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Of resilience and profits — Mohamed Hadi Abd Hamid and Mohd Zaidi Md Zabri



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APRIL 11 — Lembaga Tabung Haji (TH)'s 3.5 per cent profit distribution for the FY2025 has understandably drawn attention. For most depositors, the annual payout remains the clearest public measure of performance.

But the bigger development lies elsewhere. TH has rebuilt its reserves for the first time in three years while maintaining an asset-to-liability ratio above 1.0, which is a stronger signal of improving financial health.

It suggests that recent corrective measures are restoring balance sheet stability. In a period still shaped by market volatility and pressure on institutional investors, that matters more than the headline profit.

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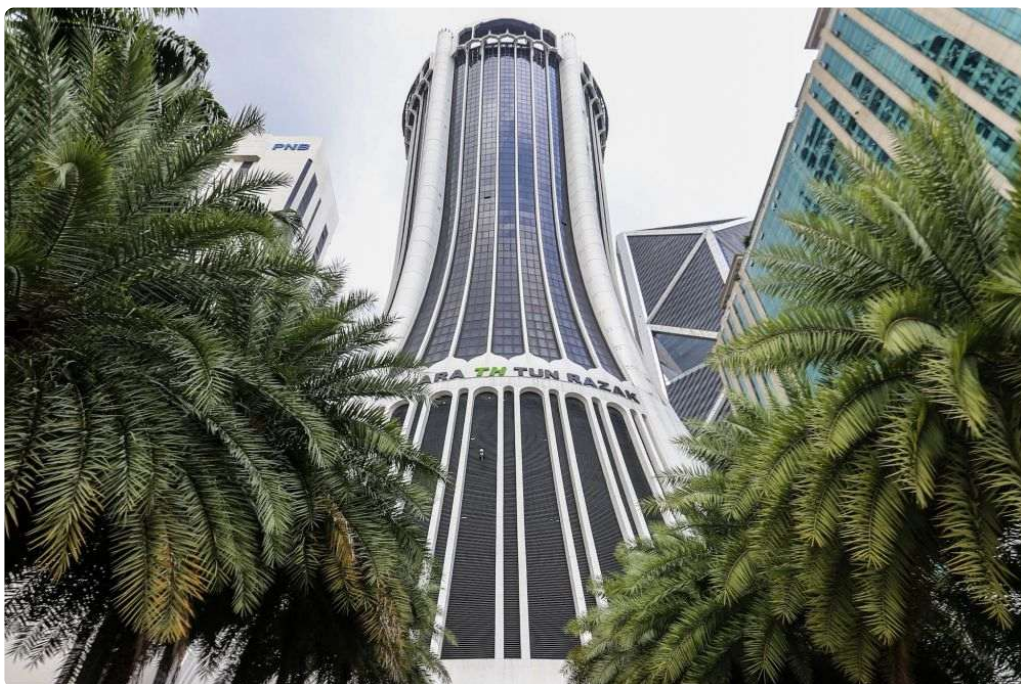
A large institution with incomplete reach

This year, about 9.7 million depositors received a total distribution of RM3.22 billion. Set against Malaysia's Muslim population of about 20 million, that means TH currently reaches fewer than half of Malaysian Muslims, leaving roughly 10 million outside its ecosystem.

For an institution that occupies such a central place in Malaysia's Islamic financial landscape, that conspicuous gap matters. It shows room for expansion, but also the danger of assuming that historical achievement and relevance guarantee present and future participation.

That risk becomes sharper when one considers how younger Malaysians now engage with finance. They are used to digital banks, e-wallets, mobile-first platforms and a wider range of Shariah-compliant products than earlier generations had. They expect convenience, speed and transparency as standard.

If TH fails to engage younger savers in ways that match those expectations, it risks becoming overly dependent on an ageing depositor base.



Tabung Haji's resilience depends on depositors who choose to remain even after they no longer need to save for their own pilgrimage. — File picture by

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as cosmetic. It reflects a broader effort at institutional renewal, whether through a refreshed visual identity, a more resonant slogan, or stronger digital engagement via the THiJARI app.

The challenge is not to dilute TH's identity as a pilgrimage-linked institution, but to communicate more clearly that it is also a modern Islamic financial platform with wider economic and social relevance. It sits at the intersection of savings, Hajj (pilgrimage) administration and collective welfare.

In Islamic terms, this is close to the idea of fardu kifayah, or collective obligation. For a broader business audience, the nearest parallel is the social dimension of ESG. In both cases, the principle is similar: an institution should be judged not only by what it delivers to individual users, but also by the wider social value it creates and sustains.

By that measure, TH does more than enable individuals to save for the Hajj. It also preserves an ecosystem through which access and affordability remain within reach for others, especially those in the lower- and middle-income groups.

Why the composition of deposits matters

But that wider role can only be sustained if its funding base remains stable. That is why TH should be judged not only by the number of accounts it holds, but also by the durability of the deposits behind them.

If it relies too heavily on depositors who save only until they have enough for their first Hajj, then a significant share of its funds will remain transitional. Once those pilgrims depart for Hajj, much of that capital may leave the system, making TH's funding base less stable and long-term planning more difficult.

What TH needs, therefore, is not only more depositors, but more committed ones. This is where those who have already performed the Hajj become especially important. Their continued participation provides a more stable pool of funds that supports longer-term investment and smoother liquidity management.

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In the same way, TH's resilience depends on depositors who choose to remain even after they no longer need to save for their own pilgrimage. That point is especially important because the implications extend beyond TH's own balance sheet.

A misconception worth correcting

There remains a tendency to assume that the roughly RM200 million spent annually on Hajj Financial Assistance (HAFIS) comes directly from government subsidies and therefore from taxpayers.

In reality, that support depends entirely on the strength of TH's own deposit base and the returns generated from its investments.

That distinction matters because it means the affordability of the Hajj for B40 and M40 pilgrims is tied directly to the institution's financial resilience.

When financially capable depositors remain in the system, even after performing the Hajj, they help preserve a funding base that supports others who have yet to do so.

The outflow trend deserves attention

The reported average net outflow of RM1.2 billion in 2025 should not be brushed aside. It is not yet a sign of immediate distress, but it is a signal worth watching.

Depositors today are more financially aware and more willing to compare TH's returns with those of Islamic fixed deposits, unit trusts or even gold. Loyalty can no longer be assumed.

Nevertheless, TH maintains a unique value proposition that commercial institutions cannot replicate through its hybrid role of fund manager and Hajj administrator. This includes Shariah-compliant savings with zakat fully settled by TH, world-class Hajj management, and a broader model of social responsibility that is 'ummah-centric'.

The spillover effect of TH is significant, where its key entities, e.g. Bank Islam, Syarikat Takaful Malaysia, TH Properties and other major subsidiaries, continue to contribute to socio-economic development through business zakat and employment.

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The harder phase begins now

The 3.5 per cent payout should therefore be seen as an encouraging milestone as TH appears to have regained a measure of financial normalcy.

But the next phase will be harder. It will require the institution to curb net outflows, attract younger savers, broaden participation among the millions still outside its ecosystem and renew public understanding of why it matters.

That is the real test ahead. The profit may dominate the headlines, but TH's future will be decided by the strength, stability and renewal of the depositor base behind it.

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