in accordance with stipulated conditions. TH will open registration for Badal Hajj in the *Rejab* month every year.
- *Hujjaj Assembly (HISHAJ) Program*. This program began in 2012 and acts as a medium to gather all the pilgrims after they have performed their Hajj in order to maintain and enhance the relationship built in the Holy Land among the pilgrims, and keep the spirit of brotherhood (*ukhwah*) in Islam and as a platform to exchange knowledge upon their return from the Holy Land.
- *The Hajj Guidance through Publication*. Publishes a Handbook of Hajj, Umrah and Ziarah, Question and Answer Book of Hajj and Umrah, Collectibles of Sunat Prayers in the Holy Land and Selected wirid for Dhuyuf Al-Rahman are provided free of charge to the selected pilgrims before they leave for the Holy Land. Publications are also in electronic media telecasts, such as RTM 1, IKIM Radio and VCD and printed Media, such as Utusan Malaysia.
- *Health Screening for the Prospective Pilgrims*. Health screening processes are required for all pilgrims as instructed by the Saudi's Authorities in order to filter pilgrims' health and early treatment can be provided for those who are diagnosed with any sickness. The pilgrims will obtain treatment and information through the Health Screening Purpose, Health Screening Centres, Sample of Health Screening Registration Number, Pilgrims' Health Screening Flowchart and Immunization. TH also provides the guide to healthcare while in the homeland, specific information for women (menstruation), hajj obligation for patients undergoing haemodialysis treatment and *Usage of Menyeo Meningitis* Vaccine in Islam. Medical diagnosis for all pilgrims will be recorded in the Pilgrim Health Book.
- *Self-Identification*. Introduces the Hajj Bracelet and Badges for identification purposes which are given to the pilgrims during the check-in at the departure stations before departure to the Holy Land.
- *Welfare Service*. Provides services such as assisting the pilgrims at the haj airport terminal with regards to immigration and customs, provides meals, manages transportation, arranges visit *ziarah* activities and counselling, assists with registration of death cases and provides counters for withdrawal of pilgrims' savings from their TH account for pilgrimage at Jeddah and Mecca.
- *Healthcare Service*. TH provides a Clinic at the *Maktab*, Health Centre for in-patient treatment, and Health Guidance and Smoking Prohibition in the Holy Land.

Investments. Depositors' savings are invested in Shariah-compliant activities to generate sustainable and competitive returns. The main objective is to deliver sustainable and competitive returns to the depositors within acceptable risk levels. The TH portfolio investment focuses on equity, fixed income and property. The main focus of the equity investment is to generate sustainable and competitive returns from capital gains and dividends at a reasonable risk level that commensurate with the prevailing market conditions. Besides that, the main objective of the Fixed Income Investment is to generate sustainable and recurring income for the invested funds and to construct a medium- term fixed income portfolio. The investment strategy focuses on instruments which are at a reasonable risk level and return in accordance with the policies and procedures.

TH has introduced the Al-Ansar Bumiputera Fund launched under the Restricted Investment Account "RIA". This is the first in Malaysia approved by Bank Negara Malaysia under the Islamic Financing Scheme Act 2013 (IFSA) and supported by the YAB Prime Minister. This fund provides financing and credit facilities amounting from RM50, 000 to RM1 million in 5 years, with a shariah-based concept of Tawarruq which is managed by Bank Islam Malaysia Berhad and is disbursed to the Muslim Bumiputera Entrepreneurs and Small Medium Enterprises (SMEs).

This fund aims to strengthen Muslim Bumiputera Entrepreneurs and SMEs by providing financing for the purpose of working capital and/or capital expenditure, in order to expand their businesses. TH has given the priority in 11 sectors to expand their businesses which is Halal Food, Oil and Gas, Education, Health, Agriculture and Agro-based, Construction, Transport, Telecommunications support and Utilities, Wholesale, Retail and Hospitality. This is aligned with the Government's hope to empower the Bumiputera's economy by supporting them via financing contracts or working capital.

2.5 Impact of TH's Management and Performance

TH plays its vital role as a financial institution and banking establishment in terms of the number of depositors and products that meet Islamic requirements. Nowadays, TH has reached 52 years extensive experience in matters related to deposits, services and operations for pilgrimage and investment areas. As one of the largest Islamic fund management agencies in the country, TH is given the trust by the Malaysians to be a platform to enliven the teachings of Islam in Malaysia. TH enhances the greatness of Islam through its activities, especially when managing and administering the departure and the return of thousands of pilgrims every year. Because of its consistence in managing the pilgrims, it is deserved that TH has received some recognition globally and is becoming a role model for the management of Haj and innovative Islamic financial services by the majority of the Islamic countries in the world. TH has contributed a significant impact on the economic growth, social development and Islamic teaching of the country.

Economic Growth: The best method to improve the economic dominance of Islam is through business and this is indicated by the Prophet Muhammad SAW who said "*Verily out of ten parts of sustenance, nine parts lie in business (trade).*" This means that one should choose trade as a means of income, because it is a major and blessed source of income. As for the economic prosperity of the Muslims, TH has taken the responsibility and efforts to increase the investment in various sectors which can generate economic benefits by using TH's depositors' savings fund. After more than five decades of being established as TH, this institution has not only managed Muslims in performing the Hajj, but it is also progressive in managing the investments based on the Shariah principle.

Although TH faced a challenging and volatile environment in 2015, the financial performance of TH remains resilient with a record of RM4.47 billion revenue and net profit after zakat reaching RM3.53 billion. Its revenue and profit are the highest since 52 years ago when TH began operating. TH recorded a new level net profit after zakat as exceeding RM3 billion. TH's profit reached RM3.53 billion compared to RM2.98 billion in 2014, an increase of 19%. With these achievements, its attributable profit or reserves surged to RM3.82 billion. This performance has resulted in the value creation of RM18.31 billion to the depositors' funds and an increase in profit for more than five times since 2006. The results of the Asset Allocation Strategy, risk management and good governance and prudent investment, directly and indirectly in various industrial sectors has resulted in TH successfully generating sustainable returns.

Table 1: Number of Depositors and Savings Amount

Year	Number of Depositors	% Increment	Depositors' Savings (RM Billion)	% Increment
2010	5,627,000	10.4	27.1	12.9
2011	6,956,000	19.1	31.7	14.5
2012	8,171,000	14.9	38.3	17.2
2013	8,304,00	1.6	45.7	16.2
2014	8,600,000	3.4	16.0	16.0
2015	8,850,000	2.9	18.3	19.0

Source: TH Financial Statement Years 2010-2015

Table 1 above shows the number of depositors and amounts which are increasing every year, proving that TH is the ultimate choice for Muslims in Malaysia. In addition, the strategic cooperation with Bank Islam Malaysia Berhad (BIMB), Bank Cooperation Rakyat Malaysia Berhad (Bank Rakyat) and Maybank Islamic Berhad allows depositors to make transactions, savings and reviews by accessing Automatic Production Machines (ATMs), Cash Deposit Machines (CDMs), Uniteller in the bank's 360 branches nationwide and over myTaHa online. TH also took the initiative in collaboration with 11 institutions and other banks appointed as collection agents, such as Pos Malaysia Berhad, BSN, RHB, Public Bank, CIMB, AmBank, Hong Leong Bank, Asian Finance Bank, Kuwait Finance Bank and Affin Islamic Bank Berhad.

The establishment of GLC *Amanah* has been proven in enhancing the equity interests of Muslims in Malaysia since the implementation of the New Economic Policy (NEP) in 1971 and the National Development Policy (NDP) in 1991. At this time, GLC *Amanah* has dominated between 30 to 40 percent in the value market shares in Bursa Malaysia. This effort is due to the expansion of the business capital possession among the Muslim in Malaysia, as TH has brought us into the situation of progress today.

Table 2: Nett TH Profit

Year	Nett Profit (RM '000)	% Increment
2010	1,497,167	25.2
2011	1,688,624	11.3
2012	2,145,860	21.3
2013	2,633,793	18.5
2014	2,978,968	11.6
2015	3,530,000	15.6

Source: TH Financial Statement Years 2010-2015

Table 2 shows the Nett TH profit increasing every year through investment activities in various sectors. TH's involvement is in industrial, services, agriculture, banking and property in the country and abroad, which is among the strategic actions by TH to generate long-term, competitive and sustainable returns in the future. The fund investment and outsourcing with the shariah compliant generates competitive and sustainable returns from investments made through external fund management companies. The funds are divided into two (2) categories which are listed equities mandate and private equities mandate. For listed equities mandate, eight (8) external fund managers were appointed for 2015 i.e. five (5) for domestic market and three (3) for Asia Pacific (ex-Japan) markets. Total funds outsourced through listed equities mandate in 2015 was valued at RM1.3 billion (2014: RM1.2 billion), of which 64% of the valued was invested in the domestic market. For private equities mandate, TH remains committed to cumulatively invest RM1.2 billion (2014: RM784.4 million) in six (6) domestic funds and nine (9) international funds. The investment portfolio of the private equity funds are diversified into various economic sectors and geographical locations. The fund allocated into 40% of the private equity funds are mandated in Asia, 27% in Malaysia, 25% in Saudi Arabia, 4% in OIC countries and 4% in MENA (Middle East and North Africa). By sectors, 40% of the funds are committed to the asset leasing, followed by 27% in real estate, 11% in trading/services, 8% in industrial product, 8% in consumer, 5% in energy & utility and 1% in financial sector. The targeted Internal Rate of Returns (IRR) for the private equity funds ranges from 12% to 20% per annum. In 2015, TH has received a final disbursement from one of its foreign private equity fund which generates a net IRR of 15% per annum in line with its maturity. As at 31 December 2015, total net book value of TH's outsourced funds amounted to RM2.9 billion 28.4% higher than RM2.3 billion outsourced at the end of 2014. TH's outsourced funds recorded gross income of RM159.4 million in 2015 or 7.8% higher compared to RM147.8 million recorded in 2014. In order to generate good investment returns and recurring income, TH continuously allocate real estate investment portfolios as a core activities in domestic and international markets. TH succeed to add one (1) more property, the Al-Aqiq Hotel in Medina, Saudi Arabia to generate long-term benefits.

TH's expand their investment and involvement in subsidiaries and joint ventures cover several sectors into Islamic finance (BIMB Holdings Berhad), plantations (TH Plantations Berhad), property development and construction (TH Properties Sdn Bhd), hospitality (TH Hotel & Residence Sdn Bhd), information technology (Theta Edge Berhad) and marine support (TH Marine Holdings (L) Inc). In order to increase assets and strengthen the financial position as early as the 1970s, TH expanded into the plantation sector through TH Plantations Berhad. As at the end of financial year 2015, TH Plantation Group has in total 157 thousand hectares of plantation area compared to 151 thousand hectares in 2014. This represents an increase of 4% or additional 6 thousand hectares. TH Plantation Group in Malaysia and Kalimantan recorded an increase of 5.7% in the yield of Fresh Fruit Bunch (FFB) in 2015 compared to that in 2014. In Malaysia, TH owned 36 oil palm plantations which not only gave it a progressive income but it was also proven to handle the economic crisis waves in 1998.

During the crisis, agriculture was not adversely affected by the economic downturn. When the depreciation of the ringgit hit, agricultural export earnings were the highest income as TH was able to pay bonuses between 9 to 9.5 percent. That is a strong indicator for TH in strengthening the depositors' savings when the country was hit by the economic downturn. TH was also capable of giving the subsidies for the current pilgrims who performed hajj in 2016, because of which they needed to pay only RM9980 instead the actual cost for performing the hajj which was RM18, 890 per pax. TH had allocated a RM160 million subsidy to reduce the cost of the pilgrimage to more than 20,000 Malaysian pilgrims in 2016. The subsidy of RM8, 910 per person amounting to RM160 million has indicated a sustainable financial position and commitment to pilgrimage every year.

Table 3: TH Depositors' Bonus Amount and Rate

Year	Bonus Rate (%)	Bonus Amount (RM '000)	Hajj Bonus Rate (%)
2010	5.5	1,332,440	-
2011	6.0	1,677,848	-
2012	6.5	2,457,846	1.5
2013	6.0	2,631,908	2.0
2014	6.25	3,237,196	2.0
2015	5.00	3,230,000	3.0

Source: TH Financial Statement Years 2010-2015

Table 3 shows the bonus increment every year since 2010. The bonus and dividend rates are competitive with other Islamic and commercial institutional banks in Malaysia. Instead of an annual bonus being given to depositors', TH has introduced the Hajj Bonus for depositors' who have not yet performed their Hajj; it is limited to the current cost of RM9, 980. The Islamic financial system without usury is a powerful and robust system even during the economic downturn. This has proven that the Islamic financial system shows the banking stability while conventional banking has been forced to confront a complex situation, while some have merged and others have closed.

Social Development: TH is always sensitive and cares about the plight of communities in need of support, motivation and assistance to lessen their burden.

1. Zakat. Zakat is one of the pillars in Islam to develop a balanced economic growth through wealth distribution and ensure society's well-being especially for the poor and needy as a form of purification and spiritual development. Allah SWT says:

"Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah. And for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom". (Surah At Taubah, 9:60).

Eight categories of zakat recipients include the poor and needy who are protected by the zakat distribution. As a corporate entity, TH is concerned about the needs of society, especially for the *Asnaf* group.

Table 5: TH Zakat Payment

Year	Zakat Amount (RM Million)	% Increment
2010	41	4.9
2011	44	6.8
2012	47	6.8
2013	53	11.3
2014	57	7.0
2015	59	3.5

Source: TH Financial statement Years 2010-2015

Table 4 shows the amount of zakat payments increasing every year since 2010 as an indication of the increment of depositors' numbers and TH's gross income. TH had been awarded the "Anugerah Zakat Kebangsaan" under the GLC company category in 2012 as their contribution in the zakat payment. TH is one of the main contributors of zakat institutions to the State religious authorities every year. For the financial period ending December 31, 2014, distributions of zakat payments to the Wilayah Persekutuan amounted to RM5.63 million, Johor RM4.46 million, Selangor RM4.04 million, Kedah RM3.98 million, Terengganu RM3.8 million, Pahang RM2.78 million, RM2.0 Penang million, Negeri Sembilan RM1.8 million, Melaka RM1.5 million, Sabah 1.0 million and Sarawak RM0.9 million.

2. Corporate Social Responsibility: TH spent over RM100 million organizing more than 500 CSR activities for 20 thousand in various target groups, such as helping the *asnaf* group, schooling aid for poor students, house aid for *asnaf* groups and contribution of medical equipment to selected hospitals as well as those who face chronic diseases, such as haemodialysis treatment. Three (3) CSR programs were implemented through the Baiti Project, Ehsan Program and Iqra project. Throughout 2012 and 2013, a total of 70 new houses and a new mosque have been built and 21 houses have been repaired in 7 states under the Baiti Project. The Ehsan project was also conducted in Ramadan to distribute zakat for the poor, single mothers and the elderly for their preparations for fasting in Ramadan and the Eid celebration. Iqra projects are focused on educational programs for poor students by providing them with school bags and pocket money before the school session begins early in the year.

Under these three (3) programmes, TH has played its essential role directly and indirectly to improve the living standards and increase the economics for *Asnaf* and the less fortunate groups in order to achieve academic excellence for the sake of a brighter future. Through education, it will help the young generation

especially for Muslims to be better educated and get better jobs than their parents, which will boost their family's economy. During the tragedy of Saudi crane collapse, TH also contributed monetary and moral support to injured pilgrims and the family of those who lost their lives. TH Management also managed the identification process and funeral arrangement of the deceased and for the injured pilgrims were given financial aid and moral support to ease their suffering.

3. Muslim Brotherhood: TH has organized the South East Asia Hajj Management Seminar (NUHAT) at the 32nd National Hajj Dialogue within the region like Indonesia, Singapore, Thailand, Brunei, China and the Philippines through the South East Asia. TH led the dialogue and shared the ideas regarding the hajj management, including Methods in Allotting Hajj Pilgrims by Kloter (Indonesia) and Malaysia's experience in the implementation of e-Hajj in order to strengthen the spirit of Muslim brotherhood at regional level.

4. Fund Aids for Muslim Entrepreneurship: TH has launched the Al-Ansar Bumiputera Fund which was officiated by YB Prime Minister, Dato' Seri Najib Tun Abd Razak. This fund provides financing and credit facilities amounting from RM50,000 to RM1 million over 5 years based on Tawarruq contract shariah compliance. This initiative will help bumiputeras expand their business in line with the government's aim to empower the bumiputera economy through working capital, contract financing and capital expenses. TH has focused on 11 sectors, which are Halal Food, Oil and Gas, Education, Health, Agriculture, Agriculture and Agro-based, Construction, Transport, Telecommunications support and Utilities, Wholesale, Retail and Hospitality. This effort will create the opportunity for Bumiputera entrepreneurs to be involved in or expand into these sectors.

5.1 Malaysia Training Scheme (SLIM): TH is inviting graduates who are eligible to undergo the practical attachments for 1 year under this program by providing them with the necessary allowance. The objectives of this program is to enhance the skills and the graduates' employability equivalent to their qualification. SLIM help the young generation involve into the TH management at early stage and perhaps it will create new apprentice for future TH's organization.

Islamic Teaching: The TH existence has contributed greatly to the teachings of Islam and help Muslims fulfil their obligation as a servant towards Allah SWT.

6. Perform the 5th Pillar in Islam: TH's role is to facilitate Hajj pilgrims to the perform the Haji Mabru which carries the meaning of the pilgrimage accepted and blessed by God because his/her hajj has been performed as well as possible, right and with a lawful source, which is pure and clean. For this purpose, TH has taken on the responsibility for giving guidance and clear understanding about the Pillars of the Hajj, duties in performing the Hajj and what is prohibited during Ihram. TH guides the pilgrimage starting from the mandatory (*wajib*) practice until the *Sunat*, which mean practices you should or are better to follow or to perform but not mandatory (*wajib*) when performing the Hajj duty. Performing the Hajj is one of the five pillars in Islam as mentioned in the Quran.

"Indeed, as-Safa and al-Marwah are among the symbols of Allah. So whoever makes Hajj to the House or performs Umrah - there is no blame upon him for walking between them. And whoever volunteers good - then indeed, Allah is appreciative and Knowing."(Surah Al Baqarah: 2:158)

Therefore, TH's Hajj Guidance Division has organized a series of courses and pilgrimage guidance. The objective is to improve the knowledge and understanding in Hajj performance, increasing an awareness of the real situation in the Holy Land and building a community that is righteous, who understand their function after returning from performing the pilgrimage. There are four types of courses provided by TH, namely, the Haji Basic Course, Intensive Course Haji, Haji Special Programs and Courses prime pilgrimage. The technique implemented by the TH facilitator is appropriate for all age groups and different levels. For example, in the basic course, the focus of the guidance is on topics related to the basis pilgrimage, health and management in Malaysia and Mecca. While in the intensive and special courses, the focus is on the practical performance of the Hajj. The pilgrims do not feel worried or stressed out as TH has provided four modules that will help the pilgrims to perform their Mabru Hajj.

7. Riba free Basis. TH is the platform and medium for Muslims saving money without doubts as the investment management is free from the elements of *syubhah*. The depositors' money is invested in selected investment establishments spread across a diverse range of investment portfolios based strictly on Syariah principles to preserve the purity and integrity of the profits derived, which are free from "*riba*" elements and to avoid trading in prohibited '*haram*' products. Allah has mentioned in Al Quran the prohibition of Riba as follows;

“O those who believe, fear Allah and give up what still remains of the riba if you are believers. But if you do not, then listen to the declaration of war from Allah and His Messenger. And if you repent, yours is your principal. Neither you wrong, nor be wronged. And if there be one in misery, then deferment till ease. And that you leave it as alms is far better for you, if you really know. And be fearful of a day when you shall be returned to Allah, then everybody shall be paid, in full, what he has earned. And they shall not be wronged.” (Surah Al-Baqarah 2:275-281)

In the early days for those who were intent to perform the holy pilgrimage, they resorted to rather unsystematic and traditional methods to avoid *syubhah*. Most believed that money kept under the pillow at home was a guaranteed way to preserve its integrity and be of riba-free practices. TH has come up with the solution and solved the worries of the Muslim community in Malaysia by providing savings that are shariah-compliant.

8. Will Services: A will is a transaction which comes into operation after the testator’s death. The will is executed after payment of the funeral expenses and any outstanding debts. The importance of the Islamic will (*wasiyya*) is clear as stated in the hadith: *“It is the duty of a Muslim who has anything to bequest not to let two nights pass without writing a will about it.”* (Sahih al-Bukhari). The Pilgrimage-to-be under the TH management has to provide his/her estate planning documents within 14 to 21 days before departing to Mecca. Among the documents to be provided are grants, wills, matrimonial property, inheritance and Trust. One company that manages this type service is Wasiyyah Shoppe that has 500 consultants. The will documents can be made available within seven days without additional cost for the pilgrimage.

9. Halal Food Industry: TH Committed to becoming a major player in the halal food industry through the establishment of TH Global Services Sdn Bhd (THGS) subsidiary of TH Hotel & Residence Sdn Bhd. THGS provides retail and distribution of quality halal and *toyyiban* food and beverage products and also progressing towards the development of the halal food industry globally. THGS monitors food quality through HACCP (Hazard Analysis Critical Control Point) standard imposed by the Saudi Authorities for more than 20,000 hajj pilgrims during the hajj season.

2.6 The Challenge

As a financial institution that is exposed to the open market economy, TH is facing a more challenging situation especially in the current situation of the economic environment, globally. As an important agent in helping to improve the Muslims economics in this country, TH is inseparable with the challenges faced in today’s open economic system. The volatility of commodity prices in international markets contributes to the impact on the return on investment that has been made by TH in the oil and gas and plantation sectors. The issue of TH dealing with 1MDB regarding a parcel of land at the Tun Razak Exchanged (TRX) for RM188.5 million raised a series of questions from Malaysians that could potentially jeopardize the savings of millions of pilgrims. This situation has created a bit of a loss of confidence among depositors and investors due to the 1MDB image being speculated negatively in the world. The 1MDB issue has been broadly debated among the Malaysians, politicians and oppositions, which has created a new perspective political landscape in Malaysia. TH also received a heavily criticized by various parties who had misinterpreted and were misinformed about TH’s investment activities. But, TH still be able manages all those challenges with committed and integrity intact in order to provide consistent and good services especially during Hajj operation although in the situation of troubling economic landscape that significantly affected to TH business and investment activities.

III. CONCLUSION

Lembaga Tabung Haji Malaysia is the first and only model of a dedicated financial Islamic institution in the world to systematically manage the Hajj pilgrimage and provide savings and investments based on shariah compliance. Since performing Hajj is the fifth pillar in Islam, there is an increasing number of Muslims who want and are able to perform the Hajj; hence, the need for a systematic method of managing the whole journey. TH is unique as it was established to realize the intention of the Muslim community; and the institution has managed to perform effectively and efficiently throughout the years. To face the challenges, Muslims in Malaysia must maintain loyalty to assist TH to continue serving and empowering the community, especially for the development of the Muslim economy. The confidence of depositors and trust of TH stakeholders are reflective of TH’s strength. Hopefully the continuous support from the Muslim community in Malaysia will help our country continue to prosper and progress. This is in line what Allah SWT says through Surah Fatir 29-30;

“Indeed, those who recite the Book of Allah and establish prayer and spend (in His cause) out of what we have provided them, secretly and publicly, (can) expect a profit that will never perish. That He may give them in full their rewards and increase for them of His bounty. Indeed, He is Forgiving and Appreciative”

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