



The Contemporary Role of Tabung Haji Malaysia in Fulfilling Sustainability via Islamic Social Finance

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Abstract

As an Islamic institution, Tabung Haji (TH) Malaysia is important in mobilising savings of depositors and operating innovative Islamic investment fund in an efficient manner thereby fulfilling the lifelong desire of Muslims in embarking their pilgrimage journey and performing *hajj* rituals. The positive impact of TH on Muslim society in Malaysia is undeniable. However, problems have been brewing in TH when in 2015 the Central Bank of Malaysia issued a warning to TH on their negative reserves but still paid out higher dividends and in 2018 the new management of TH made police reports on the 2017 financial accounts alleging that the previous management misused fund, broken their own accounting rules, and illegally declared dividends. This paper undertakes to examine the history, objectives and sustainable strategies of TH that ensures its long term survival, resilience and contribution to Islamic Social Finance (ISF). This study uses qualitative library research method that specifically refers to financial reports (2010-2018), documents, journals and texts regarding activities of TH and authors' own observation, to test how TH adapts to the new setup of Covid-19 (C19) challenges via ISF. This study reveals that although TH provides a good example as a competent *hajj* agency worldwide unethical political and external interference on professional management and decision-making of TH has brought undue pressures on TH to make politically-motivated decisions resulting in a conflict of interests. This study suggests that in times of C19 new landscape, TH should lead in ISF, reinvent TH as an effective post pandemic organisation and adopting purposeful technologies for business survival. This study has important implications on business goals and relevance of TH if they are to enhance their image and contributes to sustainable development of ISF.

Keywords: Islamic social finance, Tabung Haji, post Covid-19, sustainable development, Malaysia

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1. Introduction

The COVID-19 (C19) pandemic has created immense human suffering while also sparked worldwide action from the global community and individuals eager to help the diverse set of stakeholders. As for the annual *hajj* pilgrimage this year (2020), Saudi Arabia imposed strict restrictions to allow a limited number of pilgrims only to those residing within the country. Many countries also announced *hajj* cancellation, barring their citizens to attend *hajj* or advising them to skip the *hajj* due to the C19 pandemic. This is a time for TH to help tackle and respond the devastation of C19 in *hajj* management in ensuring the future pilgrims are safe and the Malaysian pilgrimage industry remains sustainable, as well as mobilising finance for humanitarian assistance. TH has the tools for C19 response and stands ready to help communities unlock the alternative instruments to respond to C19 pandemic. As an Islamic institution, TH can be part of the C19 response and recovery through a range of "Islamic Social Finance" (ISF) instruments well-suited for social impact and fulfilling national sustainability in the long term.

The term "Islamic Social Finance" or ISF refers to the tools of finance that are rooted in the Islamic ethics and intended for social good (Jouti, 2019). According to Jouti these tools include: Islamic traditional philanthropic instruments like zakat (almsgiving), sadaqah (charity), waqf (endowments), and cooperation

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based foundations of *qard hasan* (interest-free loan) as well as *kafalah*. The scope of ISF has been extended beyond the traditional instruments which also covers the contemporary Islamic microfinance institutions like sukuk and takaful for social benefit (Azman and Engku Ali, 2019). Innovative instruments like sukuk not only leads to long-term social improvements, long-term resilience, is an adaptive capacity-building for communities at risk, but also empowers communities to recover more strongly from shock while facilitating social and economic inclusion within their populations (Madani, 2016).

Focusing on TH and ISF, this study explored the underlying history, objectives, strategies of TH and its critical role in applying the modes of ISF towards socio-economic development and sustainability of Malaysia. The findings in this study show that TH is viewed internationally as one of the most successful experiments in *hajj* management of the Muslim ummah. Also, domestically has become one of the main Islamic institutions of Malaysian Islamic finance and has contributed to the sustainable impact on Malaysian socio-economy, particularly in ensuring the welfare of the pilgrims as well as the Muslim community. However, unethical political and external interference on professional management and decision-making of TH has brought undue pressures on TH to make politically-motivated decisions resulting in a conflict of interests. This paper has important implications on business goals and relevance of TH that ensures its long term survival, resilience and contribution via ISF if they are to enhance their image and sustain socio-economic development post C19 pandemic. Some of the success factors of TH can also serve as guidelines and lessons for other countries to follow.

This study is organised in six main sections including section one as the introduction. Section two presents the review of literature, three on methodology of the research, and four discusses the practices of ISF and its modes in TH. Subsequently, the impact and achievements of TH in implementing ISF for socio-economic development and sustainability including governance in Islamic institution is analysed and discussed in section five. Finally, section six recommends and concludes this study.

2. Literature Review

The history of Islamic banking in Malaysia can be traced back to the introduction of TH which is a special purpose institution in 1963, whereby the success of TH subsequently encouraged the Malaysian government to establish Malaysian first full-fledged Islamic bank on 1st July 1983, Bank Islam Malaysia Berhad (Alamad, 2019). However, the emergence of Islamic financial institution (IFI) in Malaysia is quite recent which can be categorised into banking and non-banking intermediaries (Yusuf, 2011). As a premier IFI, TH has come up with products that assure the two primary needs of human: religious by providing facilities during pilgrimage and financial when savings are mobilised to *riba* free investments (Baig, 2016). As the world's first and oldest IFI in modern times, TH had flourished and impacted the Muslim Malaysian society with its involvement in *muamalat* activities and *ibadah* activities in being responsible to ensure the welfare of the pilgrims (Zandi et al., 2017). The significance of TH can be seen through the increase in number of total pilgrims for many years now, and that its Corporate Social Responsibility (CSR) programmes are an important element for TH to contribute back and share its success with the Muslim community (Ismail, 2020). It was through CSR that TH give back to the community by implementing various social responsibility programme focusing on *hajj*, education, entrepreneurship and community welfare (Ibrahim et al, 2020). TH has its roots in the community and clear structure as a pilgrimage saving fund which pool funds of future *hajj* pilgrims, and therefore it benefits a lot from the Muslim depositors who choose Tabung Haji to save in (Mansoro, 2020).

As TH strive towards providing excellent *hajj* services to Malaysian pilgrims, depository services and investment, the ISF provides innovative options to help mobilise these efforts (Muheramtohad, 2019). As a social and international faith-based financing, the ISF has been an additional source of financing that better leveraged human suffering and vulnerability (Madani, 2016). The tools of ISF is conceptualised from the fundamental values of *tawhid* (oneness of Allah) paradigm that justice entails giving individuals what belongs to them with "integrity, rigor and insight" and *maqasid al-Shariah* (objectives of Shariah) in Islamic finance whereby the management is driven to impact life of the society (Cattelan, 2018). Throughout the history of Islam, the ISF institutions as proposed by the Shariah law have always played a pivotal role of sustaining socio-economic development and efficiency of Muslim society (Abojeib and Habib, 2019). ISF has a huge potential to enhance the Islamic economy eco-system for social benefits but steps must be taken to cushion the regulatory issues related to the application of ISF instruments in Malaysia (Haseeb, 2018). In this

regard, a smart partnership between key stakeholders such as the federal government, Islamic religious councils, non-governmental organisations (NGOs), Islamic financial institutions, fund managers and private companies is crucial (Mansor et al., 2018).

3. Methodology

This study presents a conceptual framework based on qualitative library research method and literature review that specifically refers to data collected from financial reports of TH (2012-2019), documents, peer-reviewed journals and texts regarding activities of TH and authors' own observation, to test how TH adapts to the new setup of Covid-19 challenges. This study analysed the contemporary role of TH in implementing ISF towards building a sustainable socio-economic ecosystems of Muslims in Malaysia post Covid-19.

4. Findings

TH has taken various progressive steps to invigorate and revitalise ISF instruments like waqf, zakat, sukuk, and takaful to effectively support the sustainable future provided the instruments are developed properly, managed and utilised with transparency, accountability and efficiency. This sub-section analyses the performance of ISF by TH from 2010 to 2019 in wealth distribution to various stakeholders.

4.1 Background of TH Malaysia

Previously, Malaysian pilgrims especially from rural areas used traditional methods to save money in pillows, earthen jar or under floors and some even sold their livestock or properties to cover their expenses for pilgrimage to the Holy Land of Mecca. However, these traditional savings methods are detrimental to the rural and urban economy of Malaysia. The idea about TH as an Islamic institution with Shariah based fund management was inspired by the late Royal Professor Ungku Aziz bin Ungku Abdul Hamid with the aim for Malaysians to save money for *hajj* but also as an Islamic institutional fund that invests according to the Islamic law and achieve a savings system that avoid *riba* as compared to the conventional banks (Husseini et al., 2019). In August 1962, the "Pilgrims Savings Corporation" was incorporated and subsequently launched on 30 September, 1963 and in 1969 the Corporation has merged with the Pilgrims Affairs Office (operated in Penang since 1951) giving birth to the "Pilgrims Management and Fund Board" under the Pilgrims Management and Fund Board Act 1969.

TH is a state-owned and government-backed pilgrimage fund that manages more than 80% of Malaysia *hajj* pilgrims every year with the total number of pilgrims increasing over the years, signifying its role and importance in the socio-economic life of Muslims in Malaysia (Ismail, 2020). It is a statutory body by the name of "Lembaga Tabung Haji" (LTH) or the "Pilgrims' Management and Fund Board of Malaysia" and governed by the Tabung Haji Act 1995 (Part II section 3(1)) which was previously known as the Lembaga Urusan dan Tabung Haji Act of 1969 (Tahir and Abidin, 2017). The LTH of Malaysia which was popularly known as "Tabung Haji" (TH), was the first Islamic investment company established in 1962 to help fund pilgrimage activities of the Malaysian Muslim community (Alamad, 2019). As the pioneer of an Islamic non-bank financial institution in Malaysia, the success of TH has paved the way for the establishment of the first full-fledged Islamic bank in Malaysia with TH being one of the major shareholders of the bank through its shareholdings in BIMB Holdings Berhad (Haneef and Tahir, 2018). The TH Act states the main activities of TH among others, is "to administer all matters concerning the welfare of pilgrims and to formulate policies in connection therewith" such as *hajj* management, depository services and investment. It has more than 50 years of experience in savings, *hajj* services and investments, and is the nation's largest Islamic fund manager with more than RM75 billion funds as at 31 December 2018 (TH Annual Report, 2018). Previously, TH was solely governed by the TH Act 1995 and that Bank Negara Malaysia (BNM) has no regulatory oversight of TH, but as at January 2019 TH be placed under the supervision of BNM (Ahmad, 2018a).

Started as a savings and investment institution, TH has now grown to become a big specialised financial house, financing various projects within and outside Malaysia (Yusuf et al., 2016). As a savings corporation, TH applies the deposit contract of *wadiah yad dhamanah* (safe keeping with guarantee) (Habibullah et al., 2017). Section 16(1) of TH Act allows the receipt of deposits from Muslim individuals of Malaysian citizenship and foreigners residing in Malaysia for the purposes of: "(a) saving towards pilgrimage to the Holy Land; or (b) as savings for investment or other purposes permitted by TH" (Sect 16(2)). TH has since flourished and currently it has 125 branches with more than 10,000 touch-points nationwide as well as an

office in Jeddah, Kingdom of Saudi Arabia under the purview of the Malaysian Consulate. As at the end of 2018, TH has managed more than 9 million depositors and depositors' fund has increased by 41% since 2011 to a total savings of more than US \$180 billion or RM 75.4 billion (TH Annual Report, 2018). In 2018, TH recorded a net asset of RM75.7 million which is more than 42% increase than 2011 (Table 1). According to Ishak (2011), TH has grown tremendously since 1963 where started with 1,281 savers with a total savings of US \$15,400 through three branch offices, and at the end of 2009 TH managed more than 5 million savers; 26,000 pilgrims through five airports in Malaysia. Table 1 shows the total of deposits received by TH, number of depositors, revenue and net asset of TH.

Table 1: TH Deposits, Revenue and Net Assets (2010 - 2018)

Years	Deposits Received (RM Billion)	Number of Depositors (Million people)	Revenue (RM Billion)	Net Asset (RM Million)
2010	27,115	5,627	2,056	28,289
2011	31,694	6,956	2,176	32,036
2012	38,284	8,171	2,832	40,125
2013	45,719	8,304	3,730	48,169
2014	54,358	8,610	3,289	54,006
2015	62,548	8,850	4,467	59,462
2016	67,704	9,080	3,481	63,573
2017	73,522	9,270	4,585	69,380
2018	75,412	9,210	4,229	75,769

Source: Compilation of TH Annual Reports 2010-2018

TH continues to operate to the present day with lots of improvements and diverse operational activities for social good. For example, the CSR programme of TH which is in line with Islamic values, is seen as an important roadmap for TH in contributing back to the community and share its success with the Muslim community. CSR is a responsibility of business organization to work and contribute towards social betterment (Geva, 2008). CSR does not emphasize on Shariah principles nor sustainability in the emerging market but rather an organizational effort towards compliance, reputation and fulfilling requirements by respective stakeholders (Azam et al., 2019). TH's CSR which is based on their past year performance rather than in the emerging market, has implemented its CSR programme with emphasising on the "four pillars of marketplace, community, workplace and environment which include: *haji* subsidy, maintaining low *haji* payment, collaborate with Bumiputra Muslim suppliers and contractors in key TH projects, contributes hemodialysis machines to Government hospitals, increase membership in Kelab Taha and Taha@U membership to total more than one million teenagers nationwide, human capital development courses and service excellence training for staff, and environmental awareness campaign for staff" (TH Annual Report, 2013).

To facilitate savings for the pilgrimage to Mecca, TH through its subsidiaries invests in Shariah-compliant platforms. TH's group subsidiaries include: plantation, financial institution, information technology, hospitality, services, as well as property development and construction. To reflect TH's risk-appetite when managing its group performance, in 2018 a new "Strategic Asset Allocation" (SAA) was revised to ensure favourable returns, rebalance asset management to maintain acceptable yield, and make depositors' interest as top priority. Thus, its investment is based on a balanced risk exposure via a strong credit standing financial instruments with stable-income model. As for equity investment, a more robust risk management policy like cut-loss policy was introduced to minimise any downside risk of under-performed equity. In addition, to keep pace with the fast-evolving Islamic banking and finance industry, TH's finance sector of BIMB Holdings Berhad has remained resilient in exploring new innovative financial solutions while embracing transformation. Moreover, the long-term strategies of TH Properties Group of diversifying income sources via business expansion in the global property development market, build properties and facilities for business management. Such strategies have been successful when in 2018 the TH property development and construction sector recorded commendable financial performance even with the global economy and property market was down. Meanwhile, TH hospitality sector remains profitable via contributions from the Travel and Services Sdn Bhd being the leading provider of international Islamic travel package. Moreover, TH's

information and communication technology sector via Theta Edge Group continued their involvement in provisioning engineering services such as fiberisation, operations and maintenance works to telecommunication sector.

However, the plantation sector, TH Plantation (THP) remains the biggest challenge for TH due to Europe negative campaign on palm oil which contributes to lower demand for crude palm oil (CPO), sliding prices, and low fresh fruit bunches harvest. In 2012, THP issued RM1 billion sukuk *murabahah* (maturing in 2027) with TH to refinance debt and finance capital expenditure. Over the years, THP has disposed two of its plantation interests (TH Bakti Sdn Bhd in 2015 for RM16.3 million, and THP Gemas Sdn Bhd in 2016 for RM154.1 million) to cut hundreds of millions of ringgit of losses (NST, 2019). Also, according to the then Governor of Bank Negara, Zeti Akhtar Aziz (2016) “THP have broken numerous environmental regulations in Sarawak, Sabah and Kalimantan” (Sarawak Report, 2020). Clear-felling and present plantations by THP clearly transgress environmental standards on sustainability although THP claims it is a sustainable producer that holds a Malaysian Palm Oil Certification. To shelter THP from such challenges, in 2018 strategic rationalisation exercise was performed by transferring plantation assets to SPV (special-purpose vehicle). In 2019, THP announced to dispose its equity rights in two loss-making subsidiaries; Bumi Suria Ventures Sdn Bhd and Maju Warisanmas to Tamaco Plantation Sdn Bhd for a combined RM170 million. Both subsidiaries were acquired at a high cost of RM264.2 million in 2013 based on a total plantable area of 5,700 hectares (Ahmad, 2018b). However, an aerial survey in 2018 shown an actual plantable area is only 4,842 hectares, and valued by an independent valuer at RM183.9 million or RM11,425 per acre. According to THP, the sale of both subsidiaries is necessary to get funds in preventing THP defaulting its financial obligations.

4.2 TH and Social Investments through Sukuk

TH has undergone a series of critical and challenging financial crisis due to several factors which include: a severe equity capital market downturn leading to loss in investment (unrealised losses exceeded 50 per cent of original investment value; 40 per cent of TH’s asset invested in domestic listed equities), difficult times in the property market, and adverse effects of significant errors in the investment decisions taken by the previous management (TH Annual Report 2018, p. 27). In 2016, BNM warned of “the worrying financial situation at TH which makes it difficult in the future for the TH to play an effective role in helping Muslim pilgrims to perform their Hajj”. According to the Central Bank governor, TH will face bankruptcy for its frequent investment and bailing out of non-profit-making crony ventures. Also, the Auditor’s Report 2017 revealed that TH has failed to record the RM227.81million impairment on its investment in various subsidiaries. This was due to inconsistencies in TH’s policy for asset impairment which was changed every year, and modified twice in 2017 (Ahmad, 2018b).

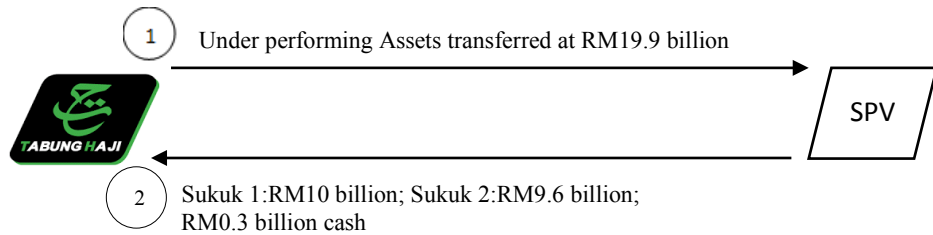
In 2018, the then Pakatan Harapan (PH) government released a damning report on TH highlighting illegal dividend distributions since 2014, assets shrinkage of more than RM4 billion and claims of accounting irregularities to mask a higher profit. Investigation by independent auditor PriceWaterhouseCoopers (PwC) unearthed that TH has total assets of RM70.3 billion against RM74.4 billion in liabilities at the end of 2017, a hole of RM4.1 billion. This indicates that every ringgit of TH’s liabilities is backed by 94.4 sen in assets. The assets to liabilities ratio had widened from an estimated 98 sen to RM1 indicated by BNM at the end of 2015. The TH Act 1995 that governs TH prohibits dividend and bonus payments if the assets slide lower than its liabilities. PwC’s financial position review for 2017, claimed that TH had paid *hibah* using depositors’ savings and the fund had masked its profitability by structuring deals to show profits (Alifah and Prem, 2018).

To avoid such financial crisis that would disrupt TH’s continued services to stakeholders and depositors, TH’s new management team with concerted assistance of Prime Minister’s Office, Prime Minister’s Department, Ministry of Finance, Ministry of Economic Affairs, BNM and Securities Commission Malaysia to urgently embark on a comprehensive recovery plan to plug the hole. The management made urgent action which includes reconstructing its financial position statement to comply with the provisions of TH Act 1995. The aim of the restructuring and rehabilitation plan was to restore the balance sheet to enable *hibah* distribution while isolating problematic and low yield assets. After the cabinet approved of such plan, it was then presented to the parliament. The plan involves forming a government owned SPV, Urusharta Jamaah Sdn Bhd (“UJSB” or “Issuer”) to take over, rehabilitate and maximise recovery of the TH’s underperforming assets which include 106 listed domestic equities, one unlisted plantation equity and 29 properties and lands.

Figure 1 describes TH’s mechanism of turnaround and restructuring plan. In addition to that, the SPV issued sukuk up to RM27.56 billion in nominal value under the Shariah principle of *Murabahah* (via *Tawarruq* arrangement) (“*Sukuk Murabahah*”), and on 30 May 2019 TH has subscribed the sukuk. Moreover, to support TH’s rehabilitation and restructuring plan, the Government has committed to fund RM500 million in 2020 and RM1.73 billion annually from 2021 onward to the SPV for sukuk repayment purpose.

Sukuk was an obvious choice since Malaysia is the main global driver for the sukuk market which represents 48.8 per cent of the total global outstanding market, and 35.8 per cent of the total global Islamic funds asset under management as of September 2019 (Malaysian International Islamic Financial Centre (MIFC), 2019). According to the MIFC (2019), Malaysia ranked first with a total of 430 global funds, followed by Saudi Arabia with 203, Luxembourg with 202, and Pakistan with 180. Figure 1 shows the turnaround and restructuring plan for TH.

Figure 1: Mechanism of TH’s Turnaround and Restructuring Plan



- 1 Underperformed assets are carved out for recovery amounting to RM19.9b. Criteria for potential assets include: (a) investment in equities with unrealized losses lesser than 20% and significant impairment; (b) no investment return; (c) properties and lands with yield more than 2.5%.
- 2 SPV issues two series of Sukuk totaling RM19.9b to TH as purchase consideration. For Sukuk 1: RM10.0 billion zero coupon Sukuk with the nominal value of RM13.2 billion over a seven year period with yield-to-maturity of 4.05 percent; Sukuk 2: RM9.6 billion zero coupon Sukuk with nominal value of RM14.3 billion over a 10 year period with yield-to-maturity of 4.10 percent. If the SPV intend to sell those assets (to protect TH’s interest when assets have potential upside), TH has the “First Right of Refusal” to take over from SPV any transferred assets.

After the restructuring and rehabilitation plan, any underperforming assets are substituted with Sukuk with 4.05 to 4.10 yield per annum. Sukuk subscription strengthened the composition of TH’s asset which is in line with its new framework for strategic asset allocation that TH’s total investment in fixed income asset class is capped at 55 per cent. Moreover, TH’s total asset stands at RM76.5 billion that were in excess of its total liabilities of RM75.5 billion, and distributable profit of RM1.6 billion as at 31 December 2018 (TH Annual Report, 2018). Thus, TH was able to declare *hibah* distribution of 1.25 percent for 2018 amounting to RM923 million, which was in full compliance with the TH Act. However, TH still had to recognise the impairment of RM1.5 billion for financial year 2018 to ensure TH does not have to recognise any impairment in the future. Moving forward, TH will practice a more sustainable and prudent investment management. This is important in protecting the interest of 9.21 million depositors, ensuring smooth *haji* operations, sustainable and strong financial position, as well as distributing of *hibah* that comply with the TH Act.

4.3 TH and Philanthropic Islamic Social Finance

Philanthropic ISF has long been a means for Islamic institution like TH to capitalise its available funds and resources in contributing towards economic sustainability of the Malaysian Muslims. It is through ISF that TH practices key Islamic ethical values of generosity, empathy, and concern for others by providing value-added services to its stakeholders and to the world cause.

TH as a responsible Islamic institution has done its share of zakat payment and distribution (TH Annual Report, 2018). On the perspective of TH as Malaysia’s largest Islamic fund manager with more than RM41 billion funds, pays zakat contribution of their depositors, bonus and bonus percentage when investments has generate competitive returns for depositors. Table 3 shows TH’s profit, zakat contribution, bonus and bonus percentage from 2010 to 2018. Since its inception in 1963, payment of additional *haji hibah* only started in 2012. This special Golden Jubilee Bonus payout was in conjunction to its 50th Golden Jubilee Celebration in

2013, payment of 6.5% of annual bonus rate and a special bonus of 1.5% was made to its 8.2 million depositors. This payout comprised a total payment of almost RM2.5 billion, an increase of 47% against the RM1.7 billion payout in 2011. The total bonus payout was derived after business zakat payment of RM47.1 million in 2012, representing the highest bonus payout since the formation of TH 50 years ago.

Table 3: TH Profit, Zakat, Bonus & Bonus (%) (2010-2018)

Years	Net Profit (RM Million)	Zakat (RM Million)	Depositors' Hibah (RM Million)	Annual Hibah (%)	Hajj Hibah (%)	Hibah Rate (%)
2010	1,497	41.0	1,332	5.45	-	5.45
2011	1,689	44.0	1,678	6.0	-	6.0
2012	2,146	47.1	2,458	6.5	1.5	8.0
2013	2,634	53.0	2,632	6.0	2.0	8.0
2014	4,615	57.0	3,237	6.25	2.0	8.25
2015	3,216	59.0	3,220	5.0	3.0	8.0
2016	2,051	60.0	2,871	4.25	1.50	5.75
2017	3,385	68.0	3,324	4.50	1.75	6.25
2018	1,782	103.0	923	1.25	-	1.25

Source: Compiled from Annual Reports of TH 2010-2018

In addition, TH has been performing their role and contribution towards the ISF in the form of zakat distributions as below:

1. TH distributes its annual zakat payment to all zakat centres in all States in Malaysia.
2. Ehsan programme- this is an annual programme that focuses on offering financial assistance to the predetermined and underprivileged segment of the community specifically in the month of Ramadhan.
3. *Iqra* programme-this programme seeks to aid the potentially ambitious and performing *asnaf* students to ease their financial burden.
4. Mobility programme-selected mosques in Malaysia are given dual-function vehicles for usage either as passenger van or hearse.
5. Ikhtiar programme- another TH initiative in providing financial assistance in the form of business capital from their zakat fund to assist *asnaf* community for start-up business or improving existing business.

In addition to its zakat programme, TH has also participated in a cooperation partnership of waqf project with Islamic Religious Council Kuala Lumpur (MAIWP), Bank Islam Malaysia Berhad (BIMB) and TH. The 1.2 hectare of land in Jalan Perak, Kuala Lumpur was endowed in this waqf project by the late Ahmad Dawjee Dadabhoy, a rich businessman and successful tycoon who originated from Gujarat, India but later stayed in Malaysia until his demise in 1987 (Hartini, 2019). In this smart partnership project, MAIWP was the legal trustee, TH acts as the developer/ project manager offered a 100% financing based on the "Build-Operate-Transfer" financing structure. TH will lease the waqf land from MAIWP for 25 years with BIMB becoming the main tenant (Bello, 2020). In the long run, this waqf estate arrangement will benefit TH's stakeholders when the returns and profits from the waqf estate that TH received is given back to benefit the *asnaf*, depositors, Muslim community and Islamic economy in general.

TH through ISF has been financing sustainable development of its stakeholders for centuries. Key milestones achieved in 2018 by TH not only enhance the impact, governance, transparency of TH, but also reflect increasing enthusiasm amongst the stakeholders at large. ISF is part of the roadmap for sustainability of TH's business to move forward whereby huge consideration should be given on maintaining both its reputation and business feasibility in the emerging market.

5. Discussion: Post Covid-19 and ISF of TH

This study found that TH has been one of the most successful experiments in *haji* management of the Muslim ummah worldwide, promoting sustainable development and aligning their impact on sustainability of the Muslim society since its inception in 1963. As an Islamic institution, TH has vitally important included ISF in its programmes since ISF is far more inclusive and widely-adopted worldwide. However, despite its success, the TH model has not yet been replicated in other Muslim countries. This section (Table 4) analyses the role of ISF as performed by TH as well as governance in the management of TH.

Table 4: TH, Governance and ISF

	2010	2011	2012	2013	2014	2015	2016	2017	2018
CSR	√	√	√	√	√	√	√	√	√
Technocrats appointees	√	√	√	√	√	√	√	√	√
Political appointees	√	√	√	√	√	√	√	√	-
Zakat	√	√	√	√	√	√	√	√	√
Hibah	5.45	6.0	6.5	6.0	6.25	5.0	4.25	4.50	1.25
Haji Bonus	-	-	1.5	2.0	2.00	3.0	1.50	1.75	-
Sadaqah	√	√	√	√	√	√	√	√	√
Sukuk	-	-	√	-	-	-	-	-	√
Takaful	√	√	√	√	√	√	√	√	√
Kafalah	√	√	√	√	√	√	√	√	√
Waqf	-	√	-	-	-	-	-	-	-
Qard hasan	√	√	√	√	√	√	√	√	√

Source: TH Annual reports (2010-2018)

Some of key takeaways of this study include; one key trend is the significant impact of TH on the socio-economic development of Muslim society in Malaysia. TH does not just involve itself in *muamalat* activities, but also in *ibadah* activities where it is responsible in ensuring the welfare of the pilgrims. Besides supporting Malaysian equities in Bursa Malaysia, TH also creates a considerable business opportunity via its direct investments in the plantation sector, project management, and services. These group subsidiaries of TH open up many business prospects which in turn provide more business opportunities to others. More wealth per ringgit Malaysia is saved compared to the early days of keeping savings under the pillow or in the floor by the multiplier effect. Also, TH provides employment to more than 1000 Muslims all over the country with competitive remuneration just as other institutions. The employment opportunities and working experiences in TH subsequently create a new breed of Muslims who are conversant in both *muamalat* transactions and *haji* management.

Another key trend is demand by stakeholders of enhanced governance, accountability and transparency of TH. Depositors' expectations in these areas are rising to provide check and balances to ensure that investments were made in the right places and evaluated professionally, and that every matter must be above the board. TH needs to be committed to important ethical issues such as CSR, good corporate governance and formalisation of ethics in financial economic theory and ISF.

Third, post C19 the use of digital technology will be on the increase. For depositors, digital technology provides greater access and makes it easier to identify, evaluate and fund causes of ISF while allowing greater reporting and communication. Perhaps most importantly, digital technology can help recipients of ISF and their communities to make resources more accessible and distribution more efficient.

Fourth, TH's explicit alignment with sustainability is a powerful trend that continues to grow post C19 pandemic. Financial institutions like TH can help social finance stakeholders identify the specific causes they wish to support and then design support programmes. TH can likewise support the implementation of ISF projects, and importantly the impact assessment and measurement of what need to be achieved.

Fifth, there is concern that TH is vulnerable to political pressure and abuse, given that the former PM Malaysia Najib Razak, who is on record for exploiting the fund to cover up 1MDB amid other suspicious investments since TH comes under the direct purview of the Prime Minister's Department (Mazwin, 2019). Also, from 2010 until 2017 politicians have been appointed to head TH, for instance Datuk Mohamed Aziz was a member Parliament of Sri Gading since 1999, an UMNO Chief, and the Permanent Deputy Chairman for UMNO Malaysia since 2008. Datuk Abdul Azeez Abdul Rahim is also a Member of UMNO Supreme

Council since 2008, a Parliament Member for Baling, and the Chairman of Yayasan Pembangunan Rakyat Baling, Kedah (Chester, 2017). This raises questions whether these political pressures are causing poor investment decisions by TH. Thus, TH should not be utilised for political but rather to be helmed by professionals and technocrats.

Sixth, the terms CSR and ISF are perceived as interchangeable which basically seems to offer similar meaning. However, both terms generally have subtle differences. Essentially, CSR by TH is driven by the need to maintain its reputation with regards to its contribution to the society and sometimes to fulfill requirements by politician and other stakeholders. CSR is a self-regulated business model that helps TH to be more accountable to a wide range of stakeholders to create societal impact, philanthropic strategy, and tactical efforts with the purpose of evaluating TH's contributions to the society for the previous business period in order to ensure correct image and reputation positioning in the market (Rexhepi et al., 2013). ISF on the other hand is driven by TH to create sustainable opportunities not in the current market but in the emerging market. Sustainability is the key agenda of ISF rather than maintaining image and reputation. ISF tools such as zakat and waqf can be leveraged to bridge financing gaps and creating social safety nets. ISF of TH does not look backward but rather focuses on potential business prospects in the emerging market. Even though both TH's CSR and ISF are philanthropic in nature, but both focus on different market, purposes and time period.

Seventh, TH's ISF ecosystem focuses on specific Shariah compliance instruments such as waqf, zakat, sadaqah and *qard Hassan* (benevolent loan) whereby all components and processes involved have to fulfill the Shariah principles without any allowable compromise (Jouti, 2019). There are evidences that financial returns and social responsibility can go hand in hand such as the Vaccine Sukuk and Malaysia's SRI Sukuk (Marwan and Engku Ali, 2016). Hence, IFIs like TH should offer more support towards ISF projects.

Finally, the question arises whether TH as the government-managed and "protected" fund has been run in the interests of pilgrims or for the rich and powerful in Malaysia. Interestingly, 5% of depositors control 75% of the funds in TH. In sustaining its high bonus rate, the reserves of TH were pushed into the red with liabilities outweighing the assets (The Edge, 2016). According to TH's annual report (2018), the bonus rate of 8.25% in 2014 was the highest given since 1998 (see Table 3). In 2012, TH paid RM2.46 billion in bonuses at a rate of 8% to its depositors, although net profit was only at RM2.15 billion. Similarly, in 2014 TH paid out RM3.24 billion *hibah* to depositors at a rate of 8.25% despite TH earning only RM2.98 billion.

6. Recommendations and Conclusion

TH has shown excellent contributions towards the society through the ISF tools and platform. It has impacted the Malaysian Muslim society such as fulfilling the national economic development policy particularly to help improve the status of the natives who are mainly Muslims and also as a symbol of economic strength of Malaysian Muslims. Their role should be replicated by other Islamic institutions or any Muslim owned businesses. Moving forward, TH as the financially viable and trusted Islamic institution should participate or initiate more waqf projects in the form of cash waqaf, land waqaf and *istibdal* waqaf (substitution of waqf property with another property or cash) land transactions. There have to be a reformed in the perception that waqf land should only be utilised for mosque, religious schools and mausoleum. There are more opportunities that can be reaped when waqf land are developed into vertical and community farming areas, converted into forest reserves or water catchment areas or through *istibdal*, various potential projects can be done to the like of the successful waqf project namely Taman Warisan Seetee Aisah project in Penang (Abdel Mohsin et al., 2016).

This study suggests that to capitalise its strengths in confronting future challenges in times of a C19 new landscape, TH should lead in ISF which is vital to achieve sustainable development. In view of the C19 pandemic, in their effort to offer financial assistance from zakat or cash waqf fund, TH should also focus on the new group categorized as urban poor. This group generally lives in the urban or sub-urban areas with no available land for farming to assist their families' basic needs. Finally, in its effort to contribute to the society, TH should also undertake a study on the impact analysis on all their ISF programmes. Such impact assessment can help TH to better engage with its stakeholders and global community while reinventing it as an effective post pandemic organisation which is done by embracing purposeful new technologies for business survival, enhanced governance practices, and forge internal partnerships. ISF is an appropriate means for TH to contribute domestically and expand its contributions to the world through forging

international partnerships which demonstrates the relevance and contributions of TH to the global sustainability development.

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