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**THE POSITION OF TABUNG HAJI UNDER BANK NEGARA MALAYSIA:  
ISSUES AND CHALLENGES**<sup>i,\*</sup>Nurul Aqilah Mohammad Zairi & <sup>i</sup>Hussein ‘Azeemi Abdullah Thaidi<sup>i</sup>Faculty of Syariah and Law, Universiti Sains Islam Malaysia (USIM), 71800, Nilai, Negeri Sembilan, Malaysia\*(Corresponding author) e-mail: [aqilahzairi08@gmail.com](mailto:aqilahzairi08@gmail.com)**ABSTRACT**

This article delves into the critical role of Lembaga Tabung Haji (TH) in Malaysia, a pivotal entity dedicated to managing the welfare and financial aspects of Malaysian Muslims undertaking the Hajj pilgrimage. It scrutinizes the unique relationship between TH and Bank Negara Malaysia (BNM), the overarching authority overseeing Islamic financial institutions (IFIs) in Malaysia, with a focus on ensuring Shariah compliance. The study becomes particularly relevant considering the 2018 crisis, where TH's governance was temporarily placed under BNM's oversight, raising questions about the institution's autonomy and regulatory framework. The research adopts a qualitative methodology, drawing on a diverse array of primary and secondary sources, to offer a comprehensive overview of the legislative and jurisdictional landscapes governing both TH and BNM. Key legislations, such as the Tabung Haji Act 1995 for TH and the Central Bank of Malaysia Act 2009 (CBMA 2009) and Islamic Financial Services Act 2013 (IFSA 2013) for BNM, are analyzed to understand their implications on the operations of these entities. A crucial aspect of this study is the exploration of the current challenges and issues confronting TH, particularly in the context of its governance and the potential impact of BNM's supervision. The findings reveal that while TH operates as a specialized Islamic institution under its own act, BNM serves as the regulatory body for all IFIs in Malaysia. The study further highlights the importance of Hajj, accessible only to those who are financially and physically capable, and notes the financial assistance provided to individuals from the B40 and M40 income groups for the pilgrimage. The article concludes with a critical analysis of the implications of TH's governance under BNM's oversight. It argues that such a shift could lead to political interference in TH's administration and a potential deviation from its foundational purpose – serving the Muslim community's Hajj-related needs – towards becoming a more generalized IFI accessible to all, including non-Muslims. This possibility raises significant concerns about the future direction and integrity of TH as a religious and financial institution.

**Keywords:** *Tabung Haji, Bank Negara Malaysia, Hajj pilgrimage*

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## Introduction

Tabung Haji (TH) is a legal entity governed by the Hajj Fund Act of 1995 (Act 535). The purpose of its establishment is to ensure that future pilgrims can save their money in a safe place which free from any interest or *riba* but at the same time can gain profit in the Shariah way. TH is not just an entity that provides Hajj management but is also involved in investment. Through that, TH managed to provide significant subsidies to cover the cost of performing Hajj each year to ensure that Malaysian pilgrims can perform Hajj every year, regardless of whether their Tabung Haji savings are insufficient to cover the whole cost of performing Hajj.

Recently, Tabung Haji confronted issues regarding Anti Money Laundering (AMLA) (Bernama, 2022). On 29 November 2018, Lembaga Tabung Haji (TH) came under public scrutiny when the pilgrimage fund's new administration filed two police reports against the pilgrimage fund's former leadership concerning TH's previous financial dealings (Bernama, 2018). The former chairman of Tabung Haji, Datuk Seri Abdul Azeez Abdul Rahim was one of the former leaders that were involved. He faced nine charges, three of which were allegedly related to corruption and six to money laundering (Bernama, 2022). Despite that, on 09 December 2022, he was discharged and acquitted (DNA) from all nine accusations of corruption and money laundering (Bernama, 2022).

However, TH's image and reputation are affected when some people and netizens are questioning the integrity and ethics of TH as a trusted entity that can be solely managed by themselves. They believe TH shall be put under the jurisdiction of Bank Negara Malaysia (BNM) because the function of TH has been as same as other Islamic Financial Institutions (IFI), and its administration may be governed in line with the authority body of other IFIs, which is BNM. Hence, the researcher will conduct a study concerning the administration of TH and BNM, as well as current issues and challenges faced by TH.

The significant contributions of this study should explain the differences between the jurisdiction of TH and BNM. It also identifies the cause and difficulty faced by TH in order to improve its administration as an important authority body in managing money and organizing pilgrim's journeys to perform Hajj. Finally, it also attempts to recommend TH's transparency in all activities and transactions in order to remain TH solely governed by itself without having to be put under the purview of BNM.

## Literature Review

### *The Understanding of Hajj*

Performing Hajj is one of the pillars of Islam. It is a pilgrimage to Mecca in Saudi Arabia during the last month of the Islamic calendar (Dzulhijjah) with the condition that pilgrims are capable financially and physically. The Saudi government has set the Hajj quota for each country at 0.1% of the country's total population (Tabung Haji, 2023a). As for the current population statistics in Malaysia, only 31,600 pilgrims are allowed to perform Hajj (Tabung Haji, 2023a). To go to Mecca, TH plays a significant role in managing the preparation for the pilgrims in terms of transportation, accommodation, visa, permissible activities, and many others.

Hajj demonstrates the submission of Muslims to Allah and the completion of the hajj has religious and social significance to Muslims (Abd Rahman et al., 2020). Performing hajj is also a financial commitment due to the costs associated with Hajj including traveling costs, accommodation, and meals while staying in Mecca (Tabung Haji, 2023b). As of 2023, the cost of performing hajj is RM30,850 (Tabung Haji, 2023b). One of the benefits for TH depositors is the availability of hajj subsidy payments. According to Schwartz & Clements (1999), a subsidy is a direct or indirect support that reduces costs for consumers or producers while keeping consumer prices below market levels or producer prices above market levels. The researcher can simply say that the fundamental feature of a subsidy is to lower an item's market price below its production cost. Currently, TH subsidizes about RM19,870 for B40 which includes RM1,000 from the government, and RM15,870 for M40, meanwhile for T20 remains RM30,850 (Tabung Haji, 2023b). The subsidy is somehow immensely helpful especially for B40 society to perform Hajj as their burden is reduced even though the actual Hajj cost keeps on increasing every year. The subsidy covers the operating costs of the Hajj pilgrimage in Malaysia and the Holy

Land. However, subsidies are only available for people performing their first Muassasah hajj (Tabung Haji, 2023b).

On the other hand, according to Shafie Madhhab, there are seven compulsory requirements of hajj pilgrims to fulfill the concept of "*istita'ah*" which consist of having the physical ability, having vehicle and transportation, financial stability, enough supplies of food and drinks for himself and animal ride, safety travel, the participation with a husband or male family member and the ability to travel before hajj period (Engku Zainudin & Wan Khairudin, 2017). However, this last pillar of Islam is considered non-obligatory to those who do not complete the concept of "*istita'ah*" to perform Hajj. This is because, the depositor who qualifies the criteria for financial stability in the context of TH is exempt from having to subsidize the hajj payment as the actual cost of the hajj can be covered by themselves (Abd Rahman et al., 2020). In short, TH is not bound to continue high hajj subsidies, especially if the financial situation is not encouraging. In the worst-case scenario, if the financial performance is no longer capable of supporting a large subsidy, TH has the right to reduce or even discontinue the subsidy level, which will result in high hajj expenses for depositors. Thus, if depositors do not have enough hajj savings, they are not required to perform the hajj, as it is dependent on individuals' financial capabilities to perform the hajj.

### ***Tabung Haji in Malaysia***

TH began as a board of pilgrims' funds and has grown into the "most advanced and successful pilgrimage administration in the world." (Muneeza, et al., 2018). TH is a unique authority body that also provides services for performing Hajj, unlike any other IFIs in Malaysia. Similar to other IFIs, Tabung Haji offers savings services particularly for Hajj and for investment purposes (Muneeza, & Mustapha, 2021). According to (Abimanyu, 2023), the number of Hajj pilgrims every year is limited to roughly 2.5 million people, therefore the prospective pilgrims are also waiting to be allocated a spot under the Hajj quota and may have to wait for decades while they are saving.

TH is one of the entities that support Malaysia's Muslim economy, as TH not only provides muamalat services but also provides ibadah services to ensure the welfare of the pilgrims during performing Hajj. Based on Abu Bakar et al., (2020) study, TH has been one of the most successful entities in hajj management of the Muslim ummah globally, supporting sustainable growth and aligning their impact on the sustainability of the Muslim society since 1963. Over the years, Tabung Haji has faced two major problems which consist of the initial resistance came from conservative religious authorities in the late 1970s and early 1980s, as well as rebuilding stakeholder trust following a series of financial scandals. (Muneeza et al., 2018). Yet, in the 21<sup>st</sup> century, there are still financial scandals that may affect the image and identity of TH in order to gain the trust of the stockholders and depositors.

Although TH is not a typical bank, it operates in much the same way as a specialized Islamic bank would. It performs two important banking functions i.e. accepting deposits and making investments (Ahmad, 1997). Besides that, various facilities and incentives are offered by TH to attract more Muslims from different backgrounds to save their money with the hajj institution. Until today, most depositors who make up the bulk of total savings have been from the urban population, as opposed to the participation of the majority of the rural population from the beginning of the establishment of Tabung Haji (Ismail & Hasan, 2020). Based on the annual report of TH, in comparison to other institutions in the non-banking sectors of the financial industry in general, TH has shown a positive and steady yearly asset percentage increase (Tabung Haji, 2021). This accomplishment demonstrates Tabung Haji's capabilities as an effective and world-class Islamic investing institution as well as promoted TH to the position of the largest Islamic fund manager in the country. Therefore, the large sum of money supports not just the economy of Muslims, but also every ethnic group in this country, as it can be used to boost the country's economy for future development.

### **Methodology**

For this study, the researcher used a qualitative research method. The qualitative technique is used in the broadest sense to refer to a study that generates descriptive data, including information collected from people's speech, whether written or spoken and observed nature and behaviour (Taylor et al., 2016). The researcher collects the data through primary resources such as fieldwork of interview

sessions, case studies, and current issues to gain and obtain detailed information regarding Tabung Haji. For the theoretical part, secondary resources will be used such as library research based on journals, articles, and books. in order to achieve the needed facts and knowledge. Hence, the researcher will propose some recommendations on TH's issues for its administrative upgrading and improvement.

## **Results and Discussion**

### ***Overview of Tabung Haji***

#### *History of Tabung Haji*

Tabung haji is an Islamic institution that was established in 1963 (Hanafi, 2022). The initial idea behind the creation of TH was initiated with a working paper by Royal Professor Ungku Abdul Aziz titled "A Plan to Improve the Economic Position of Future Pilgrims" (Hanafi, 2022). The paper was submitted and has been presented to the government in 1959 as would assist Muslims to perform Hajj without impoverishing or burdening them with financial hardship after performing Hajj. In the 1950s, there were hardly any savings to be mobilized and the main reason for escorting to saving outside the financial framework was to ensure that the money to be spent on the Hajj was completely free from riba (Borhan & Sa'ari, 2017). The saving facilities in any bank or financial institution at that time were unacceptable to Muslims because of the presence of riba.

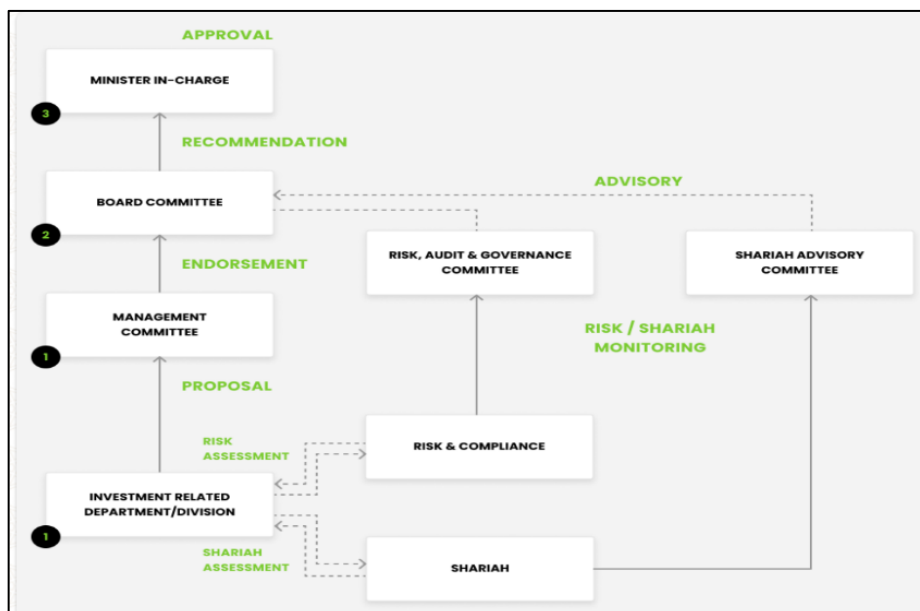
Therefore, Ungku Abdul Aziz recommended that future pilgrims should save in a bank or a financial institution that was unattained by riba' but yielded profits (Hanafi, 2022). The profits derived from the investment would be returned in the form of profit-sharing or dividends to depositors, hence not only avoiding riba' but also assisting Muslims financially in meeting their expenses for Hajj. At first, Ungku Abdul Aziz's recommendation could not be implemented because the government was unable to resolve the question of riba'. However, it was finally carried out in 1962 after Sheikh Mahmoud al-Shaltut Rector of al-Azhar convinced that it was not contrary to Islamic law and free from riba (Hanafi, 2022). Then, in August 1962, the Pilgrim Saving Corporation was incorporated, and it was subsequently launched in September 1962 (Borhan & Sa'ari, 2017). 6 years later, the corporation merged with the Pilgrim Affairs Office which had been in operation since 1952 in Penang. The merger of these two institutions led to the establishment of Lembaga Urusan dan Tabung Haji (LUTH) in August 1969 which is nowadays known as Lembaga Tabung Haji (Borhan & Sa'ari, 2017).

#### *Jurisdiction of Tabung Haji*

TH is a state-owned and government-backed pilgrimage fund that manages more than 80% of Malaysia's annual Hajj pilgrims, and the amount number of pilgrims rising every year indicates its significance and role in the socioeconomic life of Muslims in Malaysia (Ismail, 2020). Tabung Haji Act 1995 is the only legal framework that governs TH as the main Islamic institution in managing the journey of Muslim pilgrims to perform Hajj. Section 4(1)(a)(b)(c) of Tabung Haji Act stated clearly the duty of TH is to administer the finance fund, matters concerning the welfare of pilgrims, and formulate policies with the implementation programs in the best interests of the organization and its depositors, and also do such things as it may be required or permitted to do under this act. Based on the section, it can be understood that TH has sole power over its administration without the intervention of any authorized body.

It has been 60 years since the establishment of TH in 1963 and the core activity of TH is managing the welfare of Muslim pilgrims as well as providing services of investing the depositors's money in any Islamic institution. Every company or institution has its own vision and goals; hence TH's goals are to render the best services to Malaysian Pilgrims through the performance of the Hajj as well as to give the maximum return on their savings. TH consists of six departments which are the depositor department, Hajj department, investment department, human resource department, administration department, and finance department, and each department plays an important role in making TH into a better entity for Hajj management (Hanafi, 2022). For example, the role of the Hajj department includes handling the registration of prospective pilgrims' passports, flight, allocation of visas as well as their welfare before, during, and after the Hajj journey.

Besides, Muslims have been urged by TH to save for investments as well as for the Hajj. In this way, they are able to gain profit from their savings. When it comes to its business and investing activities, TH is exceedingly cautious. In this part, the investment department will take responsibility for matters pertaining to investment in ensuring all TH's investment activities are done in accordance with the Shariah principle. Based on section 11(1) of Tabung Haji Act 1995, TH has been allocated to form a committee known as the Investment Adviser Investment Panel. The investment Panel is responsible for advising the Board of Directors and Management of TH on the effectiveness of internal control activities and investments in order to enhance the value of the investment and gain a competitive return (Hanafi, 2022).



**Figure 1.** The Investment Process of Tabung Haji

Figure 1 shows the investment process of TH that every investment proposal needs the approval of the Risk Management Division, Shariah Advisory Committee, and after review of the management committee, which is known as the Investment Panel, it will be presented to the Board of Directors for approval initially. The Minister will receive the proposed investment activities for approval finally. TH's investment activities are conducted in accordance with the Shariah principle and the function of the Shariah committee of TH is to ensure that all investment activities of TH are according to Shariah compliance.

Other than that, the profit gained from the use of the depositors' funds is distributed among the depositors. The profit is distributed as a bonus from the profit of the Zakat deduction and the bonuses paid to the depositors are based on the profit-sharing concept which differentiates the bonus from the concept of *riba*. Before TH distributes the profits among the depositors, TH pays zakat using the profits gained. The Zakah fund has been given to the Islamic Religious Department. Then, the Islamic Religious Department redistributes the Zakah fund to those who qualify. As for 2023, the profits gained for TH after the deduction of the zakat payment is 3.10% or 2.65 billion (Tabung Haji, 2023).

Hence, TH is an independent institution that moves forward with its own legislation and authority without any assistance and support from any institution. It is a non-banking Islamic savings institution established by a Special Act of Parliament that is directly supervised by the Malaysian Prime Minister's Office. The Prime Minister's Office appoints its board and senior management, who are all answerable to the Malaysian government.

### **Overview of Bank Negara of Malaysia**

Bank Negara Malaysia is the central bank of Malaysia that was established on 26 January 1959 (n.a, 2023). The establishment of BNM is to promote monetary and financial stability as well as provide a conducive environment for sustainable Malaysian economic growth (n.a, 2009). Moreover, BNM plays

an important role in the development of the financial system infrastructure in order to advance the financial inclusion agenda in Malaysia. Every Islamic finance institution in Malaysia has been governed by BNM under the Central Bank Malaysia Act (CBMA) 2009 and Islamic Financial Services Act (IFSA) 2013.

CBMA is purposely regulated for the BNM to control and administer every IFI in Malaysia while IFSA was regulated for all IFIs in Malaysia to follow the regulation laid down under the act with the monitoring of the BNM. In short, CBMA and IFSA play an important role as a legal framework that lays down the regulation for all IFIs in Malaysia in order to ensure that every activity that will be carried out by any Islamic bank in Malaysia is regulated following the Shariah principle and any violation of the law can be penalized.

The dual financial system in Malaysia was further confirmed by the CBMA in 2009, proving that there is a conventional banking system and an Islamic banking system running concurrently. Section 5(2) of CBMA 2009 defines that the BNM has a primary duty that includes formulating and conducting monetary policy, issuing currency, regulating, and supervising financial institutions in Malaysia which are subject to the laws enforced by the BNM. This is to ensure that every IFI in Malaysia is standardized according to the regulations made by the BNM.

IFSA 2013 is regarded as a groundbreaking piece of legislation. It combines several Acts, including the Takaful Act of 1984 and the Islamic Banking Act of 1983 both of which were repealed and replaced by the IFSA 2013 (Mat Ali et al., 2018). IFSA is proof of the regulatory effort in Malaysian Islamic financial services to always guarantee not only financial stability but also compliance with Shariah by Islamic Financial Institutions. This is governed under section 6 of IFSA which mentions that the main regulatory goals of this Act are to ensure financial stability and Shariah conformity.

Besides, section 30(1) underlying the establishment of a Shariah committee for every IFI to advise and supervise issues related to Shariah matters within its institution. However, for every decision and recommendation made by the Shariah committee level in every IFI is compulsory to seek advice from the Shariah Advisory Council (SAC) as the main statutory body in ensuring the ascertainment of Shariah matters for every IFI.

A statutory body called the Shariah Advisory Council of Bank Negara Malaysia (SAC) was created under section 51 of the Central Bank of Malaysia Act 2009, and it has assumed the role of the supreme authority for determining Islamic law principles for the purposes of the Islamic financial industry. Section 51 to 58 of CBMA 2009 has enhanced the role and functions of SAC, and now SAC is the sole authority for the ascertainment of Islamic law for Islamic financial business. Although every IFI is responsible for forming its own Shariah Committee at their institutional levels, they are required to seek advice from the SAC of BNM on the Shariah issue in every Islamic financial business activity. Similarly, when a ruling given by the Shariah committee members constituted in Malaysia by an IFI contradicts the ruling given by the SAC of BNM, the ruling of the SAC of BNM shall prevail.

Therefore, the jurisdiction of BNM laid down under the legislation of CBMA and IFSA to govern all banks in Malaysia is important, especially for Islamic banks. As the significant body for IFIs, BNM plays a big role and duty as the main entity in ensuring all activities are in line with the Shariah principle. With the help of SAC, it is easier for BNM to control and monitor the movement of every Islamic bank in Malaysia as the SAC is a powerful statutory body in managing the ascertainment of Islamic law on Shariah matters. Thus, the stabilization of Islamic banks in Malaysia will grow faster and more sustainable in line with the current world developments.

### ***Current issues and challenges faced by TH***

As a financial institution exposed to the open market economy, TH is in a more difficult position, particularly given the current global economic circumstance. TH is inseparably linked to its challenges of today's open economic system as an important catalyst in helping to better the Muslim economy in Malaysia. As for the recent case that involved AMLA, the government made the decision to put TH under the supervision of BNM as a temporary solution, however, UMNO Youth chief Asyraf Wajdi Dusuki said, TH was not a bank that offered loans, insurance, or takaful to the public and it was also not exposed to credit risk, which was BNM's main focus (FMT Reporters, 2021). Based on the

interview with Dr. Shukor Harun, senior lecturer of the Faculty of Economics and Muamalat University Science Islam Malaysia (USIM), he also opined that TH should not be put under the purview of BNM as the jurisdiction and functions between the two entities are different. Hence, the researcher will provide the issues and challenges between TH and BNM as justification that TH should not fall under the purview of BNM.

### *Different Administrative System*

TH a.k.a pilgrims' fund is a qualified institution but had been mismanaged by those who used it for political or personal interests. TH can be an example of how the damage has been inflicted and trust betrayed. It is not the fault of the institution, nor investors, but the management that misused power to rob the people. The government may turn TH into a national trust institution administered by a board of trustees in order to protect Muslims' savings for their Hajj performance.

TH regulates as a separate and unique entity, which is dedicated solely to facilitating savings for Malaysian Muslims planning to perform the Hajj. TH's organizational governance structure is purposely developed to function in line with its particular objective. "Its function is to receive contributions from members, engage in investment activities, and provide returns to contributors" (N. Darus, personal communication, 25 December 2023). However, the prospect of placing TH under the purview of BNM may minimize the specific focus required for Hajj fund management. The BNM's broader function, which includes financial stability and monetary policy, may not perfectly align with the complex nature of handling money for a religious pilgrimage. This mismatch may deflect attention and resources away from the organization's primary goal, limiting its ability to satisfy the specific financial needs of Malaysian Muslims undertaking Hajj. As a result, protecting TH's power ensures that it may continue to fulfill its specialized purpose efficiently without losing sight of its specific goals and tasks.

Besides, TH's administration is directly related to religious subjects, since managing funds for the Malaysian Muslim pilgrims is an important task. TH's activities and operations are supervised by the Malaysian Ministry of Religious Affairs in order to ensure that they comply with Shariah principles. This oversight is important because depositors who put money into the fund expect it to be administered according to Islamic finance principles, as the money will be used to perform Hajj. Transferring power to BNM may cause TH to lose its essential religious monitoring. Meanwhile, the BNM's regulatory focus has significance for general financial stability, it may not provide the same level of monitoring on the specific religious compliance required by TH when processing money for the Hajj journey. This separation from religious administration can harm TH's commitment to Shariah principles and threaten the organization's ability to achieve its primary aim. As a result, maintaining the relationship with the Ministry of Religious Affairs ensures that Tabung Haji's administration stays in line with the religious concerns at the core of its operations.

Furthermore, the leadership of TH is appointed to manage every aspect of the organization's objectives and activities. The board of directors is selected from their expertise in Islamic finance as well as their broad understanding of the unique cultural and religious components included in TH's activities. The transfer of power to BNM has the potential to undermine this well-established leadership system. This is because BNM may not have the same detailed understanding of the particular demands connected with Islamic finance and the cultural problems associated with handling funds for the Hajj pilgrimage due to its bigger financial purpose. This imbalance may put at risk TH's capability to carry out its mission successfully, since the unique talents of its current leadership may be difficult to replace in the context of BNM monitoring. As a result, maintaining the present leadership structure is important for ensuring the continued availability of the particular abilities that are essential for TH's successful operation.

In addition, protecting TH's independence in governance is important since it allows for flexible decision-making to reach its specific goals. TH's organizations are able to respond quickly to the unpredictable nature of financial markets because of the present governance framework. However, the potential to transfer its jurisdiction to BNM, on the other hand, may result in the formation of governmental layers that delay decision-making procedures. BNM may function under a different



framework due to its more expansive financial goal, which would limit TH's capacity to react quickly to shifting market conditions. This potential administrative barrier may have a negative impact on the organization's flexibility and responsiveness, both of which are important in handling the complex regulations of the financial environment and ensuring the efficient fulfillment of its objectives and mission. Thus, TH is needed to protect its independence in order to allow for flexible decision-making according to its specific needs.

In short, BNM has its jurisdiction which is to govern every IFI in Malaysia while TH also does not have to bind the rule regulated under the BNM legal framework. However, if TH is put under the purview of BNM, BNM will interfere with the jurisdiction of TH as well as there will be a conflict between the two jurisdictions in taking over the power of TH. Hence, the sustainability, transparency, and safety of TH will be questioned as BNM is directly involved with politics.

### ***Different Financial Performance***

TH and BNM have quite different financial instruments and performances. In keeping with its special duty of managing money for the Hajj trip, TH, as a pilgrims' fund board, primarily invests in Sharia-compliant items such as Islamic bonds, equities, and real estate. "Additionally, TH is a Government-Linked Investment Company (GLIC) and not a bank" (N. Darus, personal communication, 25 December 2023). BNM, on the other hand, as the central bank, employs a broader variety of financial instruments, such as government securities and foreign exchange reserves, to conduct monetary policies and guarantee general economic stability. Hence, the researcher will provide differences and dissimilarities between TH and BNM of financial instruments and performances.

The financial instruments of TH and BNM are different because of their distinct functions and responsibilities. TH functions as an investment fund with the primary goal of managing Malaysian Muslims' money for the purpose of funding the Hajj pilgrimage. The TH's fund is focused on optimizing returns for its investors while guaranteeing that funds can be allocated to cover pilgrimage expenses. Bank Negara Malaysia, on the other hand, has a broader responsibility that includes monetary policy, financial stability, and regulatory control of the whole financial sector in Malaysia. This fundamental variation in emphasis defines how financial instruments develop and is addressed inside each organization.

Besides, the separate nature of their investments indicates the difference in the impact of financial performance on TH and BNM. As a pilgrimage fund, TH often invests in a diverse portfolio that includes equities, real estate, and Islamic instruments. The valuation of these assets is subject to fluctuations caused by financial instability, and economic uncertainty, which impact the fund's overall performance. BNM, on the other hand, targets its investments and activities towards maintaining the country's monetary policy, and foreign currency reserves and ensuring the overall financial system's stability. This difference in investment strategy defines how each institution navigates the issues caused by financial instability within the framework of their respective financial duties and obligations.

Moreover, financial instability has profound consequences for TH and BNM performances. Investors in TH are concerned about the safety of their investments and the fund's capacity to cover Hajj costs, which leads to changes in investor numbers or withdrawals. Moreover, financial instability can lead to an increase in the number of subsidiaries performing Hajj. The current subsidiary for B40 is RM19,870 which is 64% of the cost of performing Hajj as well as M40 is RM14,870 which is 48% of the cost of performing Hajj. Based on that, the possibility for the number of subsidiaries in the future can be increased or decreased depending on the financial stability of Malaysia. Meanwhile, BNM, which is impacted by market changes, focuses on protecting systemic stability and monitoring the health of financial institutions. Therefore, the possibility of a flight to safety is more relevant for TH, because investors looking for safer investments may have an immediate impact on the fund's performance. As the central bank, BNM handles capital flows on a national scale, despite obstacles relating to larger variables impacting capital movements.



Furthermore, the financial performance extends to liquidity issues confronting TH and BNM. Depositors' withdrawal requests have a direct impact on TH's liquidity, which may affect the fund's capacity to satisfy its commitments. The fund is reliant on investments, and rising withdrawals could harm its liquidity situation. In contrast, as the central bank, BNM has the ability and resources to give liquidity support to financial institutions experiencing a liquidity crisis. This capacity promotes banking system stability by allowing the central bank to act and maintain proper liquidity levels in financial markets. This gap in liquidity dynamics underlines the disparities in the duties and powers of an investment fund like TH and the Central Bank of Malaysia.

In terms of currency stability, the exchange rate fluctuation may have big consequences for TH, especially if its investments are denominated in foreign currencies. Currency fluctuations can have a direct impact on the fund's investment portfolio. Bank Negara Malaysia, on the other hand, plays an important role in managing currency stability at the national level. The central bank actively gets involved in the foreign exchange market to protect the country's external position and boost trade competitiveness. This mismatch highlights the unique problems and duties that each organization faces while managing the complexity of financial instability, with currency stability being of particular and different relevance for both TH and BNM.

### ***Different Auditing and Accountability***

Auditing and accountability play an important part in guaranteeing financial institutions' transparency, reliability, and integrity. Auditing at Tabung Haji and Bank Negara Malaysia includes analyzing financial records, evaluating internal control systems, assessing Shariah compliance, and confirming compliance with regulatory guidelines. These auditing methods assure stakeholders that money is managed responsibly, risks are successfully controlled, and operations are carried out in compliance with legal and ethical standards. Furthermore, these audits play a crucial role in identifying abnormalities, fraud, or noncompliance issues that must be addressed as soon as possible. These procedures are especially important in organisations that manage public funds or offer financial services to the public. TH and BNM are two prominent Malaysian institutions that specialise in Islamic finance and central banking, respectively. Both institutions are subject to audits and accountability procedures in order to protect financial management, retain public trust, and promote Malaysians' well-being.

TH's purpose as a pilgrimage fund institution is demonstrated in auditing processes that are in accordance with the provisions of the Tabung Haji Act of 1995. This legislation provides stringent regulations for overseeing the fund's adherence to Islamic finance principles, as well as its ability to meet the financial needs of Malaysian Muslims completing the Hajj pilgrimage. TH has been audited by the National Audit Department and the Auditor General over the years, and the role is now held by Datuk Wan Suraya Wan Mohd Radzi. Therefore, TH's auditing procedure focuses on the fund's complying with its requirements, as well as emphasizing responsibility in its position of managing religious funds.

BNM, on the other hand, operates under a bigger and more complicated structure of auditing and accountability. As the central bank, it is subject to stringent systems meant to promote transparency as well as duty in carrying out its complex responsibilities. These processes go beyond standard financial audits to include monetary policy monitoring, regulation of various financial institutions, and general financial stability in the country's financial environment. The accountability mechanisms of Bank Negara Malaysia are thus concerned not just with its financial sustainability, but also with its crucial function in developing and preserving the nation's economic well-being.

Hence, BNM's responsibility is wider because of its central role in the country's financial structure, whereas TH's accountability focuses solely on its unique function of handling money for pilgrimage. The accountability procedures implemented by the central bank play a crucial role in mitigating systemic risks, maintaining the stability of the financial sector, and cultivating public trust in the wider economic system. With their own specific roles in the economic landscape of the nation, both institutions, each with a particular emphasis and set of responsibilities, contribute to Malaysia's financial governance through customized auditing and accountability procedures.

### ***Different Risk Management***

When compared to BNM, the need for efficient methods to manage risks becomes significantly more obvious for TH. TH, being a particular investment fund, has its risk exposure integrally linked to portfolio performance. Financial instability or economic uncertainty may force the fund to reconsider and improve its risk management practices, needing a thorough review of investment rules and asset allocation techniques to achieve optimal risk reduction. In contrast, BNM, although actively involved in risk management related to monetary policy and financial stability, has a larger set of instruments and duties. This is because of the central bank's diverse mission, it may manage financial instability with a holistic strategy, employing numerous instruments to address risks at both the macroeconomic and systemic levels.

One of the key risks managed by Tabung Haji is related to its investment portfolio, which is subjected to market risk. The institution carefully navigates the dynamics of financial markets to ensure optimal returns on its investments, as well as balancing the need for profit with the preservation of capital to meet the financial needs of its depositors for Hajj. Compared to Tabung Haji, the central bank, Bank Negara Malaysia, takes a more comprehensive and systemic approach to safeguard the stability of the whole Malaysian financial system. BNM's risk management practices span a wide range as the guardian of monetary and financial stability. These practices include monetary policy risks, in which the central bank uses instruments such as interest rate adjustments to impact economic circumstances and inflation. Currency risks are managed by active management of foreign exchange reserves, which ensures the national currency's sustainability in international markets.

Furthermore, TH prioritizes maintaining financial operations in accordance with Sharia law. The institution does business in accordance with Sharia law and adheres to Islamic financial principles by staying away from interest-based deals. This innovative method of risk management not only complies with ethical requirements but also protects TH from any potential financial and reputational losses resulting from a failure to adhere to Islamic values. On the other hand, BNM carefully manages interest rate risks, which are a natural consequence of fluctuating borrowing costs and investment returns. The central bank's open market operations, which involve the purchasing and selling of government securities, are an important tool for regulating interest rates and preserving financial stability.

Besides, TH is also concerned about liquidity issues, given its commitment to making enough money accessible for depositors to make the journey. The institution must strike a careful balance between making strategic investments to earn returns and maintaining a level of liquidity that allows for the fluctuating and unpredictability of Hajj pilgrimage schedules. Effective liquidity management is crucial to the institution's ability to meet its responsibilities to depositors, as well as avoid delays in delivering the required cash for the pilgrimage and maintain its credibility. Meanwhile, BNM keeps an eye on and reduces systemic risks that can threaten the financial system's ability to operate. This includes regulatory supervision, in which the nation's central bank establishes and upholds regulations to improve the stability of financial institutions doing business.

In summary, the risk management differences between TH and BNM come from their varied objectives, scopes, and regulatory frameworks. TH's risk management is targeted to the specific risks connected with its pilgrimage fund activities, but BNM's approach is more comprehensive, dealing with a broad variety of risks to safeguard the overall financial system's stability in Malaysia. Thus, this contrast highlights the specific and focused risk management difficulties that TH faces as well as the wider range of tools that Bank Negara Malaysia has at its command.

### ***Different values of trust***

In today's financial environment, trust plays a key role in developing and keeping commercial connections. To develop trust among its consumers and stakeholders, financial institutions such as Tabung Haji and Bank Negara Malaysia rely on trust. Trust is the basis upon which loyalty and commitment are created, and it entails believing in an organization's integrity, competency, and dependability.

Trust is very important for TH, a trust-based organization that provides to Muslim consumers' requirements. Muslim clients trust Tabung Haji to respect Islamic values and provide financial services that are consistent with their religious views. This faith in TH is founded not just on the organization's reputation, but also on its history of connections with other consumers. BNM, on the other hand, is Malaysia's central bank and oversees regulating the financial industry. Customers must have faith in BNM to properly supervise and manage the activities of financial institutions, including TH.

Moreover, TH's governance relies on the trust and belief gained from its depositors. Having thousands of depositors leaving their money to the organization, especially for the purpose of the Hajj journey, may have the potential to have an enormous impact on public image and perception with any substantial changes in governance and monitoring. The depositors rely on TH's stability and trustworthiness to properly perform their duty. Making substantial modifications to the governance structure, particularly placing it under the oversight of BNM, may trigger concerns and challenges concerning the organization's ability to meet its aims. It is necessary to maintain the current governance framework to protect the trust that depositors have placed in TH throughout the years.

In addition, the trust in TH and BNM differs in terms of the distinctive values they hold and factors that lead to trust development. Customers' belief in TH is due to the organization's dedication to Islamic ideals. Customers think TH adheres to Islamic ethics and beliefs in all of its financial activities. This confidence is based on the concept that TH works in a way that assures compliance with Shariah and avoids any acts that are banned in Islam, such as usury or *riba*. On the other hand, the trust in BNM comes from its function as the financial industry's regulating body. Clients have faith that BNM efficiently supervises and monitors financial institutions, making sure they follow the law and ethical codes. Clients depend on BNM to protect their interests and uphold the integrity of the banking sector. Not Islamic factors, but rather BNM's skill and efficacy as a regulator are the main reasons for this trust. Belief in BNM contains its capacity to ensure a stable and growth future for the whole nation.

Moreover, stakeholder trust is extremely important to TH, especially investor trust. Maintaining a high level of trust among its stakeholders is important for TH's profitability and success. Any level of financial fluctuation is perceived as a direct risk, which makes this reliance on trust even more important. There is an emphasis on the possible consequences, which emphasizes the connection between unstable finances, a decline in confidence, and the ensuing effect on the fund's reputation. The result is an impaired capacity to attract and maintain investors, highlighting the important part that trust plays in TH's business operations. On the other hand, BNM functions within a more expansive purview. Although it acknowledges the value of public trust, maintaining belief in the wider financial system and guaranteeing the stability of the national currency are its main priorities. BNM's interest, in contrast to TH's, goes beyond the particular dynamics of a single fund. The integrity and stability of the whole financial system are the key points of attention here. This more comprehensive viewpoint highlights BNM's responsibility as the protector of the country's financial system, with its policies and actions designed to preserve trust in individual funds as well as the financial industry.

In short, there is a clear difference in the way TH and BNM value trust. It is highlighted that TH's unique fund operations depend heavily on investor confidence and that financial instability directly threatens TH's viability. However, the work of BNM is defined by a wider obligation that includes ensuring the stability and confidence of the country's currency as well as the overall financial system. Although both organizations recognize the value of public trust, the differences in their areas of focus and areas of activity highlight how complex trust is in the financial sector. Thus, the integrity of banking businesses and the trust of stakeholders heavily depend on the bank's adherence to Islamic guidelines and principles (Ali et al., 2018).

## Conclusion

In conclusion, as key authority bodies in Malaysia, TH and BNM have distinct roles and legislation that govern them. TH focuses on Hajj management in terms of Malaysian pilgrims' journeys to perform Hajj as well as gaining money in return for a subsidy to cover the cost of performing Hajj for the B40 and M40 groups. Meanwhile, BNM has a huge responsibility in controlling all financial institution's activities to comply with the Shariah principle towards the development of the financial economy in Malaysia. Furthermore, TH under the purview of BNM may open an opportunity for politicians to take

control of its administration. It may lead to non-Muslims being involved in keeping and investing their money in TH which is not acceptable as the main reason for the establishment of TH is as the sole entity that only allows Muslims to save their money free of any prohibited practices such as riba or usury (S. Harun, personal communication, 23 November, 2023).

Furthermore, “the investment authority of TH (Tabung Haji) needs to wisely formulate an action plan to ensure that TH is not adversely affected by the current economic conditions. TH should also have been prepared well in advance for the risks associated with its investments. Every year, we can observe an increase in TH depositors, regardless of the economic situation in Malaysia. This is in line with the public's awareness to fulfill the requirements of the fifth pillar of Islam. The investment decisions of TH should be made prudently to safeguard its financial stability and cater to the growing needs of depositors, aligning with the principles of Islamic finance” (N. Darus, personal communication, 25 December 2023).

Thus, the researcher can conclude that the establishment of TH is such an achievement for Muslims as the only entity that will entertain future pilgrims to perform Hajj. Despite facing many difficulties and criticisms from people during the development of TH, TH succeeded in maintaining world recognition as the best entity of Hajj management in managing pilgrims to perform their Hajj.

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