

THE CONDUCT OF THE ḤAJJ IN MALAYSIA AND ITS ECONOMIC IMPACT ON THE SOCIETY: 1963-2005

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Abstract: *Hajj, the annual pilgrimage to Makkah is the fifth and last fundamental pillar of Islam and is mandatory for Muslims who are physically and financially able to make the pilgrimage. Therefore, the ḥajj is closely associated with economic system as it is a prerequisite in fulfilling the ḥajj. The ḥajj institution in Malaysia under the direction of Lembaga Tabung Haji, particularly from 1963 to 2005, contributed to a series of developments and progress of the nation's economy. With the progress made in the pilgrimage management particularly during the period, the ḥajj institution under the direction of Tabung Haji has experienced rapid expansion and reforms thus had direct economic implications on the pilgrims and the ḥajj institution itself. This paper highlights the conduct of ḥajj from Malaysia with special reference to the roles of Tabung Haji and the ḥajj that have caused in very important economic consequences for all aspects of the pilgrims and pilgrimage institution itself. The researcher adopts a qualitative method that enables her to analyze and assess the material and information collected from the primary and secondary sources. This study concluded that Tabung Haji had considerably contributed to the significant changes in Malaysian ḥajj institution and led to transformative economic impacts on the ḥajj institution and the community as a whole.*

Keywords: *Lembaga Tabung Haji, Hajj in Malaysia, Economic Impact*

Introduction

The annual occasion of the ḥajj is among the most remarkable events in a Malay Muslim's life. Therefore, the close association between ḥajj and the Malays as well as its status as a prominent religious foundation gives ḥajj a significant position in the society. Due to its special position in the life of Muslims, the ḥajj institution undoubtedly influences the lives of most Malaysian Muslims. The increasing influence of this religious institution over the Muslim community could bring enormous positive changes in their lives. Furthermore, the revolution initiated for the ḥajj institution in Malaysia and the significant roles of Tabung Haji in transforming the ḥajj institution have definitely transformed the conduct of the ḥajj for Malaysians and expanded the pilgrimage implications on the society. This paper examines the significance of the ḥajj institution for Muslims in Malaysia. It also investigates the roles of this religious institution in

reshaping the socio-economic and religious structures of the Malay society and in particular its economic contribution to the community.

The Conduct of the Hajj in Malaysia and its Economic Impact on the Society: 1963-2005.

The *hajj* to Makkah, the fifth pillar of Islam is compulsory for all Muslims who have the financial capability to reach it, other than fulfilling other requirements. Therefore, the *hajj* institutions are closely related to economic systems because financial capability is the first prerequisite in fulfilling the *hajj*. In the Malaysian context, these institutions have direct relationship with the economic transformation process. The establishment of Tabung Haji as the national hajj corporation in 1963 as well as its *hajj* savings services based on the *shari'ah* provided alternatives for the Muslims leading to a paradigm shift in the economic system in this country. Tabung Haji is the first ever Islamic financial institution in Malaysia that allows Muslims to systematically save on gradual installments for their expenses when performing the pilgrimage or other beneficial expenses. It is safe and free from usury. Thus, Tabung Haji plays an important role in educating the Muslims by providing opportunities to save based on the *shari'ah* through campaigns and aggressive investment activities. Besides, the facilities and the available savings services nationwide enable Muslims all over the country to participate in the Tabung Haji saving scheme, even on a small scale.

Tabung Haji also functions as an Islamic financial institution that acts as a platform for Muslims to participate actively and effectively through savings and investments in the economic activities besides gaining competitive and *halal* returns from the aspect of *shari'ah*. The participation amongst Muslims not only inculcates the spirit of savings, but at the same time, involves them indirectly in the development of the nation's economy on a large scale. Besides gathering their funds for the pilgrimage through the *halal* way, the depositors who save with Tabung Haji would also get their returns and dividends generated from the profits of the investments and economic activities carried out by Tabung Haji. This system is proven safer comparatively to the traditional methods of the pilgrimage expenses which affect the Malay economy and the development of the country. Generally, the high Muslim participation in the saving activities at Tabung Haji contributes to the transformation process of the Malay economy. This is because the *hajj* saving schemes on a small scale helps the rural Malays to gather assets from their savings.

Besides that, various facilities and incentives are offered by Tabung Haji to attract more Muslims from different backgrounds to save with the *hajj* institution. Until now, the profile of the depositors which make up the bulk of the total savings are from the urban population compared to the participation of the majority of the rural population at the beginning of the establishment of Tabung Haji. Other than that, the percentage of participation from professionals increases from time to time.¹ This development contributes towards the increase of the total Tabung Haji depositors who are the Muslims of this country. This participation encourages the Muslims in this country, as depositors of Tabung Haji, to contribute to the increase of funds in the organization.

¹ LTH, "Pelaksanaan Sistem kewangan Islam di Malaysia: Pengalaman Tabung Haji", Seminar Syariah dan Undang-Undang Peringkat Kebangsaan 2010, Fakulti Syariah dan Undang-Undang, Universiti Sains Islam Malaysia, 2-3 November 2010, 3.

Tabung Haji was established in 1963 with a fund of RM46,610 from 1,281 depositors.² In 1975, the *hajj* institution had 257,618 depositors with the savings totaling RM181,688.00.³ This number of depositors increased from 867,220 in 1985 to 2,757,678 in 1995, with added deposit value from RM226.7 million to RM1.278 billion respectively.⁴ In 1997, the number of depositors for the Tabung Haji reached 3,189,570, which is an 8.31% increase from the previous year. It increased again by 7.88% the next year (1988) to 3,440,971 depositors. From 2004 to 2005, the number of depositors increased by 6.1% from 4.9 million depositors to 5.1 million depositors with an estimated deposit of RM13.3 billion.⁵

The increased rate of the accumulated number of depositors of the Tabung Haji is 8.1% higher than the growth rate of the *Bumiputera* population of the country (2.5%).⁶ This increase showcases the success of Tabung Haji in encouraging the Muslims to save economically to perform the pilgrimage. With the development of this savings fund, together with sound financial management and effective investment, the Muslim fund could be utilized to expand the economic dominance in Malaysia through asset ownership, stocks and various available economic opportunities. This huge fund continues to develop together with the increase in the total number of depositors and ultimately it leads Tabung Haji to venture into various investment fields and economy to optimize of the profit returns.

The Tabung Haji has participated in various short and long term investments in various economic sectors such as the industry, service, agriculture and real estate. It also actively invests in Islamic financial investing instruments such as bonds, corporate notes, government investment certificates, *Al-Mudārabah* bank accounts and many more. The body also invests in its subsidiary companies which are directly involved in highly potential sectors such as agriculture, real estates, constructions, *hajj* services, *umrah* an tourism services, *halal* products, Islamic banking and many more. Beginning with the buying of stocks from a company in 1964, by 2005 Tabung Haji has shares in 329 companies of which 271 are listed companies, 46 are not listed companies while 12 others are subsidiaries.⁷ This has turned Tabung Haji among the biggest and most successful Islamic investing institution. With a wider scope of investment, Tabung Haji directly gives the Muslims alternative choices in long term investments in various sectors such as real estates, industry and equity.

The diversity of investment in economic enterprises has minimized the risk, profit maximization and ensured the continued dividends to the depositors at a competitive rate. Even though the financial performance of Tabung Haji is influenced by the economic growth of the country as well as uncontrolled factors like geo-political environments and global economy, Tabung Haji has continued to report healthy total profits annually from year to year as a result of their multi economic activities. In 1976, Tabung Haji reported RM10.5 million profit compared to just RM3.8 million in 1974. This amount increased to RM29.4 million in 1983.⁸ In 1997, Tabung Haji reached a collected amount of RM662.2 million, which was a 45.2% increase compared to RM457.9 million in 1996. Even during the 1997-1998 period, when the industry was experiencing a decline in asset growth as much as 12% and 3 % respectively,

² PWSBH, *Penyata Tahunan 1963*, 8-9.

³ LUTH, *Laporan Tahunan 1975*, 9.

⁴ LUTH, *Laporan Tahunan 1985*, 31, LTH, *Laporan Tahunan 1995*, 15.

⁵ LUTH, *Laporan Tahunan 1985*, 31, LUTH, *Laporan Tahunan 1995*, 1, LUTH, *Laporan Tahunan 1982*, 28, LUTH, *Laporan Tahunan 2005*, iii, 6.

⁶ The Economic Planning Unit, *Study for the Half Term of the Seventh Malaysian Plan (1996-2001)*, LTH, *Asia Pacific Quality Award Report 1999*, 57.

⁷ PWSBH, *Penyata Tahunan 1964*, 5, LTH, *Laporan Tahunan 2005*, 44.

⁸ LUTH, *Journey to Kaabah 1984*, 17.

Tabung Haji was able to increase its asset by 30% and 19%.⁹ The market share of this group had also risen from 23% (1995) to 27% (1998).¹⁰ The success of Tabung Haji proves that management with prudence and smart investment methods for each ringgit saved would lead to high investment returns and at the same time avoid the impacts of the economic recession.

Until 2003, the annual income of Tabung Haji was about RM693.25 million.¹¹ The gross income of the Tabung Haji in 2005 was RM1.015 billion from the profit of selling stocks, financial investments, share dividends, rentals, profits from subsidiary companies and others; that is an increase as much as 21% compared to the previous year. This is the highest profit ever recorded since its establishment.¹² Tabung Haji accumulated assets in 1995 amounted to RM3,425 million. This amount increased to RM6,144 million in 1997 and RM7,306 million in 1998.¹³ In 2005, this accumulated asset jumped to RM13.7 billion from RM12.4 billion in 2004.¹⁴

Tabung Haji has shown positive and consistent annual asset percentage increase in comparison to other institutions in the non-banking sectors of the financial industry in general.¹⁵ This achievement has proven the capabilities of Tabung Haji as an effective and world-class Islamic investing institution. This achievement has also made Tabung Haji the biggest Islamic fund manager in this country. The big amount of fund not only benefits the economy for the Muslims but also for the various ethnic groups in this country as it can be used to spur the economy of the country for future development.

The increase in the total deposit as well as the total profits gained allows Tabung Haji to give high bonus rates to the depositors. In 1966, which is only three years after its establishment, Tabung Haji had successfully given bonuses to its depositors at the rate of 3%.¹⁶ The bonus payment to the depositors increased to 7% to RM2.2 million for the year 1975. In 1982, the bonus rate was about 8.0% and in 1983, the bonus rate reached 17.4 million which was an increase of 0.5% from the previous year.¹⁷ Up till 1997, Tabung Haji has successfully paid its depositors at the rate of 9.5% for four straight years. The total bonus payment in 1994 was about RM178.9 million and increased to RM440.4 million in 1997. As a result of the economy effect at that time, Tabung Haji paid the bonuses at the rate of 3.25% in 2001, the lowest in the history of its establishment. However, the dividend rate increased to 3.5% in 2002 to 4.0% in 2003 and 4.3% in 2004. In 2005, the total dividend increased to RM548 million which was at the rate of 4.5%.¹⁸ This rate was considered competitive because Tabung Haji's investment was limited to *sharī'ah*-based investments only. The rate given was also the best rate compared to rates offered by other investment institutions.¹⁹ Furthermore, the bonuses of the depositors

⁹ LTH, *Asia Pacific Quality Award Report*, 74.

¹⁰ The Economic Planning Unit, *Study for the Half Term of the Seventh Malaysian Plan (1996-2001)*, LTH, *Asia Pacific Quality Award Report*, 57.

¹¹ LTH, *Laporan Tahunan 2003*, 16.

¹² LTH, *Laporan Tahunan 2005*, i,ii,4.

¹³ LTH, *Tabung Haji "A Catalyst for the Economic Development of the Ummah"*, n.d,14.

¹⁴ LTH, *Laporan Tahunan 2008*, 7.

¹⁵ See for instance, Mat Saad Abdullah, *Pilgrim Fund Board and Employees Provident Fund as Financial Institutions, a Comparative Study of Performance (1983-2004)*, (Perlis: Institute of Research, Development and Commercialisation, MARA University of Technology, Perlis 2006).

¹⁶ LUTH, *Lembaga Urusan dan Tabung Haji (The Pilgrims Management and Fund Board of Malaysia) as an Islamic Investment Institution*, 1990, 8.

¹⁷ LUTH, *Journey to Kaabah*, 17.

¹⁸ LTH, *Laporan Tahunan 2005*, 5, LTH, *Laporan Tahunan 2008*, 7.

¹⁹ LTH, *Laporan Tahunan 2005*, 5.

were also tax and *zakat* free. This is because the payment was borne by Tabung Haji on behalf of the depositors. Besides that, the increase in the number of depositors as well as the deposit figures from time to time proves that Tabung Haji is still the choice of the Muslim community even with tight competition with other financial institutions.

Among the encouragement elements for the depositors to save with Tabung Haji is because of the *halal* savings and investment factors, business *zakat* that was managed, bonus comparable with the market as well as Tabung Haji being the only institution most suitable for *hajj* savings. The giving of competitive annual bonuses and dividends increase the total savings and depositors' income and indirectly improve their standard of living. It also increases awareness that saving with Tabung Haji is not only for *hajj*, but the right banking choice because of the investment activities that are profitable. Also the investments are based on *sharī'ah* besides the giving of competitive dividends.²⁰

As a saving institution based on Islamic management values, Tabung Haji also implements *zakat* payment on the savings and profits gained from their investments. Tabung Haji has also become among the main *zakat* contributing institutions in Malaysia. In 1983, the total paid was RM2.8 million compared to RM1.4 million in 1980.²¹ The total *zakat* paid in 1997 was RM13.9 million, which was an increase of about 42% compared to the RM9 million in 1996. In 2001, the *zakat* rate issued by Tabung Haji was RM14.9 million and the total *zakat* hit the RM21 million mark in 2005.²²

The *zakat* payment system implemented by Tabung Haji on behalf of the institution as well as its depositors to the *Zakat* Collection Centre or the State Islamic Religious Council enables the collection and the distribution of *zakat* to be more systematic especially in its effort to eradicate poverty and maintain equality in the socio-economic development as well as to achieve a better national growth. The high total *zakat* helps agencies related to the *zakat* to implement their roles more effectively. The *zakat* implementation gives continuous impact not only towards individuals, but to all levels of the society. The *zakat* acts to improve the welfare of the community and help in increasing their economic activities. It also has the capability and strength to eradicate poverty and ensure the balance of the gap between the rich and the poor through a redistribution of wealth mechanism in the community. For example, the *zakat* not only helps Muslims but also provides their funds for them to be active in the field of economy which directly improves each other's socio-economic status. Because the *zakat* is an obligation, it is a permanent income in an Islamic nation. Its distribution helps eradicate poverty as well as the problems faced by Muslims especially through sustainable programme such as economic development, human resource, religious awareness as well as other community programme. Therefore, the source of *zakat* can be used to build economic, social and educational strength and at once build the strengths and unity of Muslims.

Besides that, the contribution of the *hajj* institution in helping other religious institutions in this country such as the *zakat* institution in playing its roles as an agent of societal change which

²⁰ LTH, *Laporan Tahunan 2005*, 41, LTH, *Anugerah Kualiti Perdana Menteri 2007*, 123. Mohd Amy Azhar Mohd Harif, "Kriteria Pemilihan Lembaga Tabung Haji Sebagai Institusi Kewangan & Perbankan: Perspektif Pelanggan dan Ekonomi Islam", Seminar Pengurusan Masjid Peringkat Kebangsaan 2004, 25-27 September 2004, Hotel Aseania, Langkawi Kedah, 15, Zanita Noah/Noh, "Keberkesanan Pentadbiran dan Perkhidmatan Urusan Haji oleh Lembaga Urusan dan Tabung Haji", (B. A Thesis, Universiti Utara Malaysia, 1990), 92, 95.

²¹ LUTH, *Journey to Kaabah*, 19.

²² LTH, *Laporan Tahunan 2008*, 7, 13.

would spur towards the improvement of Muslims as well as the pulse of national development. It will also uphold and strengthen the financial and economic sources of Muslims which will then become the catalysts towards the effort to produce skilled and independent Islam society totally free from any financial problems, ignorance and poverty.

The establishment of Tabung Haji as well as the government's development policies particularly from the 1970s, brought a big impact to the socio-economic structure of the Malays and the Muslims in this country. The launching of the New Economic Policy (NEP) in 1971 as a socio-economic programme in Malaysia has been historic in the shaping of the national economic policy. The NEP was introduced to foster national unity and integration through the handling of the significant economic imbalance which brought about racial gaps during that time. In 1970, 49.3% of Malaysian population lived below the poverty line which included 64.8% of the *Bumiputera* community, 39.2% of the Indian community and 26.0% of the Chinese community. Besides that, there existed a significant socio-economic gap, especially within the *Bumiputera* community, who only owned 2.4% of the corporate sector equity, had an average home income of 65.0% from the average income of the country and most of them worked in the traditional sectors in the rural areas. Even though the *Bumiputera* households contributed to 65% of the whole national households, a large number were in the lower income group.²³ The participation of the Malays in the field of economy was still small when compared to the percentage of the *Bumiputera* population.

Therefore, the NEP was enacted to achieve the main goal in national unity through a two-pronged objective which are the eradication of poverty without taking into account the racial factor and the restructuring of the society to wipe out the race identification according to their economic functions. The basic principles of the NEP i.e., growth with equal distribution of wealth was continued through the National Development Policy (NDP), the National Vision Policy (NVP) and the National Mission. One of the important aspects of NEP is, it is based on the premise of a rapidly growing economy. This is because economic growth is a necessity to provide opportunities to the poor and less fortunate to enable them to get out of poverty and to participate in the economic activities. This aspect also ensures that the distribution is not allocated from the existing wealth but from the expansion and new sources of wealth.

The national economic growth, especially since NEP was implemented, was not only enjoyed by the *Bumiputeras*, but also the other races in this country. The implementation of poverty eradication strategies and the restructuring of the society have produced significant improvements at the beginning of 1990. In Peninsula Malaysia, for example, the poverty rate for all races was reduced from 49.3% in 1970 to 17.3% in 1987. The poverty rate was reduced to 16.5% in 1990 and then to 1.7% in 2012. In 1991, the Gross Domestic Product (GDP) recorded a 6.2% growth from 1991 to 2005. This growth had generated an increase in household income as well as improved the socio-economic status of the country. The poverty rate shrunk from 22.8% in 1990 to 5.7% in 2004.²⁴

The national economy remained sustainable even with a moderate global economic growth. A strong economic foundation and performance provides benefits through the increase in income

²³ Prime Minister's Office of Malaysia, "Tenth Malaysia Plan 2011-2015", <https://www.pmo.gov.my/dokumenattached/RMK/RMK10_Eds.pdf>, (accessed 5 December 2020).

²⁴Unit Peneraju Agenda Bumiputera, "*Halatuju Transformasi Ekonomi Bumiputera*", <http://www/teraju.gov.my/download/hala_tuju.pdf>, (accessed 1 January 2016).

and high buying power.²⁵ In terms of corporate equity structuring, 66.3% of the corporate equity in Malaysia was owned by foreigners in 1970, while the *Bumiputeras* only owned only 2.4%. The NEP set the structuring target as 30:40:30, where by 1990, the ownership of *Bumiputeras* should reach 30%, other Malaysians 40% and foreigners 30%, in the context of the growing economy. In 1990, the equity division of the *Bumiputeras* increased to 19.3% from the overall total of corporate equity, and the ownership of other Malaysians increased to 46.8% and 33.9% for foreigners and nominees. Even though the *Bumiputeras* did not achieve the targeted 30% of the equity by 1990, their resulting improvement was significantly large compared to their position in 1970.²⁶

From the total ownership of *Bumiputeras*, contributions from individual *Bumiputeras* had surpassed the contributions from trustee agencies fully owned by the government. Individual *Bumiputera* ownership increased to 13% compared to the trustee agencies which only owned 6.4% in the corporate sector. A majority of the *Bumiputera* individual ownership was through investment funds such as Tabung Haji. Besides the direct involvement, the participation of the *Bumiputeras* in the corporate sectors through the saving schemes became one of the ways to achieve the goal of total participation in the country's economy.²⁷

In consistent with the national mission besides subscribing to empowering the *Bumiputeras*, Tabung Haji as one of the Islamic and *Bumiputera* investment institution acts to harness as well as manage the *Bumiputera* funds and assets to ensure their ownership and equity control in the private sectors. Other than that, as a high-performance Government Linked Company (GLC) and Government-Linked Investment Company (GLIC), Tabung Haji ensures the increase in the values of assets are owned by the *Bumiputeras* through financial assets and corporate equity ownership.²⁸

With the acquired economic strength, Tabung Haji is capable of expanding the business activities and investments that involve the establishments of subsidiary companies as well as investments in business associates that are able to ensure *Bumiputera* equity ownership as well as provide various opportunities for Muslims in this country. Until 2005, Tabung Haji had shares in 329 companies including listed and unlisted companies and 12 major subsidiary companies.²⁹ This institution actively explores and diversifies their economic activities locally and globally that are able to produce high returns so as to open more economic opportunities including employment for the *Bumiputeras*. It stimulates the creation of wealth among the *Bumiputeras* through the participation of this ethnic group in major office positions and along the chain of industrial values. It also helps in the human capital development with the increase number of *Bumiputeras* in the management and professional levels as well as their involvement in high value added occupations with high income.³⁰ With the existing career opportunities,

²⁵ Tenth Malaysia Plan, LTH, *Laporan Tahunan 2005*, 3.

²⁶ Tenth Malaysia Plan, Unit Peneraju Agenda Bumiputera, *Halatuju Transformasi Ekonomi Bumiputera*, 10.

²⁷ Economic Planning Unit, Prime Minister's Department, "New Economic Policy", <<http://www.epu.gov.my/dasar-ekonomi-baru>>, (accessed 23 April 2014), Unit Peneraju Agenda Bumiputera, *Halatuju Transformasi Ekonomi Bumiputera*, 20.

²⁸ Khazanah Nasional Berhad, "Program Transformasi GLC", Paper Presented at Wacana Fikrah Ummah Agenda Pemerkasaan Bumiputera: GLC Sebagai Pemangkin Ekonomi Negara. Organized by Dewan Bahasa dan Pustaka, Kuala Lumpur, 2014, 3, Unit Peneraju Agenda Bumiputera, *Halatuju Transformasi Ekonomi Bumiputera*, 10.

²⁹ LTH, *Laporan Tahunan 2005*, 41, 44.

³⁰ LUTH, *Fungsi dan Aktiviti Lembaga Urusan dan Tabung Haji*, n.d., 10, LUTH, *Kemajuan Lembaga Urusan dan Tabung Haji*, 1978, 14.

Tabung Haji has total empowerment in the productivity factor and has harnessed the human capital and the *Bumiputera* community.

Tabung Haji also contributes to the economic growth, social stability as well as national unity in this country. This *hajj* organization has played a significant role in eradicating poverty by increasing the income as well as increasing employment opportunities for all Malaysians without taking into account the racial or religious background. Various employment opportunities are created by Tabung Haji to help develop the community's socio-economy and contributing to the workforce of this country. This is consistent with the national development policy towards strengthening national unity through social stability and continuous economic development.

Besides that, Tabung Haji has also created various business opportunities for the community particularly among the Muslims in various sectors such as the *hajj* services and the economic sectors. Through investments and the activities of its subsidiary companies, Tabung Haji has opened many business prospects which later lead to more business opportunities for the community. As a result, more wealth is generated for each ringgit kept in Tabung Haji compared to the conventional saving methods practised by Malays before this. Tabung Haji also plays its role in the development of *Bumiputera* entrepreneurs in the sectors related to manufacturing and industry with high potentials and added values. Tabung Haji has also carried out strategic cooperation with *Bumiputera* companies and vendors in sectors related to the effort in preparing a more competitive *Bumiputera* entrepreneurs and vendors. Besides that, it also provides business opportunities for *Bumiputera* core companies particularly small medium enterprises (SMEs) based on their respective expertise. This commercial cooperation is one of the agendas in the effort to empower the *Bumiputera* economy and help the SME industries in the country. This step would then bring towards the growth and equality in the socio-economic development between the citizens in this country. Tabung Haji also helps in the expansion of *Bumiputera* companies through expert assistance as well as buying stocks and shares that have interests in potential *Bumiputera* companies. Besides that, it has also made various joint ventures and become business partners with state and *Bumiputera* organizations such as the Negeri Sembilan Development Corporation (PKNNS), the Terengganu Farms Association, the United Sabah Islamic Association and Sabah Religious Council.³¹ Tabung Haji also cooperates with Islamic agencies such as the State Islamic Religious Council (MAIN) to develop donated land as well as land under MAIN jurisdiction for commercial and viable projects. For example, the construction of the Islamic hospital complex, PUSRAWI, as well as the construction of the Federal Territory Islamic Religious Council Kuala Lumpur (MAIWP) tower as a commercial building on the donated land in the golden triangle of Kuala Lumpur are the results of the strategic cooperation between Tabung Haji and MAIWP.³²

This development showcases the ability of Islamic agencies in managing the economy that bring towards benefits to the advancement and achievements of the Muslims. It also proves the roles and contributions of the religious institution as one of the important instruments for the economic transformational process of the *ummah* and the nation. Tabung Haji also invests in real estates locally and globally. With the aim of investments and to reduce the increasing costs of accommodation for the Malaysian pilgrims in the holy land, Tabung Haji has invested in

³¹ LTH, *Laporan Tahunan 2005*, 52,64, Khazanah Nasional Berhad, "Program Transformasi GLC", 16.

³² LTH, *Laporan Tahunan 2005*, 61, Majlis Agama Islam Wilayah Persekutuan, *Laporan Tahunan 2006*, 105, Unit Peneraju Agenda Bumiputera, *Halatuju Transformasi Ekonomi Bumiputera*, 20, JAKIM, *Kejayaan Institusi-Institusi Agama di Bawah Menteri di Jabatan Perdana Menteri*, 2013, Kuala Lumpur: JAKIM,151.

real estates through the long-term leasing of hotels in Saudi Arabia. This approach is in line with the objectives of Tabung Haji to prepare comfortable accommodations for the pilgrims at reasonable price during the pilgrimage season.³³ The strategic location of the hotels near the *Masjid al-Harām* and the *Nabawī* Mosque as well as long-term leasing give benefits to the pilgrims and Tabung Haji itself. From the economic aspect, this approach helps control the *hajj* costs of the pilgrims, making it among the lowest in this region. Besides that, the location of this exclusive and strategic land can be exploited for commercial purposes after the *hajj* season since the demand for real estate service in the holy land is always high at all times. Tabung Haji is also among the organizations that has big real estate investment portfolio in this country. Besides having to achieve the aim of generating continuous and competitive income and the potential of increasing the available investment values, real estate investment is aimed at grabbing the opportunity in the fields which promises lucrative returns and permanent income bringing good and consistent future returns for the depositors.

Until 2005, Tabung Haji's investment in real estate which covers building ownerships and empty lands possesses a net book value of RM1.86 billion.³⁴ Tabung Haji's effort to increase real estate ownership in strategic locations as well as its involvement in the real estate business have helped in the ownership of assets among Muslims in this country. Besides that, the priority to rent buildings owned by Tabung Haji is given to Muslims other than government owned agencies. Tabung Haji also fixes rules that all buildings owned by organizations whether in Malaysia or in other countries can only be rented to tenants who are engaged in businesses which are not against the *sharī'ah*. With this approach, Tabung Haji has played two roles, i.e. as a generator of *ummah* economy and the upholder of Islamic teachings.

Besides harnessing the overall Muslim economic position in line with religious responsibilities as well as the national aspirations, Tabung Haji's function is strengthened by looking after the security of the Muslims' economy from being eroded by current events. This wider role has begun when the collected funds were utilized for national development as well as helped to revive the national economy from recessions particularly in 1997-1998.³⁵

The establishment of Tabung Haji as the first Islamic financial institution in Malaysia and as the first Islamic funds management institution in the world, becomes the catalyst to the development of the Islamic banking and financial sectors in Malaysia. The religion-based institution is not only considered as a pioneer but has gained recognition as a leader at the national and international levels and the main contributor towards the Islamic financial sector.

The enforcement of the Lembaga Urusan dan Tabung Haji Act 1969 (amendment Act 535 Lembaga Tabung Haji 1995) gives authority to the implementation of Islamic financial systems. The *sharī'ah* based monetary scheme, the first in Malaysia, had opened doors to the introduction of other Islamic finance acts such as the Islamic Banking Act 1983, the Takaful Act 1984 as well as related acts and statutes. Under the Economic Transformation Program, or the ETP (2010), the Islamic banking is identified as one of the main sectors that is expected to contribute towards a higher and more robust economic growth of the country. This decade has also witnessed the significant contribution of the Islamic finance sector to the Malaysian

³³“Saudi Newspaper Sings Praises for Tabung Haji”, <http://www1.utusan.com.my/utusan/special.asp?pr=PR11&y=2004&dt=0116&pub=Utusan_Express&sec=Front_Page&pg=fp_10.htm25>, (accessed 20 December 2015).

³⁴ LTH, *Laporan Tahunan 2005*, 45.

³⁵ LTH, *Laporan Tahunan 1998*, 120.

economy where the finance system has given added value to the national GDP growth at an average rate of 32% a year. Compared with the average rate of 0.3% in 2000, the contribution has increased to 2.1% in 2009. Today, the assets of Malaysia's Islamic banking has reached USD65.6 billion with an average growth rate of 18-20% annually.³⁶

The Islamic finance sector has also opened various career opportunities to the community particularly the Muslims and it was estimated until now the number of the workforce in the Islamic finance sector represents 11% of the overall total workforce of all finance institutions in this country. As a major player in the global Islamic finance system, Malaysia has been listed as the biggest Islamic bond market in the world with a percentage rate of 65% or USD96 billion in 2010 besides becoming one of the most popular investment destinations for Islamic funds. For the global *takāful* sector, Malaysia is the second largest *takāful* market in the world with the ownership rate of 26% in 2009 and has recorded a total asset of RM14.7 billion at the end of 2010.³⁷

Today, many institutions including banking institutions as well as various other financial institutions, from within and outside the country, are offering Islamic finance system as well as strengthening the position of Malaysia as an international Islamic finance hub which will be the most advanced in the world and at once contribute to the national agenda to make Malaysia as an international Islamic Finance Centre (MIFC).³⁸ The introduction of the financial transactions with elements of the *sharī'ah*, fulfils the Muslims' needs as well as preventing them from being involved in any financial transactions that are against the *sharī'ah*. Besides, it helps those who are involved in the Islamic finance sector, including the customers, to increase their understanding with regard to Islam through contract policies based on Islamic finance. Besides that, the Islamic finance system provides an alternative choice for the community of different races in the country, showing the effects and added values to the available financial service sector. Today, the Islamic financial system not only bring positive changes to the banking and finance systems in Malaysia but also contributes to the national and global economic growth generally.

Besides that, the growth and development of the financial institutions and Islamic banking in this country not only strengthen the Islamization process among the community but also contribute to the socio-economic development of the Muslims. Other than providing career opportunity to the community, various programme carried out by the agencies involved to implement their respective corporate social responsibilities, not only make them closer to the local community but also lighten the burden of the people. Besides that, the consistent payment of *zakat* on businesses enables its collection in more systematic manners, channelling it to the *aṣnāf* (categories or groups of people to whom *zakat* should be distributed) group for the purpose of poverty eradication and equality of the socio-economic status of the community which at once improves the level the Muslim community's economy in this country.

After almost five decades since the establishment of the Tabung Haji, this organization has helped more than a million Muslims in this country to perform the *hajj* more economically

³⁶ Bank Negara Malaysia, "Overview of Islamic Finance in Malaysia" <http://www.bnm.gov.my/index.php?ch=fs_mfs&pg=fs_mfs_bank#Overview>, (accessed 27 May 2013).

³⁷ Bank Negara Malaysia, "Internationalisation of Islamic Finance", <http://www.bnm.gov.my/index.php?ch=fs_bank#Internalisation>, (accessed 27 May 2013).

³⁸ Bank Negara Malaysia, "Overview of Islamic Finance in Malaysia", <http://www.bnm.gov.my/index.php?ch=fs_mfs&pg=fs_mfs_bank&lang=en#Overview>, (accessed 27 May 2013), Malaysian Investment Development Authority, "The Financial System in Malaysia", <<http://www.mida.gov.my/home/banking,-finace-&-exchange-administration/posts/>>, (accessed 27 May 2013).

besides successfully harnessing the Muslim source of finance towards productive activities and improving the Muslims' economy and the nation's. Now, Tabung Haji is one of the biggest financial and investment institutions in this country. It has successfully taken steps as the ideal *hajj* management institution in the world besides becoming a competent investment organization with high reputation and achievements in various sectors of the economy. This institution not only becomes a consistent generator of the depositors' income but also appears as an industrial player of high performance in Malaysia and globally. With the existing achievements, the *hajj* institution and Tabung Haji have the great potential to become one of the national economic engines as well as a generator of transformation and catalyst to the Islamic civilization and the Malaysian race.

In fact, the *hajj* institution positively contributes towards the economic growth among Muslims and the country. Even though there are accusations that the *hajj* practices cause negative effects, especially towards rural economy, many researchers are of the opinion there is no concrete relationship between the *hajj* and poverty of the Malay community.³⁹ In many situations, the *hajj* does not make an individual poorer but it can change and improve the individual's standard of living. The *hajj* educates the Malays to be thrifty and to save to perform the *hajj*. With this method, the expenses used for the *hajj* do not affect the economic position of the pilgrims when they return from performing the *hajj*. With the existing *hajj* savings, the pilgrims would also receive adequate allocation of the needed expenses for their respective families during and after the pilgrimage, which is consistent with the religious responsibility.⁴⁰ Therefore, the *hajj* does not have negative impacts on the economic situation of the pilgrims, their families and the community. On the other hand, there are positive effects such as the practice of saving which is the biggest source of financing the *hajj*. This development influences the community to also participate in the pilgrimage. Hence, Tabung Haji is seen as the best saving institution for their pilgrimage. More of the community members become Tabung Haji depositors whether for pilgrimage or for future savings.⁴¹ This development contributes to the transformation process of the Malay economy and the country in general.

Besides that, the activities of the *hajj* contributed to Tabung Haji because the money saved could be used for the purpose of investments as well as other economic activities that are beneficial to the depositors and the Muslims in this country generally. The involvement of Tabung Haji in the investment activities help boost the economic activities which would then contribute towards higher national economic growth. Also, the role played by the *hajj* institutions as an agent of social transformation in the community contributes to the unity, well-being as well as the development of the community and the nation. Therefore, the *hajj* can be measured as both visible and invisible assets to the nation.

Conclusion

The *hajj* institution in Malaysia under the administration of Tabung Haji has achieved excellent success and become the catalyst for religious development, race and the country. Tabung Haji has been established with special legislative composition and unique system of administration

³⁹ See for instance, Abdul Kadir Din, "Economic Implications of Moslem Pilgrimage from Malaysia", Zamakhsyari Dhoffier, *The Economic Effect on Indonesia of the Hajj*", PRISMA, no. 36, 1985.

⁴⁰ LUTH, *Laporan Kajian Mengenai Jemaah Haji Menunaikan Haji lebih daripada Sekali*, n.d., 33,47.

⁴¹ LUTH, *Laporan Kajian Mengenai Jemaah Haji Menunaikan Haji lebih daripada Sekali*, 24-28, Zanita Noah, "Keberkesanan Pentadbiran dan Perkhidmatan Urusan Haji oleh Lembaga Urusan dan Tabung Haji", 52, LUTH, "Peranan Tabung Haji Sebagai Pengembling Sumber Kewangan Ummah", Organized by Lembaga Urusan dan Tabung Haji, Jabatan Agama Islam Wilayah Persekutuan, Pusat Islam, Malaysia, Kelana Jaya, Selangor, 1988, 5.

designed to organize the pilgrimage for Malaysian Muslims. As provided by its act of establishment, Tabung Haji is the first *sharī'ah* compliant financial institution established as a saving avenue for Malay Muslims for the purpose of performing haji or for any other beneficial purpose. It also mobilizes the savings and invests the accumulated funds for productive investment that will raise the ways of life of Muslims and promote the economic development of the rural areas and national economy as a whole. Tabung Haji's act of establishment and a systematic structure of administration measures adopted by the board have become a catalyst to the success of the *haji* organization in its field of concentration today, namely as the best *haji* provider in the world and one of the biggest Islamic financial institutions in Malaysia. In the national context, the contributions of the *haji* institution which encompass various fields such as spiritual, social and economic have proven the position of Islam as a universal religion as well as the capability of the *haji* to be a high impact agent of transformation. With the existing achievement and potentials, Tabung Haji not only is successful in performing its functions in helping Muslims fulfill their *haji* and to uphold the command of Allāh (S.W.T.) but is also able to become the agents of the *ummah* civilization.

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