The Success of Lembaga Tabung Haji in Enhancing Muslim’s Economics

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Abstract
Lembaga Tabung Haji (LTH) is one of the Islamic financial Institutions in Malaysia. The purpose of its establishment is to help Muslim community to perform their Hajj and to raise the Muslim economic to the highest level. Nowadays, the role of LTH is becoming wide in any business and investment opportunity that could increase the economic level in Muslim community such as plantation, services, tourism and others. With an active involvement in business market around the world, LTH proves itself to be an example of success Islamic financial institutions in the world. The objective of this article is to explore the main activities and investment of LTH in providing specific services for Muslim in Malaysia. The methodology of research in this article is through qualitative research based on documents and websites analysis of LTH. The general finding of this article shows that LTH has succeeded in enhancing Muslim economics through proper planning for hajj.

Keyword: Lembaga Tabung Haji, Pilgrimage, Islamic Financial Institution, Investment, Business, and Enhancing Muslim Economic.

1. Introduction
The first Islamic financial institution introduced in Malaysia is through the formation of Lembaga Urusan Tabung Haji (LUTH) in 1969. This is considered as a saving institution with the purpose for promoting Muslim in saving their money for the pilgrimage. In Malaysia the sole institution that manage the affairs related to pilgrimage performance is Pilgrims Fund and Management Board (LUTH) that capable rendering the best service for pilgrimage in Malaysia. Based on this LUTH has importance role in enhancing Muslim economics, because from LUTH that can generate economics benefit to Muslim (Muhammad Ridhwan, 2013).

During the Hajj season, all Muslims come from around the world. Some are traders or industrialists, capitalists and also farmers. They generate some of business when those Hajj seasons come. This also included with LUTH which brought and manage Muslim from Malaysia. All internal and external sources will be generated in order to get the revenue from Hajj season. This further improved LUTH’s profit and bring positive effect to Malaysia economy. This certainly had enhancing Muslim economic resource in Malaysia.

The main objective of a bank is to keep the ringgit (RM) strengthen, encourage financial stability, and became one of the instruments for Muslims to keep their fund at the end of 1959, there were 26 banks which

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operates in this country, and from the said amount only eight banks which incorporated in this country. Towards 1962, total bank headquarters in this country has increased to 215 and from the said amount, 91 banks were local bank (Azhar, 1996). This showed an increment of local banks in taking the responsibility towards people in this country. TH participated in initial public offerings (IPO) by subscribing IPO shares in IHH Healthcare Berhad, Felda Global Ventures Berhad and Gas Malaysia Berhad. TH’s subscriptions of the IPO shares were made based on the companies’ strong fundamentals, market leadership (Azhar, 1996).

The emergence of Islamic banking in late 1960s and 1970 scataleyzed financial system which enabled Muslims to trade in a system that in line with their faith. Islamic banking system involved social implications that closely related to Islam’s will and it represented distinctive features from other banks (Azhar, 1996). In implementing all banking activities, Islamic bank takes heavy consideration on social implications that may have been caused by whatever decision or actions (Azhar, 1996). Profit is not the main criteria in evaluating performance of Islamic banks. Same goes to LUTH which has been a dynamic and caring Islamic institution in managing of Hajj and as a prudent organization in capitalizing on available resources to strengthen the economy of the ummah (Muhammad Ridhwan, 2013).

Islamic financial system in Malaysia is experiencing rapid progression, which almost 52 financial institutions had offered about 30 financial products based on Syariah (MTEN 1999). Islamic money market is more efficient with accumulated total banking assets almost RM 40 billion in November 2000 (MTEN, 1999). As one of the components in Islamic financial system, LTH had contributed significantly to the development of Islamic financial system. In 2011, the accumulated saving by the depositors reached RM31, 694 million and had increased from RM17, 083 million compared to 2007.

History and Background

Coincide with Islamic concept as "Addeen" religion for the world and after world, an every religious worship made mandatory by Allah SWT giving benefit world and after world. On faith goings on a pilgrimage, Muslims driven collected money to enable they are capable observed expenditure the Mecca. To avoid element usury the illegal in Islam, various traditional method save money practiced. Some also selling livestock and property heritage to make up expenditure to perform hajj, which eventually results in economic pressure on oneself and family, during and upon returning they from perform hajj, this practices also indirectly also damage rural economic structure and threaten growth of the country economy. (TH Annual Report, 2009)

To further improve facilities and services to pilgrimage future, in year 1969 corporation joining with LUTH which operates in Penang thereby there comes Haj Pilgrimage Board or in short pilgrimage fund, which was established under Act 8 , Act of Managing board and pilgrimage fund 1969 in order to, Enabling Muslims keep has been gradually to fulfill expenditure perform hajj or beneficial other expenditure, Enabling Muslims through their savings take part that is more effective in capital investment field through way that is legitimate in Islam and give protection, control and welfare to pilgrims that perform hajj withhold various facilities and service. (Izham, 2002)

Based on those purposes pilgrimage fund decided the objective namely gives service that is good, perfect and highly satisfying with Malaysian pilgrims in matter perform haj and also bringing profit that is a maximum to depositors on savings. This statement is clear showing that pilgrimage fund established not only to manage Haj pilgrims departure to Mecca, even it also function as an alternative body to Malaysian Muslims to keep money while invest legitimately and according to Islamic principle.(Akta Tabung Haji, 1995)

As a body according to corporate very sensitive pilgrimage fund with development and change which hitting world in 90s era. For ensuring the continuity competitiveness in globalization eras of a study has been done in year 1995 to further widen scope and pilgrimage fund role. Than that, on 1 June 1995 pilgrimage fund new act namely Act 535, Act Pilgrims Fund Board Malaysia 1995 enforced that abolish old act and LUTH replaced with Pilgrims Fund Board Malaysia on 28 August 1997, and at the same time TH letter introduce as name abbreviation replace pilgrimage fund word.(Akta Tabung Haji, 1995)
2. Function and Services of TH

TH basically involves a broad scope of function. Primarily, it collects saving throughout Malaysia from around 345 locations. TH also made special banking agreements with Pos National Berhad and two commercial banks which are the Bank Rakyat Malaysia Berhad and Bank Islam Malaysia Berhad for the deposits collection process. In ensuring that they can offer better and convenient service, TH allows the deduction of salary of employees from both public and private sectors. In late 2007, TH has further enhanced its services by collaborating with these two banks for deposit, transfer and withdrawal and also the use of ATM card issued by them. (Muhammad Ridhwan, 2013)

In parallel with the objective of the formation of TH that gives opportunities for Muslim to participate in business and get higher return from their investment. TH has participated in two kinds of investment which are the short and long term investment. The accumulated fund from the depositor is invested into various business and investments in order to generate and maximize return to ensure that the financial investments are accordance to the principle of Islamic views. In year 2009, their financial investments involve plantation, Islamic banking, construction, real estate, information technology, service sectors and aquaculture and oil gas industry. At the meantime, TH prudently invests in equity. Initial public, offer (IPO), DB Islamic infrastructure fund, private equity fund and security deposits. (Muhammad Ridhwan, 2013)

TH Plantation Berhad

TH has been involved in the plantation sector since 1972 through its subsidiary company, TH Plantation Berhad (THP). TH owns 71.83% shares in THP, which was listed on the main board of Bursa Malaysia since April 2006. (TH Annual Report, 2012)

In the plantation, TH and its group of companies own a massive 200.00 hectares of land in Malaysia and Indonesia for palm oil plantation. These plantations are managed by THP Agro Management Sdn Bhd. 100% owned by TH and employ 580, 00 workers. TH and group also have 12 factories in Malaysia and Indonesia that are able to process palm oil efficiency. (M. Shukur Harun, 2013)

The restructuring has also increased the total oil palm planted area of THP Group by approximately 41% from 38.2 thousand hectares to 53.8 thousand hectares and improved the oil palm age profiles, lowering the average age from 16 to 14 years. TH Group owns approximately 218.7 thousand hectares of oil palm and rubber plantations in Malaysia and Indonesia. TH Group accentuates integrated plantation activities. Besides focusing on upstream oil palm and rubber plantations as well as millings activities, it is also increasingly involved in downstream activities such as venturing into packaging of edible oil for both the Indonesian and export markets. (TH Annual Report, 2012)

<table>
<thead>
<tr>
<th>Figure 1.0: THP Annual Profit after Tax</th>
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<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>Profit After Tax (RM’000)</td>
</tr>
<tr>
<td>Average CPO Price (RM/ton)</td>
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3. Property Development

TH properties was awarded by the Malaysia Institute of Planners and won the category of Urban Planning Achievement in Township Development for Bandar Enstek Township located near to Kuala Lumpur International Airport (KLIA). Bandar Enstek is a prestigious development of TH Properties and Negeri Sembilan State Development Corporate. TH is undertaking a massive project worth RM10.5 billion for the construction of a new township. (Muhammad Ridhwan, 2013)

In Techpark@enstek, three (3) industrial lots were purchased by investors to develop food and high technology equipment industries. The Department of Islamic Development Malaysia (JAKIM) has also started the first phase of construction of the Malaysian Halal Institute Laboratory. The Education Ministry’s Complex in Enstek saw the completion of Tunku Kurshiah College, Aminuddin Baki Institute, Higher Education Leadership Academy Malaysia and main campus of the Malaysia Teachers Training Institute as well as the English Language Teaching Centre. (TH Annual Report, 2012)

TH also involve the construction sector in two major project namely, the construction of Police Station and Quarters worth RM50.5 million in Subang Jaya, Selangor and the construction of a 34 storey commercial complex of a waqf land worth RM176.05 million in Jalan Perak, Kuala Lumpur (M. Shukur Harun, 2013)

TH Properties Group has successfully completed and handed over the Statistical Training Institute Malaysia in Sungkai as well as a road construction package for the Low Cost Carrier Terminal in KLIA. Construction work for the Islamic Administration Complex in Putrajaya is on track with 30% progress. At the end of 2012, work on the Tabung Haji Hotel and Convention Centre project in KLIA has also commenced with completion expected in 2016. (TH Annual Report, 2012)

Project Management

At the end of 2012, work progress on TH’s Complex and Hotel project in Kuala Nerus, Terengganu and Alor Setar reached 79% and 70% respectively. Both complexes are expected to be completed in June 2013. TH Properties Group also assisted TH in supervising the construction of Platinum Park in Kuala Lumpur and
Menara D under Glomac Damansara. Both projects are expected to be completed in February 2014 dan May 2013 respectively. (TH Annual Report, 2012)

**Facilities Management**

The project include the design and construction of building roads and facilities .TH Properties Group secured a three-year maintenance contract with Pusrawi Hospital and Putra Hotel while the cleaning service contract for the Tuanku Mizan Military Hospital in Wangsa Maju was extended. (Muhammad Ridhwan, 2013)

The total property area maintained by TH Properties Group exceeded four million square feet, an increase of 10% compared to the previous year. Through its joint venture company Abraj SdnBhd, TH owns and manages three (3) buildings in Cyberjaya. Total property maintained by this joint venture exceeds 452 thousand square feet. Apart of these, this company also own equity in a company which has been awarded a 15-year concession for the maintenance of the federal roads in the central region of Malaysia until 2016. (TH Annual Report, 2012)

**Hospitality Service**

TH offers hospitality services through its “Rangkaian Taha” Namely Taha D’ Kelana (TDK) In Kelana Jaya, Taha D’ Mutiara (TDM) In Bayan Lepas And Taha D’ Bayu (TDB) In Kota Kinabalu. Rangkaian TAHA offers accommodation, halls for seminars and events, training rooms and other facilities at affordable rates.

Formerly known as “Tabung Haji Complex”, “Rangkaian TAHA” was re-branded, making it more commercialized, competitive and comparable to other hotels of equal standard. This strategic move was made to expand TH’s market share. Rangkaian TAHA offers high-quality services at competitive rates. All services are Shariah oriented while food preparation meets halal and toyyiban requirements. (TH Annual Report, 2012)

**4. Tourism and Service**

TH tourism and service (THTS) is the tourism and services sector. Its provides hajj, umrah package service, international travels, charted flight for hajj, domestic inbound and outbound travels and catering service (M.ShukurHarun. 2013). This subsidiary business competitive edge is the focus, passion and experience in providing differentiated packages, scaled with its commitment, enthusiasm and confidence toward its success. (MuhammadRidhwan, 2013)

The year 2012 saw a 1.2% decrease in overall sales compared to the previous year due to the decline in the 1433H season Hajj Package. The Malaysia tourism sector in 2012 showed a commendable increase in the amount of visa applications to Saudi Arabia for the purpose of umrah, travel or business.

Correspondingly, THTS recorded a 10% increase in the Malaysian umrah market while demand for Muslim tour packages continue to attract the interest of both the Muslim and non-Muslim travelers alike. In line with current market trends, THTS now offers online ticketing and travel package purchasing services. Marketing activities via website, Facebook and Twitter have also been introduced. Throughout 2012, THTS continued to strengthen its main business activities namely Hajj Umrah, Travel and Ticketing. (TH Annual Report, 2013)

**Halal Food Industry**

TH Global Service Sdn Bhd. is a 100% subsidiary of TH. Its principle activity is to trade and distribute halal food products. Its produces and distribute product under the brand ‘Taha’ in the processed food and beverages categories. (MuhammadRidhwan, 2013)

TH is actively involved in the halal food industry which focuses on food and catering services. THGS operates three (3) cafeterias, which are located in TH’s Headquarters in Kuala Lumpur, TAHA D’ KELANA, Kelana Jaya in Selangor and TAHA D’ MUTIARA, Bayan Lepas in Penang.
Oil and Gas Industry

TH is involved in the Oil and Gas industry through its investment in three (3) companies namely TH Marine Sdn Bhd (TH Marine), TH Alam Holdings (L) Inc. (TH Alam) and TH Heavy Engineering Berhad (THHE). TH Marine, a wholly-owned subsidiary of TH, owns two (2) offshore support vessels (Anchor Handling Tugs Supply (AHTS)) with a bollard pull of 120 metric tonnes and the Dynamic Positioning 2 (DP2) system suitable for deep water operations. (TH Annual Report, 2012)

Meanwhile, a joint venture company between TH and Alam Maritime Resources Berhad, TH Alam, owns four (4) AHTS with a bollard pull of 60 metric tonnes. In 2013, TH Alam is expected to receive another two (2) units of AHTS vessels with a bollard pull of 150 metric tonnes with DP2 system ready to serve deep water development and operations. (TH Annual Report, 2012)

TH is also involved in the offshore structure fabrication industry via its associated company, TH Heavy Engineering Berhad (THHE) with an equity shareholding of 32%. Listed on Bursa Malaysia in 2005, THHE implemented a re-branding process in June 2012 to strengthen its position. In December 2012, THHE and McDermott International Inc. (McDermott), United States signed an agreement to handle engineering, construction and installation projects in Malaysia and overseas. This co-operation will see THHE bidding for bigger engineering, procurement, installation, construction and commissioning (EPPICC) contracts with the assistance from McDermott. (TH Annual Report, 2012)

5. The Contribution in Enhancing of Muslim Economics

The millions ringgit of annual revenue has increased the Muslims’ assets and equity in the country. In 2012, TH generated RM2,146,000,000 net profits according to Figure 3.0. (Tabung Haji Official Website: http://www.tabunghaji.gov.my/) It is expected to increase its annual profit for the coming years. Besides the equity and assets, TH also brings benefits to Muslim in term of zakat. In 2012, the company’s zakat payment reached RM47 million. The zakat can be used in important purposes such as education and health care.

**Figure 3.0: TH’s 5-years Financial Highlights**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit (RM Million)</th>
<th>Zakat (RM Million)</th>
<th>Depositors’ Bonus (RM Million)</th>
<th>Depositors’ Saving (RM Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,001</td>
<td>38</td>
<td>900</td>
<td>20,576</td>
</tr>
<tr>
<td>2009</td>
<td>1,120</td>
<td>39</td>
<td>1067</td>
<td>23,590</td>
</tr>
<tr>
<td>2010</td>
<td>1,497</td>
<td>41</td>
<td>1332</td>
<td>27,115</td>
</tr>
<tr>
<td>2011</td>
<td>1,689</td>
<td>44</td>
<td>1678</td>
<td>31,694</td>
</tr>
<tr>
<td>2012</td>
<td>2,146</td>
<td>47</td>
<td>2458</td>
<td>38,284</td>
</tr>
</tbody>
</table>

The other benefit is the bonus received by the depositors. Tabung Haji continuously made profit from year to year, and consequently returned an increasing bonus to the depositors. In year 2012, depositors’ bonus increased by 46% compared to the previous year.

In 2012, TH depositors saving reached RM38.3 Billion from 8171 depositors and it can do a lot big thing in order to enhance Muslim economy and overcome poverty by creating hundreds of job opportunities for the people of Malaysia and Indonesia.

6. Summary

Tabung Haji (TH) has been outstandingly successful. It is one of the best financial institutions according to Islamic principle for nation building to encourage savings of urban and rural Muslim community while
making prudent investments to generate incomes for shareholder or investors. The integration of TH as a managing organization related to Hajj management and any other services provided were given improvements efficiently between Malaysia and Saudi Arabia. With strong relationship, TH believes it will give an opportunity towards Muslim and nation to strengthen the economy. No doubt that TH will develop from year to year positively and thus become a role model for other institutions.

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