

## **THE ROLE OF TABUNG HAJI AS A DEPOSIT MOBILIZER OF MUSLIMS IN MALAYSIA, 1969 – 1990: A HISTORICAL APPROACH**

Oleh:

Dr. Joni Tamkin Borhan \*

Dr. Che Zarrina Sa'ari \*\*

### **Abstrak**

*Penulisan ini meninjau mengenai peranan Lembaga Tabung Haji sebagai bank dan penggerak dana daripada orang ramai khususnya orang-orang Islam yang hendak menunaikan Haji ke Makkah dan menggerakkan dana tersebut kepada para pelabur dalam pelbagai bidang untuk mendapatkan pulangan yang menguntungkan berasaskan kepada prinsip-prinsip Shari'ah dari tahun 1969 hingga 1990. Antara topik yang akan dibincangkan ialah sejarah penubuhan Lembaga Tabung Haji, matlamat pengkorpratan, dan peranannya sebagai salah satu institusi kewangan Islam yang penting di Malaysia dalam menggerakkan dana daripada orang-orang Islam di Malaysia dari tahun 1969–1990.*

---

\* Joni Tamkin b. Borhan , Ph.D is an Associate Prof. at the Department of Syari'ah and Economic, Academy of Islamic Studies, University of Malaya, Kuala Lumpur.

\*\* Che Zarrina Binti Sa'ari, Ph.D is an Associate Prof. at the Department of Aqidah and Islamic Thought, Academy of Islamic Studies, University of Malaya, Kuala Lumpur.

## **Introduction**

This article will critically examine the establishment and operations of *Lembaga Tabung Haji (LTH)* (Pilgrims Fund Board) (formerly known as *The Malaysian Pilgrims Management and Fund Board / Lembaga Urusan dan Tabung Haji*)<sup>1</sup> as the mobilizer of the savings of Muslims in Malaysia in accordance with the principles of Islamic commercial law. The topics that will be discussed include the historical background and establishment of *Tabung Haji*, its corporate objectives its role as an Islamic financial institution in Malaysia in mobilization of deposits of Malaysian Muslims from 1969 to 1990.

## **Historical Background and Establishment**

*Tabung Haji* was established in August 1969 to mobilise the savings of Muslims and assist them in performing their pilgrimage to Mecca.<sup>2</sup> The historical evolution of *Tabung Haji* can thus be divided into two stages. The first stage was the setting up of the Malayan Muslims Pilgrims Savings Corporation in 1962. The initial idea behind the creation of this corporation was initiated by Royal Professor Ungku Abdul Aziz of the University of Malaya, a reputed academician and an authority on the rural economy, who after making an extensive study of the rural economy in the 1950s, presented a memorandum to the Government in 1959 entitled “**A Plan to Improve the Economic Position of Future Pilgrims**”, suggesting the formation of the Pilgrims Savings Corporation which would assist Muslims to perform the *hajj* without impoverishing them or imposing financial hardships after the *hajj*.<sup>3</sup>

---

<sup>1</sup> Hereafter referred to as *Tabung Haji*.

<sup>2</sup> *Tabung Haji, Annual Report 1990*, p. 9.

<sup>3</sup> Muhammad Saleh bin Hj. Awang(1986), *Haji di Malaysia : Sejarah dan Perkembangannya Sejak Tahun 1300 - 1405 Hijrah*, Terengganu, Malaysia, 1986, p. 255. *Tabung Haji, Annual Report 1990*, p. 8; *Tabung Haji, Tabung Haji as an Islamic Financial Institutions, The Operation and Mobilization of Investment Resources in an Islamic Way*, Kuala Lumpur, 1991, p. 3.

It was often assumed before 1962 that there were hardly any savings to be mobilized in the rural sector. The Muslims traditionally used to save their money in pillows, under mattresses, in cupboards or invested in land or livestock which would be later sold to meet the expenses of *hajj*.<sup>4</sup> However, the ways by which this huge sum was saved<sup>5</sup> were economically by functional activity which drained away funds that might otherwise be employed in commercial activity and would promote the economic development and national growth.<sup>6</sup>

Such saving behaviour among Muslims in Malaysia was not without justification. The main reason for resorting to saving outside the financial framework was to ensure that the money to be spent on the *hajj* was completely free from *riba*. The savings facilities in any bank or financial institution at that time were unacceptable to these Muslims because of the presence of *riba*.<sup>7</sup>

Therefore, Ungku Aziz recommended that future *hajjis* could save in the Corporation which would offer interest-free transactions and would yield profits. Profits derived from investments would be returned in the form of profit-sharing or dividends to depositors, thus not only

---

<sup>4</sup> *Tabung Haji, Lembaga Urusan dan Tabung Haji Sebagai Institusi Pelaburan Islam*, Kuala Lumpur, 1990, pp. 7 - 8; Razali Nawawi(1991), "The Administration of Islamic Financial Institution - Malaysia's Experience", in *Syariah Law Journal*, Vol. p. 2.

<sup>5</sup> Ungku Aziz in his study estimated that about RM 3 million was spent each year by pilgrims, a steady source of savings which the Government could not afford to neglect. See Ungku Abdul Aziz(1959), *Pilgrims Economy Improvement Plan*, Kuala Lumpur, p. 1.

<sup>6</sup> See Vonder Mehden(1978), *Islam, Development and Politics in Malaysia*, USA: Texas, p. 8; Focus, "Malaysia's *Tabung Haji*", in *al-Nahdah*, Vol. IX (1), 1989, pp. 5 - 6.

<sup>7</sup> *Tabung Haji* (1991),p. 2; Radiah Abdul Kader(1991), "The Malaysian Pilgrims Management and Fund Board and Resources Mobilization", in Mohamed Ariff (ed.), *The Islamic Voluntary Sector in Southeast-Asia*, Singapore, 1991, pp. 138 - 139; Razali Nawawi (1991), *op. cit.*, p. 2.

avoiding *riba* but also assisting them financially in meeting their expenses for *hajj*.<sup>8</sup> Ungku Aziz's recommendation could not be implemented then as the Government was unable to resolve the question of *riba*. Nevertheless, it was finally carried out in 1962, following the recommendation of Sheikh Mahmoud al-Shaltut, the then, Rector of al-Azhar University, Cairo, who on his visit to Malaysia studied the plan and found it to be an absolutely *riba*-free institution and technically sound. He praised the plan as one that would greatly benefit the Muslims in Malaysia and urged its implementation.<sup>9</sup> Thus the Pilgrims Savings Corporation was incorporated in August 1962 and launched its operation in September 1962.<sup>10</sup>

The second stage in the development of *Tabung Haji* was marked by the merger between the Pilgrims Savings Corporation which operated in Kuala Lumpur and the Pilgrims Affairs Office which had been in operation since 1952 in Penang.<sup>11</sup> The merger of these two institutions led to the establishment of *Lembaga urusan dan Tabung Haji* in August 1969.<sup>12</sup> *Tabung Haji* was officially incorporated in 1969 under the *Pilgrims Management and Fund Board Act 1969 (Act No. 8, 1969)* and in 1973 under the *Pilgrims Management and Fund Board Act (Amendment) 1973 (Act No. 168, 1973)*.<sup>13</sup>

---

<sup>8</sup> *Tabung Haji* (1991), p. 2; Norhashimah Mohd. Yasin, *Islamisation/Malaynisation: A Study on the Role of Islamic Law in the Economic Development of Malaysia: 1969 - 1993*, Kuala Lumpur, pp. 300 - 301.

<sup>9</sup> *Tabung Haji, Annual Report 1990*, p. 8; *Tabung Haji* (1991), p. 3.

<sup>10</sup> This Corporation was incorporated under the law (*Act of Parliament 34/62*). *Tabung Haji, Tabung Haji 25 Tahun*, Kuala Lumpur, n.d., p. 4.

<sup>11</sup> Radiah, p. 140.

<sup>12</sup> *Wang dan Urusan Bank di Malaysia, 1992; Idem, Bank Negara Malaysia, Annual Report 1990*, p. 154; *Tabung Haji, Annual Report 1990*, p. 8.

<sup>13</sup> *Tabung Haji, Annual Report 1977*, p. 2; see also *Annual Report of Tabung Haji 1990*, p. 9.

## **Aims and Objectives of Establishment**

The *Tabung Haji* board has been set up to accomplish the following goals:

1. to enable Muslims to save gradually so as to provide for their expenses in performing the pilgrimage or for other expenses that are beneficial to them
2. to enable Muslims, through their savings, to participate in investments in industry, commerce, plantations and real estates, as approved by the *Shari'ah*
3. to provide for the protection, control and welfare of Muslims while on pilgrimage through the various facilities and services of *Tabung Haji*.<sup>14</sup>

The clarity of the above goals enabled the formulation of the following objectives:

1. to render the best and most satisfactory services to Malaysian Pilgrims in matters pertaining to the performance of the *hajj*; and
2. to give maximum investment returns to depositors on their savings.<sup>1516</sup>

In short, the objectives of *Tabung Haji* pertaining to public service and profits are quite specific and clear-cut, which give the organization a very good foundation for performance.

---

<sup>14</sup> *Tabung Haji, Annual Report 1990*, p. 9; Bank Negara Malaysia, *Wang dan Urusan Bank*, pp. 82 & 364; Cf. Abd Rahim, *et al.*, "Economic Development and the *Hajj* : Preliminary Observations from Asia with Special Reference to Malaysia", in Kadir H. Din (ed.)(1993), *Development and the Muslims*, Bangi, pp. 193 - 208; Ozey Mehmet(1990), "Malaysian Development by Trusteeship" in *Islamic Identity and Development*, Kuala Lumpur, pp. 159 - 160.

<sup>15</sup> Radiah, p. 140.

<sup>16</sup> *Tabung Haji, Annual Report 1990*, p. 9.

## **Organizational Structure**

*Tabung Haji* is a semi-government body under the Prime Minister's Department. Its organizational structure reflects a fully autonomous body which is able to exercise its statutory powers and executive policies for the benefit of its depositors. Its highest authority, the board of directors is empowered under the Act of *Tabung Haji* to formulate policies and implement programmes in the interest of the organization and its depositors. Additional power is also given to administer the funds and all other matters pertaining to the welfare of the pilgrims.<sup>17</sup>

Members of the board comprise a chairman, a deputy chairman, a representative of the Prime Minister's Department, a representative of the Treasury, a Director-General, not more than five other members appointed by the Prime Minister and a representative from the Ministry of Health (by invitation).<sup>18</sup> Despite its vast powers, the board of directors would only act upon the advice of two advisory councils, namely the Financial Advisory Council on matters pertaining to finance and investments, and the *Hajj* Operation Advisory Council on matters regarding the welfare of the pilgrims.<sup>19</sup> Decisions made are then delegated to the management headed by the Director-General for implementation, and are supervised by two statutory committees, namely the Finance Committee and the Welfare Committee.<sup>20</sup> Thus, the elements of check and balance are inherent in almost all processes and procedures to ensure efficiency and trustworthiness.

At the headquarters level, the management is divided into four departments each of which is headed by a Deputy Director-General,

---

<sup>17</sup> Radiah, p. 141.

<sup>18</sup> *Tabung Haji, Annual Report 1990*, p. 10; Section 3(3), *Act of Tabung Haji 1969*.

<sup>19</sup> *Tabung Haji (1990), op cit.*, pp. 12 - 13.

<sup>20</sup> *Ibid*, pp. 14 - 15; *Tabung Haji, 10 Tahun Tabung Haji 1963 - 1973, Kuala Lumpur*, p. 12; *Tabung Haji, Annual Report 1989*, pp. 16 - 17; Radiah, p. 141.

each specializing in specific activities:

1. The Department of Finance and Investment, which is responsible for all financial transactions in accordance with provisions stipulated in the Act of incorporation.<sup>21</sup>
2. The Department of *Hajj*, which is responsible for discharging all services pertaining to *hajj* affairs whether in Malaysia or Saudi Arabia.<sup>22</sup>
3. The Department of Administration and Information, which is responsible for matters pertaining to personnel recruitment, training and career development, and dissemination of information regarding *Tabung Haji* activities.<sup>23</sup>
4. The Department of Corporate Affairs and Research, which is responsible for all corporate matters, such as promotion of corporate image and evaluation of corporate strategies, so as to ensure that *Tabung Haji* activities fulfil the needs of depositors and investors.<sup>24</sup>

Each of the above departments is divided into divisions which are further subdivided into branches, units and sections to provide a better supervision and control.

### **Economic Activities of *Tabung Haji*: Mobilization of Deposits**

*Tabung Haji* currently provides and accepts one form of deposits facility from its members. Deposits is accepted from its members based on the *Shari'ah* principle of *wadi'ah*. This facility is open to all

---

<sup>21</sup> *Tabung Haji, Annual Report 1989*, p. 66; *Idem, Annual Report 1990*, p. 81.

<sup>22</sup> *Tabung Haji, Annual Report 1989*, p. 15.

<sup>23</sup> *Tabung Haji, Annual Report 1990*, pp. 54 & 59.

<sup>24</sup> *Tabung Haji, Annual Reports 1987*, p. 56; 1989, pp. 93 and 1990, p. 81.

Malaysian Muslims, with the minimum deposit required to open an account being RM 2.00.<sup>25</sup> In the contract of *wad'ah*, the depositors grant permission to *Tabung Haji* to use their deposits for investment purposes. Any profits from the investment are then distributed among depositors in the form of bonus after the payment of *zakat* and after allocations have been made. No savings account book is issued on opening an account. Instead, each member is given an account number which is used when subsequent deposits are made. A statement of account is sent to depositors twice yearly, that is, on 30 June and 31 December. Bonuses are calculated at the end of the year and credited to the account of individual depositors after the net distributable profit for the year minus *zakat* has been determined.<sup>26</sup>

Depositors can make their savings at the *Tabung Haji* head office in Kuala Lumpur or any branch offices in any state and province or through any post office throughout the country or by monthly salary deductions. These methods of savings have been devised on the premise that they are fool-proof, convenient for all members, and can easily administered with the least possible expenditure.<sup>27</sup>

Besides, to attract new depositors, *Tabung Haji* through its Information and Relations Division has launched from time to time various savings schemes for schools, government departments and the private sectors. These include:

1. Saving schemes for school-children by introducing coin-boxes which are sold at RM 5.00 each.<sup>28</sup>
2. Saving schemes for dependants where a depositor is encouraged to extend his monthly salary deduction to his

---

<sup>25</sup> *Tabung Haji, Risalah Simpanan, n.d.*

<sup>26</sup> *Tabung Haji, Annual Report 1984, p. 37.*

<sup>27</sup> *Tabung Haji, Annual Report 1989, p. 39.*

<sup>28</sup> *Tabung Haji, Annual Report 1990, p. 67.*

dependants.<sup>29</sup>

3. A monthly Bonus Payment Scheme for accounts exceeding RM 10,000 for at least a year. Bonuses credited at the end of each year will be paid in equal monthly instalments the following year. This scheme is specially devised for depositors in the lower income group who receive compensation from the government for their land and property forgone for development purposes. Through this scheme, they are ensured a fixed monthly income.<sup>30</sup>

### **Withdrawal of Deposits**

*Tabung Haji* is one of the very few financial institutions that provide a direct link between savings and purpose. As such, savings deposited with *Tabung Haji* cannot be withdrawn for reasons other than to defray all or part of the depositor's pilgrimage expenses, except in the following cases:

1. the death of the depositors
2. when age, health and so forth, make it difficult for the depositor to undertake pilgrimage
3. on production of satisfactory evidence that the depositor intends to emigrate from Malaysia.<sup>31</sup>

---

<sup>29</sup> *Tabung Haji, Bagaimana Anda Boleh Menjadi Penyimpan di Tabung Haji*, Kuala Lumpur, n. d., pp. 2 - 4.

<sup>30</sup> *Tabung Haji, Annual Report 1986*, pp. 26 - 30.

<sup>31</sup> Interview with Che Gayah Salleh, Investment Officer of *Tabung Haji*, Kuala Lumpur, 25/11/94 ; *Tabung Haji, Deposit and Withdrawal Division*; Radiah Abdul Kader (1991), "The Malaysian Pilgrims Management and Fund Board and Resource Mobilizations" in Mohamed Ariff (ed.), *The Islamic Voluntary Sector in Southeast Asia*, Singapore, p. 143.

On principle, withdrawals are allowed only once in six months, with a maximum withdrawal of up to 80 per cent of the individual's credit balance. However, 100 per cent withdrawals are allowed for the exceptional reasons stated above. A member who is registered for pilgrimage in a certain year cannot make withdrawals within six months before his departure but is allowed to withdraw his savings in Mecca or Medina. It may be noted that the rules governing withdrawals of deposits accord a long-term character to deposits so as to ensure that the primary aim of enabling the members to save for the pilgrimage is achieved. Moreover, funds of the *Tabung Haji* could be invested in long-term investments which usually take at least six months for profits to accrue.<sup>32</sup>

### **Branch Network and Employment Structure**

In the early years of its incorporation, *Tabung Haji* started off with very few branch offices and a staff of hardly twenty. However, as at the end of 1991, its branch offices had increased to 86,<sup>33</sup> with 15 divisions under 4 departments at the headquarters level in Kuala Lumpur. At the same time, the total number of staff stood at 1021 with a high proportion of semi-skilled workers, including clerks and technicians. The proportion of professional and semi-professional staff is still small, comprising less than 20 per cent of total employees as presented in Table 1 below.

---

<sup>32</sup> *Tabung Haji, Deposit and Withdrawal Division.*

<sup>33</sup> This includes 83 branch offices in Malaysia and 3 branch offices in Saudi Arabia. *Tabung Haji, Annual Report 1990*, p. 53.

**Table 1**

**Tabung Haji : Total number of staff; professional, semi-professional and semi-skilled workers, 1989 - 1990.**

| *Group                      | 1989 | 1990 |
|-----------------------------|------|------|
| A (Professional)            | 63   | 65   |
| B (Semi-Professional)       | 99   | 99   |
| C (Semi-skilled workers)    | 460  | 557  |
| D ( Semi-skilled workers)   | 278  | 274  |
| Other staff:                |      |      |
| Local staff in Saudi Arabia | 13   | 14   |
| Contract Staffs             | 19   | 12   |

Source: *Tabung Haji, Annual Report 1990*, p. 54.

### Growths of Deposits

**Table 2**

**Tabung Haji : Total Deposits and Total depositors, 1986 - 1990.**

| Year | Deposits           |            | Total Depositors |            |
|------|--------------------|------------|------------------|------------|
|      | Total Deposit (RM) | % Increase | Persons          | % Increase |
| 1986 | 480,099,744        | 00         | 976,438          | 00         |
| 1987 | 600,131,082        | 20         | 1,116,141        | 12.5       |
| 1988 | 789,538,420        | 24         | 1,301,937        | 14.3       |
| 1989 | 1,014,444,385      | 22.2       | 1,512,088        | 13.9       |
| 1990 | 1,074,494,357      | 5.6        | 1,735,678        | 12.9       |

Source : *Bank Negara Malaysia, Annual Reports 1986 - 1990; Tabung Haji, Annual Reports 1987 - 1990.*

As at 31 December 1990, *Tabung Haji* had accumulated a total of RM 1,074,494,357 worth of deposits with the total number of depositors reaching 1,753,678 persons as presented in Table 2 above.

**Table 3**

**Tabung Haji : Growth of deposits and the Number of New Depositors, 1969 - 1990.**

| Year | Deposits Received |            | New Depositors |            |
|------|-------------------|------------|----------------|------------|
|      | RM million        | % increase | (000)          | % increase |
| 1969 | 7.0               |            | 7.1            |            |
| 1970 | 9.4               | 34.3       | 12.4           | 74.6       |
| 1971 | 10.7              | 13.8       | 12.9           | 4.0        |
| 1972 | 18.4              | 72.0       | 23.9           | 85.3       |
| 1973 | 29.4              | 59.8       | 42.0           | 75.7       |
| 1974 | 51.7              | 75.9       | 82.6           | 96.7       |
| 1975 | 42.7              | -17.4      | 35.8           | -96.7      |
| 1976 | 22.8              | -46.6      | 15.5           | -56.7      |
| 1977 | 26.9              | 18.0       | 27.1           | 74.8       |
| 1978 | 47.8              | 77.7       | 30.6           | 12.9       |
| 1979 | 68.8              | 43.9       | 34.7           | 13.4       |
| 1980 | 108.4             | 57.6       | 51.6           | 48.7       |
| 1981 | 150.3             | 38.7       | 58.4           | 13.2       |
| 1982 | 182.7             | 21.6       | 66.4           | 13.7       |
| 1983 | 195.9             | 7.2        | 75.1           | 13.1       |
| 1984 | 209.5             | 6.9        | 133.4          | 77.6       |
| 1985 | 226.7             | 8.2        | 123.8          | -7.2       |
| 1986 | 275.2             | 21.5       | 127.7          | 3.2        |
| 1987 | 331.5             | 20.5       | 138.6          | 8.5        |
| 1988 | 446.9             | 34.8       | 185.9          | 34.1       |
| 1989 | 556.9             | 24.6       | 212.8          | 14.5       |
| 1990 | 557.3             | 0.07       | 241.6          | 13.5       |

Source : Compiled from *Annual Reports of Tabung Haji 1976 - 1990; Idem, Deposit and Withdrawal Division.*

Table 3, above, provides data relating to annual deposits received, new depositors and their growth for the period 1969 to 1990. With the exception of 1975 and 1976, the growth of deposits during the past two

decades shows an increasing trend. Savings were in the range of RM 7 - 70 million a year during the 1970s and RM 100 - 560 million a year in the 1980s and in 1990. The most remarkable growth occurred between the third and fifth year of *Tabung Haji's* existence with deposits growing at an average rate of 69 per cent. This may be attributed mainly to the success of publicity measures undertaken in the rural areas beginning in 1972. Grand-scale campaigns were launched in four major states where the majority of the rural Malay population was concentrated. In 1974, small-scale campaigns were extended to mosques and schools and exhibitions were held in various Government agencies. The success of the publicity drive was followed by the opening of new branch offices in twelve states peninsular Malaysia.<sup>34</sup>

A sharp decline in the volume of deposits in the years 1975 and 1976 (falling at an average of 30 per cent per year) was caused by the implementation of the Shaykh System in Mecca and Medina in 1975. In this system, pilgrims were not allowed to choose a particular shaykh as their guide. This new ruling proved unpopular among pilgrims because it often meant separation from friends and relatives during the pilgrimage.<sup>35</sup> Another major factor was the worldwide inflationary situation which caused a rise in pilgrimage expenses. Total expenses to perform pilgrimage increased to RM 2,720 - RM 3,270 per person in 1976 from RM 1,500 in 1975, an increase of 100 per cent.<sup>36</sup> These two factors led to a decrease in the number of pilgrims, which in turn affected the volume of deposits.

Deposits started to rise again in 1977, following the annulment of the Shaykh System and have continued to increase ever since. However, since the beginning of 1981, the rate of increase has slowed down, which may be due to the economic recession. Trends in the growth of

---

<sup>34</sup> Radiah Abdul Kader (1991), *op cit.*, p. 145.

<sup>35</sup> *Tabung Haji, Annual Report 1976*, p. 5.

<sup>36</sup> *Ibid*, p. 6.

depositors more or less follow the trend in deposit growth, with peaks in 1972 - 1974 and troughs in 1975 - 1976. Growth between 1978 and 1983 (excluding 1980) was rather moderate, with average increases of 13 per cent. The huge increase in the number of depositors in 1984 consisted mainly of school-children<sup>37</sup> and new deposits recruited through the salary deduction scheme.<sup>38</sup>

**Table 4**

***Tabung Haji : Deposit Accumulation, 1988 - 1990***

| Method of Saving                    | 1988         |            | 1989         |            | 1990         |            |
|-------------------------------------|--------------|------------|--------------|------------|--------------|------------|
|                                     | RM mil       | %          | RM mil       | %          | RM mil       | %          |
| 1. Salary Deduction                 | 142.7        | 30.6       | 181.2        | 32.5       | 221.8        | 39.8       |
| 2. Counter Collection and Campaign  | 298.1        | 63.8       | 347.1        | 62.3       | 310.2        | 55.6       |
| 3. Post Office                      | 24.8         | 5.3        | 25.9         | 4.7        | 21.7         | 3.9        |
| 4. Student and Children Box Savings | 1.3          | 0.3        | 2.7          | 0.5        | 3.6          | 0.7        |
| <b>Total</b>                        | <b>466.9</b> | <b>100</b> | <b>556.9</b> | <b>100</b> | <b>557.3</b> | <b>100</b> |

Source : Compiled from *Annual Reports of Tabung Haji 1988 - 1990*.

An examination of *Tabung Haji* deposits can also be viewed from various categories of depositors, which can be classified mainly as : (1) those who intend to perform pilgrimage; (2) employees in the Government and private sectors; (3) ordinary depositors; (4) students

<sup>37</sup> *Tabung Haji, Annual Report 1984*, p. 38.

<sup>38</sup> *Ibid.*

and children.<sup>39</sup>

Table 4 above shows data on the annual deposits accumulated by *Tabung Haji* using various methods of collection from 1988 to 1990. Data from Table 4 shows that the method of saving by counter collection and campaign represents the largest per cent of total annual savings. It was followed by savings using the method of salary deductions, post offices and students and children's savings.

### **Investment Activities**

Even though initially *Tabung Haji* was established solely to facilitate Malaysian Muslims performing pilgrimage,<sup>40</sup> it is not prohibited from engaging in investment activities.<sup>41</sup> The provision made under the Act has been translated into the aims and objectives of *Tabung Haji* at the operational level, namely: (i).the collection and management of the pilgrimage fund; and (ii).the administration and management of pilgrims.

Thus, the Act permits *Tabung Haji* to invest the depositors' money in order to generate profits which will then distributed among the depositors in the form of bonuses. In implementing its function, *Tabung Haji* adheres to the *Shari'ah* principle of *wadi'at al -wakalah al-mutlaqah*, i.e. the depositors give consent to *Tabung Haji* to manage their deposits for the purpose of investment.

---

<sup>39</sup> *Tabung Haji, Annual Report 1990*, pp. 6 - 7.

<sup>40</sup> The Preamble of *Tabung Haji Act, 1969* (Act No. 8, 1969) specifies that the main function of *Tabung Haji* is to manage a fund for the maintenance and utilization of savings in connection with the protection, control and general well-being of the pilgrimage to Mecca and matters ancillary thereto.

<sup>41</sup> Section 4, *Tabung Haji Act 1969* provide : It shall be the function of the *Lembaga (Tabung Haji)* to administer the fund and all matters concerning the welfare of the pilgrims and to formulate policies in connection therewith and do so such other things as may be done under this Act.

Since the funds deposited with *Tabung Haji* by Malaysian Muslims are being held for purpose of the pilgrimage, the areas of investments have to be within the framework of the *Shari'ah*.<sup>42</sup> Therefore, *Tabung Haji* does not invest its funds in government interest-bearing securities, other interest-bearing securities or shares in companies producing goods which are forbidden in Islam.<sup>43</sup> Nevertheless, the scope of investment is still broad. Until 1990, there were four types of investments undertaken by *Tabung Haji* as follows: investment in shares (equity participation), investment in subsidiary companies, investment in land and building<sup>44</sup> and short-term investment.<sup>45</sup>

The investment activities of *Tabung Haji* can be classified into two types of investments, that is long-term and short-term investments. Investments in the *BIMB* are in the form of short-term investments; while investments in shares (equity participation), subsidiary companies and land and building are classified as long-term investments. All these investment activities are currently carried out under the principles of *mudarabah* (profit-sharing), *musharakah* (equity participation) and *ijarah* (leasing).<sup>46</sup>

To ensure that investments made by *Tabung Haji* are in compliance with the *Shari'ah* rules, each decision made in matters pertaining to investment is brought under the advice of the National Advisory Council, for instance, if *Tabung Haji* is doubtful as to whether such business conducted by the companies is in accordance with the *Shari'ah*. At present, this advice is sought from the expertise of the Religious Supervisory Council of *BIMB*.<sup>47</sup> Therefore, divergence from

---

<sup>42</sup> Section 23(1), *Tabung Haji Act*, 1969 provides for the assets of the funds to be invested in such manner as the *Tabung Haji* management thinks fit.

<sup>43</sup> Radiah, p. 143.

<sup>44</sup> All these types of investments are in a long-term investments.

<sup>45</sup> *Tabung Haji* (1991), p. 13; Norhashimah, p. 312.

<sup>46</sup> *Tabung Haji, Lembaga Urusan dan Tabung Haji*, n. d., p. 6.

<sup>47</sup> Interview with Che Gayah Salleh, Investment Officer of *Tabung Haji*, Kuala

the *Shari'ah* principles should result in the withdrawal of shares or participation by *Tabung Haji*. These have been occasions in the past when such actions were deemed necessary and were taken by *Tabung Haji*.<sup>48</sup>

### **Income From Investments**

Income received by *Tabung Haji* is derived from its investments. *Tabung Haji* receives four types of major income, namely: dividends from investment in shares; rent from buildings; profit from short-term investment in *BIMB*; and profit from the sale of shares.

The income of *Tabung Haji* has been stable over the four year period 1987 - 1990. With the exception of 1988, total annual income received by *Tabung Haji* over this period was around RM 100 million. During the financial years 1988 to 1990, dividends from investment in shares made the largest contribution to annual income, i.e. RM. 39.04 million (52.7 %), RM. 45.81 million (40 %) and RM. 40.87 million (40 %) respectively. However, in 1987 more than 40 per cent of income (RM. 43.71 million) came from the profit on the sale of shares, while income from dividends constituted 29 per cent of the total annual income.

### **Appropriation of Profits**

Table 5 below shows that the pre-*zakat* profits made during the financial years of 1981 to 1986 have been stable with a slight fall in

---

Lumpur, 25/11/94; See also W. M. Wan Hussein, "Pengurusan Kewangan dan Pelaburan Islam : Pengalaman *Tabung Haji*", p. 32. Paper presented at the Seminar Pentadbiran dan Pengurusan Islam, ITM, Selangor, Malaysia, 1991.

<sup>48</sup> For example, in 1970s, *Tabung Haji* withdrew its investment from businesses involving liquor and the hotel business. This attitude continued into the 1980s when two companies namely Rasa Sayang Hotel and Bousted Holdings Limited were withdrawn from the *Tabung Haji* investment portfolio since they had later diversified into activities not according to *Shari'ah*. *Berita Harian*, 7 January, 1986, p. 1.

1985 and 1986, i.e. RM 25.9 million and RM 23.4 million respectively, owing to the economic recession. However, during the financial years 1987 to 1990 the pre-*zakat* profits made have been inconsistent. The main factor which contributed to the fluctuation of the *Tabung Haji*'s profits during those financial years was the profits on the sale of shares. For example, in 1987 RM 43.71 million out of RM 64.45 million of the pre-*zakat* profits of *Tabung Haji* was generated from the sale of shares, an increase of RM 41.52 million from the previous year, which was RM 2.19 million.

**Table 5**

***Tabung Haji : Distribution of Tabung Haji Profits, 1981 - 1990.***

| Year | Profits<br>(before <i>zakat</i> )<br>(RM Million) | <i>Zakat</i><br>(RM<br>Million) | Bonus      |     |
|------|---|---------------------------------|------------|-----|
|      |   |                                 | RM Million | %   |
| 1981 | 32.4  | 1.6                             | 10.3       | 9.0 |
| 1982 | 32.2  | 2.3                             | 12.7       | 8.0 |
| 1983 | 29.4  | 2.8                             | 15.2       | 8.5 |
| 1984 | 29.8  | 1.4                             | 34.5       | 8.5 |
| 1985 | 25.9  | 1.2                             | 27.1       | 9   |
| 1986 | 23.4  | 1.4                             | 27.7       | 7   |
| 1987 | 64.5  | 2.3                             | 36.4       | 7.5 |
| 1988 | 38.5  | 2.1                             | 39.3       | 6.5 |
| 1989 | 73.8  | 2.4                             | 55.7       | 7.0 |
| 1990 | 56.2  | 3.0                             | 25.5       | 6.5 |

Source : Compiled from *Annual Reports of Tabung Haji 1981 - 1990*.

### **Payment of *Zakat***

*Tabung Haji* has been paying *zakat* on wealth and commerce since 1980. The rate of *zakat* is 2.5 per cent on the sum of profits earned and the amount of working capital at the end of the financial

year.<sup>49</sup> *Zakat* payments are made to the Islamic Religious Department in each state which in turn redistributes the *zakat* fund among the various beneficiaries. The amount received by each state is based on the credit balance of the depositors in the respective states.<sup>50</sup> At the end of the financial year 1990, *zakat* payment made by *Tabung Haji* was RM 3 million which in turn could be used to help, for example, poor and needy Muslims in Malaysia as well as to carry out economic projects aimed at improving the socio-economic conditions of Muslims in Malaysia. In other words, *Tabung Haji* has also made a contribution to the economic development of Malaysia by increasing payment of *zakat* each year as presented in Table 5 above.

### **Payment of Bonus<sup>51</sup>**

A large proportion of *Tabung Haji* net profits are distributed to depositors in the form of bonuses. The annual rate of bonus varies from 6.5 to 9.0 per cent during 1981 - 1990 financial years, as presented in Table 5, depending on profit made. However, at times when profits were very low, part of the *Tabung Haji* general reserves were used to pay a reasonably high bonus. This practice was evident in 1984 and 1985 when the bonus payment amounted to 115 and 104 per cent of the total profits respectively. As a result, *Tabung Haji* was able to offer a competitive rate of return to depositors at 8.5 and 9.0 per cent, which was comparable to the return from other types of Islamic financial institutions' investments in the country such as *BIMB*. As a matter of fact, these rates of bonuses were relatively higher than the 5 per cent rate of profit paid on savings accounts in *BIMB* as at December 1985.

---

<sup>49</sup> The question of *zakat* was raised some years ago but a clear *fatwa* (decree) was issued to the management of *Tabung Haji* only in 1979. *Tabung Haji, Annual Report 1981*, p. 19; *Annual Report 1984*, p. 37.

<sup>50</sup> *Tabung Haji, Zakat*, n. d.

<sup>51</sup> *Tabung Haji, Bonus*, n. d.

## **Conclusion**

*Tabung Haji* is regarded as an Islamic financial institution of a special kind. It mobilizes funds from savers (depositors) and channels them to investors. It acts as a banker and service organization to its members and when they decide to perform the pilgrimage, it caters for their needs before departure and during hajj. Services catered by *Tabung Haji* before departure such as handling visa requirements, arrangements, arranging for transportation, and giving information and education on pilgrimage. Whereas, services catered by *Tabung Haji* in Mecca include the provision of accommodation, food and medical and health care. The economic activities of *Tabung Haji* emanate from its role as a banker to its members whereby it attempts to convert their deposits into profitable investments.

*Tabung Haji* has been successful in achieving its aims and objectives of its establishment as an Islamic financial institution and its contribution to the development process of the country by looking at the growth of the size of its deposits and the number of its depositors since its incorporation. In this sense, it is apparent that *Tabung Haji* has been successful in achieving its aim of enabling Muslims to save for the purpose of performing the pilgrimage. When it was first formed in 1969, the organization had only 7.1 thousand members (depositors) with a total savings of RM 7 million. However, as at the end of 1990, its depositors reached 1,753,678 persons with total savings amounting to RM 1,074.5 million.

The contribution of *Tabung Haji* in the process of economic development lies in its role as the user of investible funds deposited with it. Hence, *Tabung Haji* has been successful in channelling its resources to specified areas and giving high returns to depositors on their savings. The annual rate of bonus given to its depositors from 1981 to 1990 is between 6.5 to 9.00 per cent which is regarded as a competitive rate in comparison with other financial institutions in Malaysia.