

Hajj Management in Pakistan in the Light of Experience of Tabung Haji of Malaysia

Usman BAIG*

Abstract

This paper examines the management of Hajj in Pakistan in the light of experience of Tabung Haji of Malaysia. Tabung Haji as an Islamic Financial Institution comes up with products that satisfy two fundamental human needs: Religious as well as financial. The flourishing undergo of TH urged to bring a work to examine the factors responsible for its success and to delineate lessons of experience for Pakistan. The purpose of this study is to analyze the significance of economics of Hajj management and to suggest an institutional arrangement in Pakistan. This study carries out a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis to examine the internal and external factors accountable for Tabung Haji's success. A comprehensive analysis will be done about the Hajj Cost in Pakistan. Households in Pakistan are facing great difficulty to save for the purpose of Hajj. Institutional arrangements similar to Tabung Haji can play an effective role to increase savings for the purpose of Hajj. This study proposes a model for Hajj arrangements in Pakistan. Socio-economic institutions will always be welcomed by the Muslims as they will mobilize their savings to *riba* free investments and provide them facilities during Pilgrimage.

Key Words: Hajj, Hajj Management, TH.

* Lecturer, Government Degree College Pasrur (Sialkot), Department of Economics, usman.chughty@gmail.com

Introduction

Islamic teachings take account of the socio-economic well-being and development of Muslims at distinct level. Hajj is one of the pillars of Islam and one of its most important fundamentals¹. It's obligatory upon every Muslim to make the pilgrimage to the Holy City of *Makkah* at least once in his lifetime, if he can afford the journey/expenses and perform the rituals². The word 'afford' is of prime importance because the pilgrimage to the holy city of *Makkah* is of considerable expense.

The saving scene in Pakistan is not ideal. Income is the most important variable which has a positive effect on household saving behavior in Pakistan (including rural and urban). It is difficult for lower and middle income people to save enough in their lifetime for pilgrimage. Many People adopt traditional methods of savings to purge their money from interest. But, savings with orthodox methods can't be mobilized for investment activities because these are a type of hoarding. This scenario further worsens the conditions of economic growth and development in the economy. We need a financial rearrangement if we want a better management of Hajj duty and to make it easy and accessible for people.

Institutional arrangement following the Tabung Haji (TH) model can motivate Muslims in other countries to increase savings with institutional means for the purpose of Hajj and reduce hoarding. This motivation may be expected to increase their contribution in the development progression through savings mobilization and investment capital accumulation. TH as an '*Islamic Financial Institution*' came up with the products that can assure two primary human needs, religious and financial. Successful experience of TH can be replicated in other Islamic countries. So, it is necessary that we first

¹ *Sahih Muslim*, Vol. 1, Book 2, *Hadith* 21

² Holy *Qur'an*, *Surah* 3, Verse 97

investigate the factors responsible for THs' success and then we draw lessons of experience for Pakistan.

1.1. Objectives

The objectives of the study can be:

- To analyze the significance of economics of Hajj management that lies in mobilization and efficient utilization of Hajj funds by institutional means.
- To suggest an institutional arrangement will be helpful for the Muslims of Pakistan, so that they may save their money purposefully for Hajj.

1.2. Methodology

The study carries out a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for TH operations. SWOT Analysis is a useful tool to identify various significant factors and to determine the position of an organization in market. Identification of weaknesses shows the areas which need further sights. Threats are the external factors that highlight future challenges in the economy. The study will also describe structural arrangement, financial management, investment activities and Hajj operations of TH.

A comprehensive analysis will be done about the Hajj Cost in the case of Pakistan. At the end, the study will propose institutional arrangements in Pakistan following the activities, functions and procedures adopted by TH.

2. Literature Review

TH, a unique institution in the world, is catering for the needs of Malaysian Muslims performing Hajj (Tabung Haji, 1987). Encik Azhar (2000) Shari'ah is the practical aspect of a Muslim's daily life is divided into two: *Ibadat* and *Muamlat*. TH is an economic activity different from other *Muamlat*

institutions in that it is also indirectly linked to *Ibadat* aspect of Shari'ah. Although TH is not a bank in the traditional sense of the term, but it works very much the same way as a specialized Islamic bank would. It performs two important banking functions i.e. accepting the deposits and making investments (Ausaf Ahmad, 1997). TH is a good example of how a specialized financial institution could work successfully in accordance with the Islamic principle (Ausaf Ahmad, 1995).

Mokhtar et al., (2008) TH is an Islamic financial institution that provides a systematic mobilization of funds from Muslims to assist them to perform pilgrimage to *Makkah* as well as to encourage them to participate in investment opportunities and economic activities. TH is receiving regular inflow of deposits each year due to its almost monopolistic position in pilgrim's management. TH has incorporated various subsidiary companies. These can be grouped into three main sectors, i.e. plantation, project management and services (Encik Azhar, 2000).

Mohd Shuhaimi (2011) highlights the role of TH in economic development of Malaysia. TH is a suitable business entity for sustainable economic development. The financial performance of TH from 2007 to 2009 indicates that TH is a sound financial corporate entity. Abdul Mannan (1996) has urged the other Muslim countries to adopt the TH model. In first, he has used the experience of TH to infer and to conclude that Hajj can be used as a forum to enhance social and economic co-operation among the Islamic countries.

Household sector accounts for a large amount of the total savings in developing countries. In Pakistan, during the last three decades, the household sector has accounted for about 83 % of the total savings (A. Burney and H. Khan, 1992). Income is the key determinant and most important variable affected positively household savings in Pakistan (including rural households and urban households). But, savings much is not possible here because the household

saving scenario, in fact, is not ideal (Ahmad and Asghar, 2004). Low level of income, spendthrift nature of the people and inappropriate implementation of the policies are reasons of low level of savings (Nasir & Khakid, 2004). Proper policies must be implemented to improve the rate of economic growth in the country.

3. Tabung Haji of Malaysia (TH)

TH is the premier Islamic financial institution in Malaysia. Established in 1963, TH has 51 years of experience in savings, Hajj services and investments. The Islamic Development Bank considered the significance of TH as an 'Islamic Financial Institution' and awarded the IDB prize in Islamic banking for the year 1410H (1995). This prize is an international recognition of TH's success competently, efficiently and profitably mobilizing depositors' savings into Shari'ah compliant investments.

The fundamental concept behind TH's establishment was to enable Muslims to save for pilgrimage without any fear of their money being tainted by *riba*. TH has been encouraging Malaysian Muslims to save not only for the purpose of Hajj but also for investment purpose to earn profit out of their savings. As a professional and responsible corporate organisation, TH has never failed to keep abreast with development domestically and internationally to maintain its competitive edge.

3.1. Organizational Structure

TH is a semi-government body under the Prime Minister's Department. Its organizational structure reflects a fully autonomous body which is able to exercise its statutory powers and executive policies for the benefits of its depositors (Joni Tamkin, 2001).

The Board of Directors has been bestowed upon the power under Tabung Haji Act 1995 (Act 535) to administer the fund and all matters concerning the pilgrims' welfare. The Board comprises a chairman, a

representative of the Prime Minister's Department, a group managing director and chief executive officer, a representative of the Treasury and 6 other members. The Board of Directors also formulates policies and implements all matters related to the pilgrims' welfare.

3.3. Performance Analysis

3.3.1. Major Functions

TH's main functions include depository, investment and pilgrimage management. Depository function is to provide *riba* free saving services to Malaysian citizens. Investment functions carry out investment of accumulated funds and monitoring of investment activities. Pilgrimage management includes Hajj services in Malaysia and in Saudi Arabia.

3.3.1.1. Saving Services

TH as an institution started its operations on the modest scale, with only 1,281 depositors and a total of RM 46,600 (USD 12,000) deposits. TH has now grown into a big corporate body reached 8.3 million depositors with accumulated deposits of RM 45.7 billion. TH follows the Shari'ah Principle of *wadiah al wakalah*³, in order to utilize the funds of depositors. TH has made all possible efforts to simplify the saving procedure and expanding its retail collection network to ensure easy accessibility to deposit source. TH achieved the "Pelan 50" idea in 2012. TH *Pelan 50*: "a plan to sign up 50% of the Muslim population in the country as TH depositors"⁴ was launched in 2008. At the end of 2013, the total number of depositors was 8.3 million, 52% of the Muslim population in Malaysia.

³ Shari'ah principle of *Wadiah al-Wakalah al-Mutlaqa*. In which depositors give consent to TH to manage their deposits for investment.

⁴ Tabung Haji, Annual report 2012.

Table 1: TH Deposits, Revenue and Net Assets (2004 – 2013)

Years	Deposits Received (Mil. RM)	Revenue (Mil. RM)	Net Assets (Mil. RM)
2004	12,085	950	12,426
2005	13,319	1015	13,688
2006	14,743	1165	15,119
2007	17,083	1857	17,562
2008	20,576	1513	21,204
2009	23,590	1752	24,275
2010	27,115	2056	28,289
2011	31,694	2176	32,036
2012	38,284	2832	40,125
2013	45,719	3730	48,169

Source: Compiled from Annual Reports of Lembaga Tabung Haji 2006-2013

TH accumulated a total of RM 45,719 million worth of deposits in 2013. Table 1, above, shows that since 2004, Depositor's fund of TH has increased more than 3-folds. This fact reflects that TH's notable achievement of consolidating its position as steadfast and trustworthy institution among stakeholders. First time since TH started, Total Revenue of TH exceeded the RM 3 billion mark. It reached RM 3730 million in 2013. TH also recorded its highest income, in 2010, of more than RM 2 billion for the first time. TH experienced increasing trend in the asset growth. Net Assets of TH were worth RM 48,169 million in 2013. In fact the growth is remarkably high, i.e. 25% in 2012.

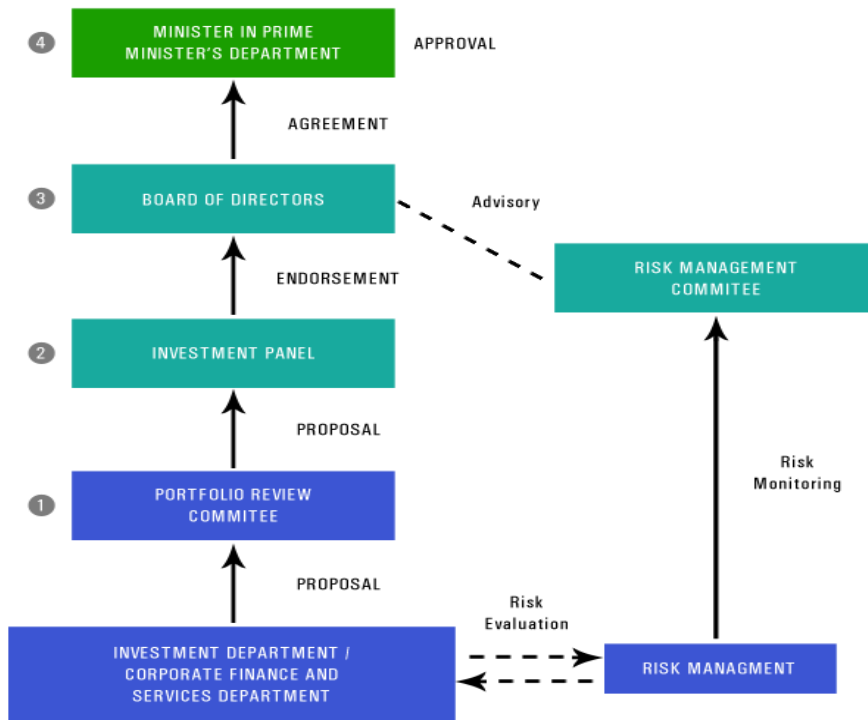
3.3.1.2. Investment

TH has been encouraging Muslims to save, not only for Hajj, but also for investment purpose. In this way they can earn profit on their savings. TH exercises extreme level of prudence in its investment activities and ventures. Decisions are only made after massive groundwork and extensive deliberations to make sure that each investment activity will bring handsome returns.

Investment Panel, an investment advisory committee, was set up based on TH's act. Investment Panel consists of Shari'ah Law experts & distinguished business professionals. Its purpose is to advise the Investment Board about viable investment proposals prior to submit to the Minister for final approval.

Figure 1, below, shows the investment procedure of TH that every investment proposal needs approval of the Risk Management Division, Portfolio Review Committee and after review of Investment Panel, presented to the Board of Directors for approval initially. The Minister will receive the proposed investment activities for approval finally.

Figure 1: Investment Approval Channel



Source: <http://www.tabung haji.gov.my/investment-2>

Investment activities of TH are conducted according to Islamic principles. TH uses *Mudaraba* and *Musharaka* as investment modes. To make sure that investment activities of TH are according to Shari'ah rules, each

investment activity is supervised by the National Fatwa Council of Malaysia and the Religious Supervisory Council of Bank Islam Malaysia Berhad.

TH generates most of its income from investment in Shari'ah compliant equities. Investment in equities represents the biggest portion of TH's investment portfolio at 53% in 2013. TH involves in the Islamic finance sector through its own subsidiary company BIMB Holdings Berhad (BHB). BHB invests in Shari'ah guided entities, i.e. Islamic banking, *takaful* and stock-broking. Service sector investment of TH includes information technology and marine support for the Oil and Gas industry etc.

Investment strategy through subsidiaries is indication of TH determination to attain business growth in identified Shari'ah compliant sectors. TH's investment in subsidiaries and participation in joint ventures cover various sectors. Emphasis is given to the plantation, Islamic finance, real estate development, information technology and services sectors. TH has established wholly owned companies where it participates actively in the management. Investment in Islamic banking and finance is a kind of joint venture with reputed Islamic banks of Malaysia (Encik Azhar, 2000).

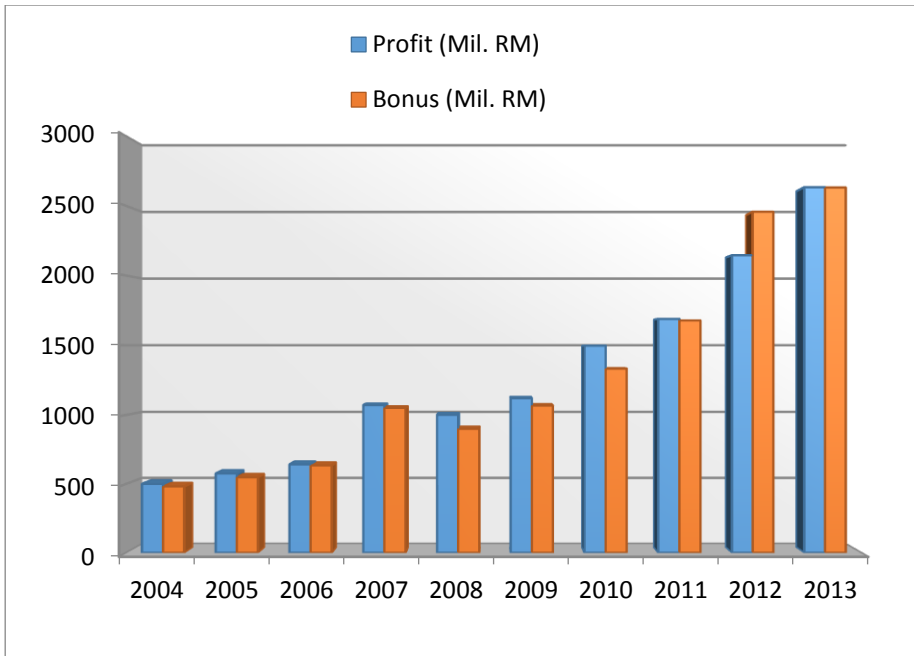
3.3.1.3. Profit, *Zakah* & Bonus

The profit gained from the use of the depositors' fund is distributed among the depositors. The profit is distributed after the *Zakah* deduction from profit, in the form of a bonus. TH earned remarkable growth in profits over the years. Table 2, below, shows net profit (after the payment of *Zakah* and tax) for the year 2013 was RM 2634 million. In a row, TH's net profit exceeded the RM 2 billion mark, for the second time. The profit growth was lower in 2008 to RM 1001 million from RM 1071 million in 2007.

Table 2: TH Profit, Zakah, Bonus & Bonus (%) of TH (2004-2013)

Years	Profit (Mil. RM)	Zakah (Mil. RM)	Bonus	Bonus (%)
2004	500	31	482	5.00%
2005	576	21	548	4.50%
2006	641	27	634	4.75%
2007	1071	37	1051	7.00%
2008	1001	38	900	5.00%
2009	1120	39	1067	5.00%
2010	1497	41	1332	5.50%
2011	1689	44	1678	6.00%
2012	2146	47	2458	8.00%
2013	2634	53	2632	8.00%

Source: Compile from Annual Reports of TH 2006-2013

Figure 2: TH Profit & Bonus (2004-2013)

A large portion of TH net profits are distributed to depositors in the form of bonuses. Bonuses paid to the depositors are based on the principle of profit sharing which differentiates the bonus from the concept of *riba*. Figure 3, above, shows that TH has earned healthy profits in the recent years enabled it to pay competitive bonus to its depositors. A special Hajj bonus of 2% paid to TH depositors, who have not performed their Hajj yet. The increasing trend shows that TH has maintained a steady rate of return.

Before distribution of bonus to its depositors, TH pays *Zakah* from the profits. It provides the *Zakah* fund to the Islamic Religious Department. The Islamic Religious Department redistributes the *Zakah* fund to the eligible beneficiaries. Table 2, above, shows the amount of *Zakah* fund paid by the TH has increased significantly, i.e. from RM 31 million in 2004 to RM 53 million in 2013. TH has made a contribution to the social and economic development of Malaysia by increasing payment of *Zakah* each year.

3.3.2. Hajj Management

Hajj management and services have been TH's core activity since its inception 51 years ago. TH's vision is to provide the best hajj services for all Malaysian pilgrims. Under the conditions of the Pilgrims Management and Fund Board Act, all pilgrims from Malaysia are required to make Hajj arrangements with TH. Hajj applicants can register for Hajj at TH branch offices, through TH official website and at TH authorized banks. Applicants should be Malaysian nationals. To register for Hajj with TH one should accomplish the following requirements:

- Malaysian national
- Muslim
- Depositor with a TH account
- A minimum balance of RM 1300 required in TH account

Hajj passports are issued to Malaysian citizens and permanent residents only. All necessary medical examinations and inoculations against certain diseases like cholera, meningitis, and influenza are arranged by TH at local hospitals and health centers. In conjunction with the state religious affairs departments, Hajj guidance courses are given to the pilgrims at state and district levels.

3.3.2.1. TH Hajj Services in the Saudi Arabia

While performing Hajj in the Holy Land (Saudi Arabia), TH makes sure that its services provide convenience to the Malaysian pilgrims. Comfortable accommodation in *Makkah* & Medina, medical services, service counters of TH to operate their account in the Holy Land and Hajj guidance & counselling services are made available for pilgrims. A subsidiary company of TH, TH Global Services Sdn Bhd (THGS) provides daily cooking facilities for pilgrims. This company provides lunch and dinner on daily basis

TH also provides financial services at the Holy Land. TH opens service counters at nine different locations for pilgrims. Pilgrims can save, withdraw and make payments by operating their own account in the Saudi Arabia.

3.3.2.2. Hajj Dues

Table 3, below, highlights that TH has maintained Hajj fees charged to pilgrims at the fix level of RM 9980. Although, there increase in the hajj cost every year, TH provides a handsome amount in subsidy to the pilgrims.

Table 3: TH Hajj Cost, 2010-2014

Years	Actual Hajj Dues (RM)	Hajj Fees Charged (RM)	Subsidy Provided (RM)	No. of Pilgrims
2010	14130	9980	4150	26,000
2011	14340	9980	4360	27,900
2012	14880	9980	4900	27,900
2013	15555	9980	5575	27,900
2014	16155	9980	6175	27,900

Source: Compiled from TH Annual Reports, 2010-2013.

Till 2013, the total amount of subsidy provided by TH reached to RM 93.4 million⁵. TH provide subsidy as part of its “social obligation” and “corporate social responsibility” for the Malaysian pilgrims. Subsidy is provided to only first time pilgrims under the Muasassah category.

We should explore some of the factors which entailed in THs’ success. These factors can be religious, political, economical and social.

“The years of experience, good infrastructure, well-planned operations, good intergovernmental relationship and economies of scale are among the factors contributing to the low cost and yet high quality services.”⁶

3.4. SWOT Analysis of TH

This section is divided into Internal Analysis of TH and External Analysis of TH. Internal Analysis of TH determines the Strengths and Weaknesses of TH’s experience. On the other hand, External Analysis of TH determines the Opportunities and Threats to TH.

3.4.1. Internal Analysis of TH

3.4.1.1. Strengths

In the internal analysis of TH, strengths are those factors which add value and also give competitive edge to TH against competitors. There are many attributes and factors which may be considered strengths of TH. Here, this study will determine some important factors as strengths of TH.

⁵ Lembaga Tabung Haji Annual Report 2013

⁶ Nayan, Encik Azhar (2000) *Towards Islamic Banking - Experiences and Challenges: A Case Study of Pilgrims Management & Fund Board, Malaysia*, Islamabad: Institute of Policy Studies, p.p. 58.

i. TH almost has monopoly position in the Hajj management of Malaysia. TH has exclusive right to arrange with Hajj matters in Malaysia. This monopoly state of TH ensures stable growth in deposits.

ii. The participatory and service oriented management concept under which TH has been operating has increased the efficiency of the organization considerably. All the staff members, depositors and pilgrims can easily see the CEO to voice their grievances. This has helped to establish good report among the pilgrims, depositors and the public.

iii. TH has evolved an efficient system of management. Efficient management of TH lies in the separation of the power and decentralization of authorities. TH introduces an effective system of accountability. TH encourages the use of advance technology equipments to improve the operations.

iv. The simplification of procedures of deposits as well as cooperation with other similar institutions has enabled TH to mobilize remarkable savings for investment purposes.

v. The diversity of investment in a variety of economic enterprises minimized the risk and ensured the continued dividend to the depositors at a competitive rate.

vi. TH invests the funds of depositors through its various subsidiary companies. TH has developed subsidiary companies in different specified areas. Each subsidiary specializes in its concerned area.

vii. TH earns competitive returns from investments. TH's major investments are in real sector. So, TH gives competitive returns to its depositors.

3.4.1.2. Weaknesses

- i. TH follows extensive procedure in approving an investment plan. Every investment proposal needs to approve from different concerned authorities⁷. This brings inefficiency in investment procedures.
- ii. TH is lacking in marketing strategy. TH has not adopted dynamic approach towards marketing its products. TH seems lacking behind in addressing the market requirements.

3.4.2. External Analysis of TH

3.4.2.1. Opportunities

i. TH is a result of political will with a social vision of the then Malaysian government. This vision is backed by an appropriate technical knowledge. The government saw the tremendous possibility of development of Hajj management as an institution and through an act of parliament, after due consultation from the view points of Shari'ah, TH was established.

ii. The Malaysian government provides guarantee to the depositors. This adds their confidence in TH. TH encourages savings from Malaysians not only for the hajj purpose but also for many others needs of depositors. This helps in attracting the savings of Muslim depositors.

iii. TH has evolved a sound strategy of cooperation and coordination with the governments of Malaysia and Saudi Arabia. TH coordinates with government and private agencies for the purpose of Hajj affairs. TH coordinates and cooperates with registration department, ministry of national unity and social development, ministry of health and different air line companies. This cooperation with agencies helps TH to manage Hajj operations and economize the cost of Hajj.

iv. TH coordinates with Saudi government and cooperates with other authorities of Saudi government. This close cooperation with Saudi

⁷ <http://www.tabunghaji.gov.my/investment-2>

authorities helps TH to get advantage of the improved services provided there for Hajj affairs.

v. TH Act helps TH to build up as an institution and refrain from unnecessary competition in the country. No other individual or organization was allowed to provide Hajj services without the permission from the Minister of TH. Legal and judicial framework designed in Malaysia for Islamic banking and fiancé also contributes in expanding TH activities.

3.4.2.2. Threats

i. Limitation of TH services to Malaysian citizens only has limited the scope of TH activities. TH is not engaged in discussion with other organizations and institutions of different countries. It refrains TH from learning lessons from others experiences. This limitation may stagnant the developing process of TH activities and harmful for addressing future challenges.

ii. TH enjoyed monopoly benefits in Malaysia as a sole Islamic financial institution in Malaysia till 1983. But later in 1983, Malaysian government was able to establish an Islamic bank in Malaysia. After the development of Islamic banking industry in Malaysia, it became difficult for TH to gain monopoly benefits.

iii. TH is facing competitive pressure from commercial banks. Commercial banks in Malaysia are licensed to practice Islamic financial products. These banks offer their products and services to Muslims and non-Muslims also. This expanding Islamic banking industry in Malaysia creates a competitive pressure and reduces the monopoly benefits.

4. Current Situation of Hajj Management in Pakistan

Management of the Pilgrimage to Holy city of *Makkah* is a complex task. It involves many important aspects which require deep considerations. Research and in-depth study requires improving the current situation of Hajj management in Pakistan. In this section, certain aspects of Hajj management

techniques and issues involved are discussed. We will also highlight some of the problems pilgrims are facing.

4.1. Directorate of Hajj

Under the 1973 constitution of Pakistan, the task of arrangements for Hajj is made by the Ministry of Religious Affairs & Interfaith Harmony (MORA & IH). Mission statement of MORA & IH in this regard is as follows:

“Serve and facilitate the intending pilgrims with commitment and dedication so as to enable them to undertake their religious obligation with ease and peace of mind.”⁸

There is a Directorate of Hajj under MORA & IH. Directorate of Hajj Division is responsible for the Hajj operations in Pakistan and in Saudi Arabia. It announces Hajj Policy for current year. The main objective of the plan is to facilitate pilgrims.

4.1.1. Organizational Structure

MORA & IH is a government body managed by two Ministers appointed by the Federal Government of Pakistan. One is the Federal Minister and other is the State Minister. Under these Ministers, there is a Secretary of the MORA & IH appointed by Federal Government.

Before the announcement of new Hajj policy, the Ministry analyzes the previous years' Hajj plan. The Honorable Supreme Court of Pakistan constitutes a committee that makes consultations with all stakeholders. This committee reviews and modifies the previous years' policy to formulate new policy.

⁸ Hajj Policy And Plan-2014

4.1.2. An Overview of the HAJJ POLICY AND PLAN

This section will provide an overview of the Hajj Policy and Plan of Pakistan from 2007 to 2014.

4.1.2.1. Hajj Quota

Hajj quota is allocated to every country by the Saudi government on the basis of ratio of 1000 pilgrims per 1 million Muslim populations. The Ministry implements the Hajj scheme through Government Hajj Scheme (GHS) and Private Hajj Group Organizers (HGOs). Hajj quota is then distributed between these two in the ratio of 50:50.

Table 4: No. of Pilgrims from Pakistan, 2007-2014

Hajj Years	Hajj Quota of Pakistan		
	GHS	HGOs	Total
2007	79500	80088	159588
2008	85000	79647	164647
2009	80000	79647	159647
2010	80000	79647	159647
2011	89605	89605	179210
2012	89605	89605	179210
2013	89605	89605	179210
2014	56684	86684	143368

Source: Compiled from the Hajj Policy and Plan (2007 to 2014)

4.1.2.2. Selection Criteria

Criteria for selecting pilgrims changed in 2011 from balloting system to the principle of “first-come, first-serve”. Pilgrims under GHS were selected through balloting among total number of applicants till 2010. Selected candidates are considered registered for Hajj. Majority of the pilgrims were allocated by randomized balloting system and the remaining pilgrims by

special quotas. The major draw-back of balloting system was that the balloting was the primary source for most of the people as many were not eligible for special seats. Till now from 2011, applicants are considered eligible on the basis of time and date of deposit, of Hajj dues, in the nominated banks.

4.1.2.3. Hajj Dues

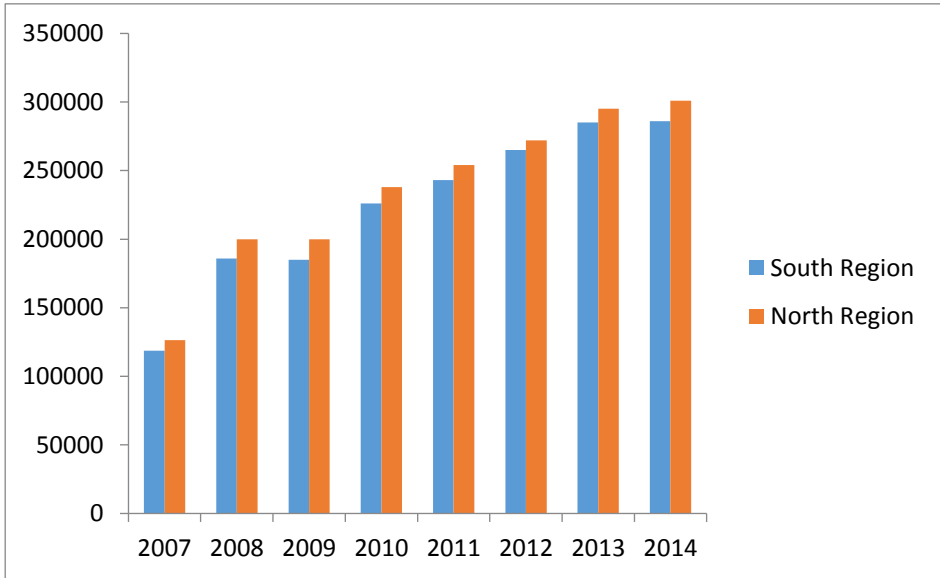
Hajj Dues include all the expenditures, i.e., Air Fare, Terminal Tax, Rent of Accommodation at *Makkah* and Medina, Compulsory Hajj Dues, *Hujjaj Mohafiz* Fund, Service Charges (Expenditure on Welfare Staff, Cost of Training and Vaccination), Personal Exchange Quota, etc. Hajj Dues are increasing continuously over the period of analysis. Table 5, below, highlights Hajj Dues were PKR 1,26,350 in 2007. It has increased up to PKR 3,01,031 in 2014.

South Region contains only three cities namely Karachi, Quetta and Sukkur, whereas North region contains rest areas of Pakistan. Expenditure for southern region is lower than northern region because of difference in air-fair. Hajj Dues are increasing every year as depicted in Figure 4, below. The reason behind the increase in Hajj Dues is increase in air fare due oil price hike.

Table 5: Hajj Dues in Pakistan, 2007-2014

Years	Hajj Dues in Pakistan	
	South Region	North Region
2007	118650	126350
2008	186000	200000
2009	185000	200000
2010	226000	238000
2011	243000	254000
2012	265000	272060
2013	285070	295070
2014	286031	301031

Source: Compiled from Hajj Policy and Plan (2007-2014)

Figure 3: Hajj Dues in Pakistan, 2004-2014

As we discussed earlier, Hajj is obligatory to well-off Muslims. It means it directly relates to savings and income of a person. Muslims having higher power of household savings can easily afford the Hajj cost. In developing countries like Pakistan, not only the saving rate is insufficient to meet the hajj requirements but also the inflation rate is very high, which in turn leads to low savings.

The above analysis of saving, income and cost of Hajj indicates that only a limited number of people are in the Hajj Bracket – those who can perform Hajj duties. If poverty rate is \$2 a day then 60.19% population lives below poverty line⁹. Hence, we need a financial rearrangement if we want a better management of Hajj duty and to make it easy and accessible for people.

⁹ Economics Survey of Pakistan 2013-14

5. Proposed Institutional Arrangements for Hajj Management in Pakistan

Pilgrims' part of the preparation for pilgrimage entails savings for air fares, accommodation charges, Hajj dues, meals and necessary arrangements for the journey. They are required to make stipulation for home expenses so that dependents, households or businesses are granted for during the pilgrimage period. Anyone planning his journey for Hajj will have to consider prearranged savings as a part of his plan. These savings need to grow with the increasing trend in inflation. Savings also need to be *riba*-free and to be safe.

Current state of Hajj arrangements in Pakistan is not satisfying these needs. It does not consider the peoples' desire to save for Hajj. It implies that there is need to review the current structure and detail of arrangements. In this section this study proposes institutional arrangements for Hajj management in Pakistan. The study will also suggest some necessary changes required in the current Hajj management scheme.

5.2. Organizational Structure

This study proposes semi-government arrangements for better results. There can be a Chairman of the group. Board of directors can be formulated consisting of representatives from public and private sectors. This board can be an autonomous body which can exercise its stationary powers to formulate policies. All plans and actions finalized in board may need approval from Minister's office before implementation. Members of board may consist of chairman of the organization, a representative from the MORA & IH and others. Board can formulate different committees to take help.

5.3. Savings and Investment Activities

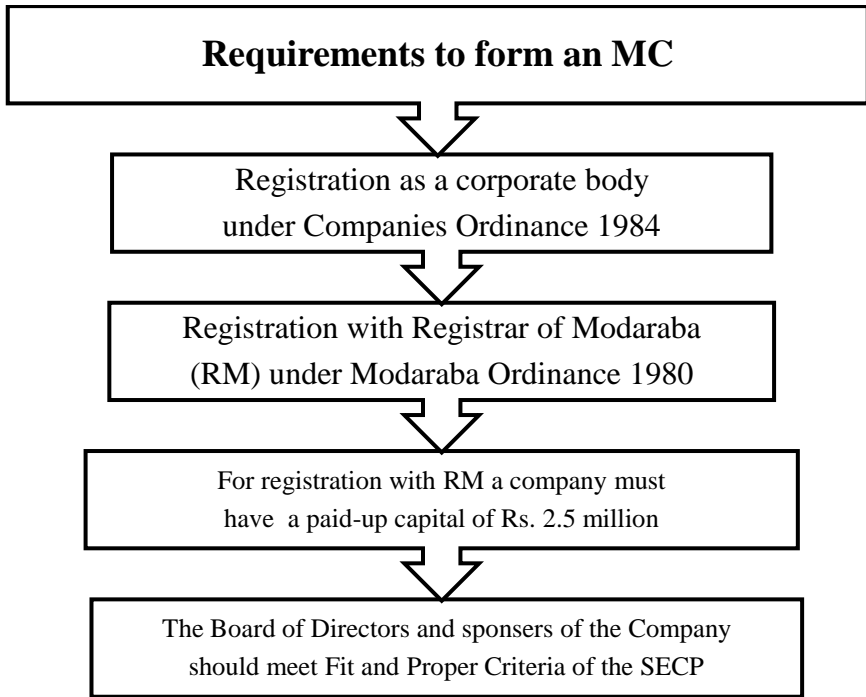
To cater financial needs, formation of a Modaraba company is suggested. It may provide saving services to the Muslims of Pakistan who want to perform their Hajj obligation. Deposits received can be invested them into Shari'ah

guided modes of investments. Profits from investments will be distributed among depositors. Hajj applicants, as depositors, are considered fund provider for investment. In case of *Modaraba* the provider of fund is called “*rabb-ul-maal*”, whereas the other party putting his effort (expertise and management skills) is called “*modarib*”. It is one of the primary modes of Islamic finance. *Modaraba* business provides investment opportunities to the parties who are looking *halal* earnings according to Shari’ah.

5.3.1. SECP Guidelines for *Modaraba* Business

In case of Pakistan, any institution or organization doing the practice of *Modaraba* has to register with Securities and Exchange Commission of Pakistan (SECP) as a *Modaraba* company. *Modaraba* companies are required to register as a corporate body under “Companies Ordinance 1984”. In SECP *Modaraba* companies are administered by the Registrar of *Modaraba* under the “*Modaraba* Companies and *Modaraba* (Floating & Control) Ordinance 1980”. According to this ordinance *Modaraba* can be for a fixed period of time or for an indefinite period. Purpose of *Modaraba* can also be specific or multi-purpose *Modaraba*. *Modaraba* business provides competitive *halal* profits as it is fully exempted from income tax.

Modaraba companies can invest accumulated funds through Islamic financial instruments like *Musharakah*, *Murabaha*, *Ijarah* and other *riba*-free modes of finance. It can also invest in *riba*-free certificates. These are Certificates of *Modaraba*, Certificates of *Musharakah*, term Finance Certificates on *Musharakah* basis, Sukuk etc. Figure 4, below, showing the steps required to form a *Modaraba* Company (MC). MC is required to have a paid-up capital of Rs. 2.5 million for registration with Registrar of *Modaraba* (RM).

Figure 4: Flow chart of steps to form a Modaraba Company

The board of directors, officers, employees and sponsors of MC should meet “Fit and Proper Criteria” of the SECP. None of them has been convicted of deception, committed breach of trust or offended moral turpitude.

5.3.2. Potential of Deposits

Table 6, below, shows the dues received by the government in the category of Hajj dues by *Hujjaj Kiram*. The last column of the table “Dues Received” depicts the yearly total sum of dues received by the government. In 2007, the sum was Rs. 9.74 billion with the increasing trend due to annual increase in the Hajj Dues and was Rs. 26 billion in 2013. In 2014, it seems to decrease to Rs. 16.64 billion. This decrease was due to allocation of extra 15,000 pilgrims to HGOs by MORA & IH (HAJJ POLICY AND PLAN-2014).

Table 6: Sum of Hajj dues received, 2007-2014

Year	Govt. Scheme	Hajj Dues	Dues Received (Billion PKR)
2007	79500	122500	9.74
2008	85000	193000	16.41
2009	80000	192500	15.40
2010	80000	232000	18.56
2011	89605	248500	22.27
2012	89605	268530	24.06
2013	89605	290070	26.00
2014	56684	293531	16.64

5.3.3. The Investment Schemes Issued by Modarabas¹⁰

1. Investment in Certificates of Modaraba
 - A. Initial Public Offering: The general public, after carrying out due diligence of management and prospectus may subscribe to certificates of Modaraba when these are first time offered by the MC in primary market.
 - B. Direct Buying from the Stock Market: One may also invest in the Modaraba Certificates through buying them from registered stock broker. The Modaraba Certificates are quoted and traded on the stock exchange(s) like shares of other listed companies.
2. Investment in non-interest bearing finance instruments or schemes
MC's are offering various *riba*-free certificates. These certificates are approved by the Religious Board and the Registrar Modarabas. The investment schemes launched by Modarabas are on profit and loss sharing basis and rate of return varies based on the periodic profitability of the business of the Modaraba.

¹⁰ www.secp.gov.pk

Conclusion

It is not easy for majority of the people in Pakistan to save purposefully for Hajj. Desire to visit the house of Allah once in his lifetime is beyond their approach. They try to save money for many years and wait for the time when they can afford the expenses of Hajj journey. To fulfill their wish for Hajj, many households participate in traditional saving techniques as discussed above. These kind of saving techniques are considered a type of hoarding money, but this is a common practice in the masses.

It means a large amount of money remains idle in the economy which is harmful for the economy of Pakistan. Development process needs rapid increase in investment. Investment requires capital growth through mobilization of savings. It requires institutional arrangements. In previous section this study suggested an institutional arrangement which can motivate people to save for Hajj purpose. Their savings can be utilized for capital growth and investment in the country.

TH has mobilized savings of Malaysian Muslims and operated an investment fund in an Islamic way successfully. It has managed the resources in an efficient manner and used these funds in the fields of industry, agriculture, commerce, real estate, plantation and transportation in conformity with Shari'ah principles. TH investment in real sector has played an important role in the economic development of Malaysia. It not only provides the financial assistance to the Malaysian Pilgrims but also creates employment opportunities in different sectors of the Malaysian economy. The SWOT analysis of TH insists on replication of TH model in the other Islamic countries. The descriptive analysis of contemporary position of Hajj management of Pakistan has important implications for the need of institutional arrangements.

References

- Ahmad, A. (1995). Contemporary Experience of Islamic Banks: A Survey. In *Elimination of RIBA from the Economy* (pp. 369-393). Islamabad: Institute of Policy Studies.
- Ahmad, A. (1995). Evolution of Islamic Banking. In *Elimination of RIBA from the Economy* (pp. 339-367). Islamabad: Institute of Policy Studies.
- Ahmad, A. (1997). *Towards an Islamic Financial Market: A Study of Islamic Banking and Finance in Malaysia*. Jeddah: IRTI.
- Borhan, J. T. (2001). Tabung Haji as an Islamic Financial Institution: An analysis of its Contribution in the Economic Development in Malaysia, 1969-1990. *Islamic Culture*, LXXV(4), 49-77.
- Ahmad, M., & Asghar, T. (2004). Estimation of Saving Behaviour in Pakistan Using Micro Data. *The Lahore Journal of Economics*, 9(2), 73-92.
- Borhan, J. T. (2001). Tabung Haji as an Islamic Financial Institution: An analysis of its Contribution in the Economic Development in Malaysia, 1969-1990. *Islamic Culture*, LXXV(4), 49-77.
- Farhan, M., & Akram, M. (2011). Does Income Level affect Saving Behavior in Pakistan? An ARDL Approach to Co-integration for Empirical Assessment. *Far East Journals*, 3(3), 62-71.
- IRTI. (1995). *Tabung Haji as an Islamic Financial Institution: The Mobilization of Investment Resources in an Islamic way and the Management of Hajj*. Jeddah: IRTI.
- IRTI. (1995). *The mobilization of investment resources in an Islamic way and the management of Hajj*. Jeddah: IRTI/IDB.

- Ishak, M. S. (2011). Tabung Haji as an Islamic Financial Institution for Sustainable Economic Development. *IPEDR* , 17, 236-240.
- Laldin, M. A. (2008). Islamic Financial System: The Malaysian experience and the way forward. *Humanomics* , 24 (3), 217-238.
- Lee, S.-r. (2001). Islamic Banking in Malaysia. *The Southeast Review* (11), 269-285.
- Mannan, M. A. (1996). *Islamic Socioeconomic Institutions and Mobilization of Resources with special reference to Hajj Management of Malaysia*. Jeddah: IRTI.
- Nasir, S., & Khalid, M. (2004). Saving-Investment Behaviour in Pakistan: An Empirical Investigation. *The Pakistan Development Review* , 43 (4 Part II), 665-682.
- Saad, N. M. (2012). Comparative Analysis of Customer Satisfaction on Islamic and Conventional Banks in Malaysia. *Asian Social Science* , 8 (1), 73-80.
- Shaikh, S. A. (2012). Consumption & Savings Behavior in Pakistan. *Munich Personal RePEc Archive* .
- Haji, T. (1987). *The Organization and Management of Pilgrims Management and Fund Board of Malaysia*. Jeddah: IRTI/IDB.
- Tabung Haji*. (2015, September). Retrieved September 2, 2015, from Tabung Haji Web site: <http://www.tabunghaji.gov.my/>