



A Conceptual Model of Depositors' Trust and Loyalty on Hajj Institution - Case of Lembaga Tabung Haji Malaysia

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ABSTRACT

Being established as a special Islamic financial institutions dedicated for managing hajj fund, Lembaga Tabung Haji (TH) plays a crucial role to ensure going concern of the institutions. Thus, it is highly important to preserve depositors trust and loyalty on the institution. Financial and management issues faced by TH, couple with the widespread use of social media reporting inaccurate information about the institutions may give impact to the depositors' trust, evidencing by a sudden deposits withdrawal and closure of account in year 2017. As it is a special institution only for Muslims, its depositors carry different characteristics as compared to the other financial institutions. Using literature survey, this study develops a conceptual model to examine the depositors' trust and loyalty on the institution by examining three mediating variables namely depositors' financial literacy, depositors' understanding about hajj and depositors' awareness about current development of the institutions. Finally, both theoretical and practical implications were also discussed.

Keywords: Financial Literacy, Hajj, Awareness, Trust, Loyalty

JEL Classification: G53

1. INTRODUCTION

Lembaga Tabung Haji (TH) was established in year 1963 and has been serving an important role in managing deposits and administrating hajj of Muslims in Malaysia. Since its inception, TH has gained high level of confidence from Malaysian evidencing by its strong capital, high growth of deposits and profit level every year as well as efficient management of hajj. It is also a popular choice of saving instrument among the Muslims in Malaysia due high amount of yearly *hibah* and subsidy for their hajj cost. However, since year 2016, there were few financial and management issues associated with TH that tarnish its reputation as the first Islamic Financial Institutions in Malaysia which, may result on the loss of public confidence. Following this, TH has announced that there are 3,954 depositors who closed their account after losing confidence in TH and as a result, 3,105 depositors lost

their eligibility to perform the hajj. The reputation of TH become more severe at the end of year 2018 when the new management of TH announce the misrepresentation of financial statements for year 2017, mainly on the overstated of profit and asset position, which lead to the declaration of high *hibah* amount.

Another series of an independent audit was performed which concludes alarming financial position which subsequently, put TH under the restructuring exercise. This situation raises many concerns, particularly on the depositors' confidence and loyalty for a long term survival of TH. Motivated by the survival of TH as the only pilgrim institutions in Malaysia, this study is conducted to develop conceptual framework to examine the relationship between the depositors' trust and loyalty on TH. Established as an Islamic financial institution dedicated for hajj funds, the main purpose of deposits in TH relatively differs from another savings

products and investment instruments offered by other financial institutions. Thus, the model examines the impact of mediating variables namely depositors' financial literacy, depositors' hajj understanding and depositors' awareness on the depositors' trust towards their loyalty on TH.

2. AN OVERVIEW OF LEMBAGA TABUNG HAJI

The idea of TH was inspired and proposed by one of the renowned Malay economist, Royal Professor Ungku Aziz Bin Ungku Abdul Hamid. His research proposal title "Pilgrims Economy Improvement Plan" that was presented to the Government of Malaysia in year 1959 suggests the federal government of Malaysia to establish a financial institution which assist Malay to save money for hajj and at the same time mobilized the funds for economic development of the nation. The said financial institution aims to solve Malay socio-economic problem and increase their participation within nation's economic development at that time (Ishak, 2011). His working paper came out with a plan that enable the poor who did not have the means to make large savings have an opportunity to save over long period of time. The plan also avoiding the traditional method of saving that did not provide any return to them and the most importantly, will avoid them selling their assets such as land, houses and farms to pay their pilgrims cost. Moreover, he also thought that through such scheme the fund can be utilized to ensure proper management of hajj. The proposal was approved by Malaysian government and as a result "Malayan Muslim Pilgrims Saving Corporation" or "Perbadanan Wang Simpanan Bakal-Bakal Haji" (PWSBH) was established and officially operated on 1 April 1963. This institution increases the awareness of Malay Muslims to plan their hajj through early saving in *Shari'ah* compliant financial institution. PWSBH had collected a total savings of RM46,610 from 1,281 depositors during the initial operation. The concept of profit and loss sharing was used to ensure that the savings amount free from interest but entitle for bonus and dividend (Shahari, 2017). On August 8, 1969, PWSBH was merged with the Pejabat Urusan Tabung Haji (Hajj Affairs Management Office) which had been in operation earlier, since 1951 in Penang. It was then named as Lembaga Urusan Tabung Haji (LUTH). The merged between both institutions are significant to manage growing savings and hajj process consistent in all aspects such as passport, hajj visa, transportation and accommodation. On 1 June

1995, LUTH was renamed as Lembaga Tabung Haji (LTH) and governed under Tabung Haji Act, 1995.

The business model of TH is different from other financial institutions. The fundamental concept behind the incorporation was to enable Muslims to save for hajj through *Shari'ah* Compliant investment (Muneeza et al., 2018). TH has three objectives with the first objective is to enable Muslims to save gradually in order to provide for their expenses in performing the hajj. To fulfill this main objective, TH collects savings in form of deposits and invest it strategically. Thus, the second objective is to enable Muslims through their savings to participate in investments in industry, commerce and plantations as well as real estates, according to Islamic principles. The third objective is to provide for protection, control and welfare of Muslims while on hajj through various facilities and services of TH. There are various types of facilities and services offered by TH such as saving deposits, transportations and visa, information and guidance on hajj and religious rituals, accommodation, medical services and health care. With the experience of more than 50 years in managing hajj institution, TH is now turn to be a huge corporate body in Malaysia. The number of depositors and total deposit amount increase from 1281 in 1963 into 9,980 million in 2018. With an initial government grant of RM152,000 in 1963, the total deposits of TH have increased about RM9.3 million in 2018. Apart of managing hajj, TH also involve in various kind of economic activities such as commercial, industrial, plantation, property development and construction and hospitality.

3. TH RESTRUCTURING PLAN

The establishment of TH received an incredible response from the Muslims in Malaysia, evidencing by a significant growth of TH depositors every year. Started with only 1,281 depositors in year 1963, total depositors stood at 9.3 million as at December 31, 2017. For the past 5 years, the average growth rate of depositors was 3% yearly. Overall, TH recorded good financial performance and summary of the past 5-years performance is tabulated in Table 1 below. The figures show that there was an increase in the total deposits made by the depositors from RM45.72 billion in year 2013 to RM73.52 billion in year 2017. Even though the deposits amount was in an increasing trend, it should be noted that TH experienced reduction in its growth rate from 18% growth in year 2014, reduced to 15% in year 2015 and further reduced to 8.5% in year 2016. TH recorded revenue of RM4.59 billion for FYE 2017, an increase

Table 1: Financial statement of Tabung Haji from 2013 to 2017

Items	2017 RM million	2016 RM million	2015 RM million	2014 RM million	2013 RM million
Revenue	4,585	3,481	4,467	3,289	3,730
Revenue growth (%)	32	22	36	12	-
Operational profit	3,600	2,718	3,788	2,783	3,012
Zakat	68	60	59	53	47
Net profit	3,412	2,486	3,536	2,979	2,634
Net profit margin (%)	74	71	79	91	71
Net assets	69,429	63,573	59,462	54,006	48,169
Depositors' <i>hibah</i>	3,324	2,871	3,220	3,237	2,632
Depositors' savings	73,522	67,704	62,548	54,358	45,719
Deposit's growth (%)	8.6	8.2	15	19	-
Number of depositors (Million depositors)	9.3	9.1	8.8	8.6	8.3

Source: Lembaga Tabung Haji Annual Report 2017

of 22% from the previous year. It also experienced steady profit with net profit margin in average of 70% for the past 5 years. The financial statement also reported strong assets positions amounting to RM70.32 billion against liabilities of RM888.31 million, making net asset stood at RM69.43 billion. This satisfactory performance of TH has allowed them to declare *hibah* payment for financial year ended December 31, 2017, consists of annual *hibah* of 4.5% and hajj *hibah* of 1.75% in February 2018.

Following the Malaysia General Election on 9 May, 2018 where Malaysian experienced history of changing its government for the 1st time, few incidences involved TH happened. There are major changes in the board of directors as well as management team. Subsequently, it was reported that few police reports were lodged against its previous management team on the mismanagement of TH, particularly pertaining to its financial records for financial year 2017. TH financial statement for year 2017 was then audited by the National Audit Department while Price waterhouse Coopers (PWC) was roped in to conduct an independent review on the financial position of TH. Based on the news and announcement from TH that were published to the public between November 2018 and March 2019, it was discovered that the financial statements for financial year ended 2017 has not disclosed actual position of TH. The main issue is pertaining to the non-disclosure of its impaired asset. Impairment is an accounting principle describing a permanent reduction in the value of a company's assets.

According to the audit report, TH did not make impairments on the significant decline in value of its investments, thus, its financial statements for the financial year ended 2017 have been overstated. The profit recorded for FYE 2017 of RM3.41 billion did not include the impairment loss on available-for-sale (AFS) equity investments of RM4.26 billion, impairment loss on AFS debt security instruments of RM7 million and other adjustments of RM4.85 billion. With the impaired amount, the fund should be making a RM1.43 billion losses in 2017 instead of a RM3.41 billion profit as reported in its annual report 2017. This has subsequently impact the retained earnings position of RM162 million reported in year 2017, which TH shall have recorded an accumulated loss of RM4.68 billion as at 31 December 2017. Moreover, it was also found that the setting of TH's asset impairment policy has been inconsistent as changes were made every year, especially during FYE 2017, whereby the policy was modified twice. TH threshold in determining whether there is an impairment was changed twice in 2017, from 70% to 85%, and then to 90%. According to PWC, this has deferred impairment losses which enable TH to make certain level of distribution to the depositors in 2017.

On another point, investigation by PWC also found that the asset and liabilities position were wrongly reported in the financial statement year 2017. Based on the findings, TH has total assets of RM70.3 billion against RM74.4 billion in liabilities at the end of 2017, a hole of RM4.1 billion. This is significantly different from the figures reported for asset that stood at RM70.3 billion against liabilities of RM888 million. With the restated figures, every ringgit of TH's liabilities is backed only by 94.4 cents of assets. It should be noted that the assets to liabilities ratio had

widened from an estimated 98 cents to RM1 as indicated by the Central Bank of Malaysia at the end of year 2015.

The above issues were not reported in the financial statement for financial year 2017 that resulted to the incorrect figures being reflected in the financial statement that led to the declaration of annual *hibah* of 4.5% and hajj *hibah* of 1.75%. Thus, the dividend paid to the depositors was made based on the overstated figures in the financial year 2017. The *hibah* declaration is in contravention of Section 22 of the Tabung Haji Act 1995 which stated that *hibah* can only be declared and paid if the assets position is above the liabilities position. This has raised a concern on the legality of the dividend payment for the year 2017 and the source of payment for the said dividends.

The misrepresented financial statements that involves overstated of assets and profit level, asset quality issue, dividend and subsidy payment have put TH in a state of concern where, remedial actions need to be taken to salvage the organization. In relation to this, new management team of TH has come out with its recovery plan to recover its financial position. Several actions have been taken, first is the establishment of special vehicle company (SPV) and second, to put TH under the supervision of Bank Negara Malaysia. A new SPV company, namely, Urusharta Jamaah Sdn Bhd, owned by the government via the Ministry of Finance, was established as part of TH turnaround plan to have a clean balance sheet with assets being equal to liabilities. As at December 31, 2018, TH has completed transferred its underperforming assets worth RM19.9 billion to the SPV. The underperforming assets comprise a mix of properties with a yield <2% and equities with an impairment of more than 20%. The impaired assets consist of 80% in a form of equities while the remaining 20% in a form of properties, including the land that was acquired from 1Malaysia Development Bhd. TH has successfully restored its balance sheet after a restructuring plan which saw, its underperforming assets transferred to the SPV. The total amount of assets transferred to the SPV included 29 pieces of real estate, one non-public listed company and 106 security domestic assets.

In exchange for the assets, the SPV issued RM10 billions of 7 years *sukuk* and RM9.9 billion of Islamic redeemable convertible preference shares (RCPS-i). The asset transfer, did not involve cash transactions or government guarantees on the *sukuk*. The *sukuk* was fully subscribed by TH, redeemable at any time without penalty and carries a yield of 5%. As part of its restructuring plan, TH has also been placed under the supervision of Bank Negara Malaysia from January 1, 2019 to restore the depositors' trust in the organization. After the completion of assets transfer to the SPV, TH is currently working on the restructuring of its assets composition where it was found that 55% of TH assets in a form of equity which is considered as a high risk asset for an institution that handle pilgrim funds. The restructuring process will focus to reduce the concentration on high risk assets and will be focusing on low to medium risk assets mainly, in a form of fixed income.

With the restructuring plan, TH has now able to clean up its financial position with higher assets as compared to its liability. However, it should be noted that the restructuring exercise

involves the subscription of RM10.0 billion *sukuk* issued by the SPV (Urusharta Jamaah Sdn Bhd), that issued with 5% yield and 7-years tenure and RM9.9 billion RCPS. Thus, TH will only be able to get the payment from the SPV when the *sukuk* is redeemed after 7 years, in year 2025. Moreover, TH also needs to ensure its asset relocation is successful to avoid another impairment of the assets that will give impact to its net asset position and profitability.

Financial problems faced by TH resulted in several problems to the institutions. Even though the institution is meant for hajj fund savings, which is not obligated to pay high return to the depositors, in practice it is traditionally known for high rate of return in a form of *hibah* and significant amount of subsidy on hajj cost that facilitate Muslim to perform hajj. Thus, declaration of yearly *hibah* is very much anticipated by the depositors. However, looking at the current situation of TH which is still at its' recovery stage, it may be difficult for TH to continue high *hibah* and subsidy tradition to the depositors. This scenario has been widely spreading in the social media with many inaccurate information of TH. This situation may affect public confidence on TH which in turn jeopardize their loyalty on TH.

4. PROBLEM STATEMENT AND RESEARCH OBJECTIVES

In November 2018, Malaysia was shocked with an announcement made by TH pertaining to its financial position with significant audit findings mainly on the undisclosed impaired assets, overstated of asset amount and net profit position which, has led to illegal dividend payment that breached Tabung Haji Act 1995. Recovery plan was immediately conducted to restore its financial position which amongst other involves formation of new special purpose vehicle company, namely Urusdana Jamaah Sdn Bhd that take over the impaired assets of TH. In addition, TH is also currently reviewing its assets allocation which the focus now is to reduce the components of high risk assets in a form of equity to the lower risk in a form of fixed income which is more suitable with its objective. With its current financial performance, TH may face difficulties to maintain consistent high *hibah* payment as previous years and to maintain subsidy payment for hajj cost of the depositors. Both high *hibah* and subsidy are the strength of TH that often awaited by the depositors, even though TH is not obligated to provide both to the depositors at the first place. The depositors' expectations for this high *hibah* payment illustrate as if they had forgotten the real objective of their savings was to perform Hajj instead of an investment instrument that guarantees high annual returns. The widespread use of social media aggravates the situation where many news that does not reflect the real position of TH is spread to the public. Financial problems of TH which may lead to inability to continue high *hibah* and subsidy, coupled with the abuse of social media that spreading inaccurate information about TH may affect depositor's trust on TH which is the main factor that maintain depositor's loyalty against financial institutions. With a concern on the survival of TH as the Islamic financial institution that is crucially important for Muslims in Malaysia, this study is conducted to develop conceptual framework to examine the relationship between depositors' trust and their

loyalty on TH with mediating variables namely, depositors' financial literacy level, hajj understanding and their awareness on the depositors' trust towards their loyalty on TH.

5. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In order to examine the relationship between the depositor's trust and their loyalty towards TH, this study identified 3 mediating variables namely, depositors' financial literacy, depositors' hajj understanding and depositors' awareness on the current development of TH. Accordingly, a conceptual framework is developed with four hypothesis explained below.

5.1. Loyalty and Trust

Loyalty refers to a consumer's commitment to repurchase a preferred product and service consistently in the future (Amin et al., 2013). The importance of loyalty as the main indicator for long term business success was discussed and highlighted in many past studies (Omoriegic et al., 2019; Park et al., 2017).

Trust may be defined as "one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party" (Anderson and Weitz, 1989, p. 312). Most commonly, trust is defined as a belief in a person's competence to perform a specific task or an expectancy that the promise of an individual can be relied on (e.g. Morgan and Hunt, 1994; Rotter, 1971) or as a willingness to rely or to depend on an exchange partner (Kim and Prabhakar, 2002; Moorman et al., 1992). It is agreed by Park et al. (2017) and Ali (2017), that trust is viewed as a morality-based rationale/trust assumes the highest moral trait in business dealings. In the context of organization that the core business is to provide financial services, previous studies have identified trust is the key factor for the sustainability of its operations (Erol et al., 1990; Rashid and Hassan, 2009). In relation to this, Hassan et al., (2012) has emphasized that, trust is a fulfilment of a promise and expectation that the financial institutions will act to protect customers' long-term interests.

Islam places the uppermost importance on trust in all aspects of life and reflects being trustworthy as an obligatory personality attribute (Iqbal and Mirakhor, 2007). Thus, trustworthy should be exercised from individual level up to the organizational level activities, including financial services activities. In Islamic banking, the concept of trust goes beyond than the conventional banks. According to Siddiqi (1983), Islamic banking system should ideally stand on the fundamental values and ethics of Islam, such as trust, honesty, equality, justice, morality and brotherhood as it is a system that aims at moral and material wellbeing of individuals and societies. Thus, the foundation of the philosophy of the dimension of trust in the Islamic banking system can be seen as a symbol of trustworthiness, honesty, equity, equality among human beings, and moral values that are established to enhance the business relationship between banks and customers (Sauer, 2002; Amin et al., 2013).

Existence of trust always been associated with customer's loyalty on the organization (Chaudhuri and Holbrook, 2001;

Sirdeshmukh et al., 2002). According to Reichheld and Scheffer, (2000), to gain the loyalty of the customers, an organization must gain their customer's trust first. Trust is one of the important and key to building a relationship with the services industry (So et al., 2013). In the study conducted by (So et al., 2013) trust is the strong determinant of customer loyalty. Chaudhuri and Holbrook (2001) and Boonlertvanich (2019) highlighted that trust is an antecedent to loyalty. Many studies were conducted to investigate the link between trust and loyalty in the financial services industry. A study by Omoregie et al., (2019) found that satisfaction, service quality and trust had significant relationship on loyalty. Specifically, results from customers' deposit in Ghana demonstrates customers' satisfaction will lead to loyalty. In addition, a study by Amin et al., (2013) on the Malaysian Islamic banks demonstrate that trust has a significant relationship with customers' loyalty, for both Muslim and non-Muslim customers. More specifically, when the bank gains non-Muslim customers trust, the effect on loyalty is higher compared to the muslim customers. Using PLS SEM analysis, Fauzi and Suryani (2019) discovered that trust among the customers of Indonesian Islamic banks should be improve in order gain their loyalty. This study has further highlighted that the Indonesian Islamic banks should improve their business operations by adhering with the Shariah principle in order to gain customers trust.

On the other hand, empirical study by Tabrani et al., (2018) found that there is no relationship between trust and loyalty. The result implied that traditional beliefs that customer trust will transform directly into customer loyalty could not be referred solely. However, Setyawati and Raharja (2018) disagreed with the results. Although, the result is mixed, but it is minor. Hence, Setyawati and Raharja (2018) emphasize that there is a positive relationship between trust dimensions to the loyalty stage.

The mismanagement issue of TH is likely to affect public trust and confidence on the organization, which in a worst case scenario of loss of trust, it may result in huge deposits withdrawal and "bank run." Thus, several actions have been taken immediately to restore public trust on TH. One of it was to put TH under the purview of Central Bank of Malaysia. Uruharta Jamaah Sdn Bhd, was also formed as SPV that subscribe the impaired investment of TH so that TH financial statement can be back on track. Moreover, Government's guarantee on the deposits remains the main strength to keep public trust on TH. Based on the above, it is hypothesized that:

H₁: Depositors' trust has significant effect on their loyalty on TH.

5.2. Financial Literacy

According to Murray (2010), financial literacy is defined as a set of capabilities such as general literacy, problem solving ability, numerical ability applied to personal finance. Another study by Atkinson and Messy (2011), defined financial literacy as a combination of awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. According to Nicolini et al., (2013), it refers to a knowledge and understanding of financial concepts and risks and skills, motivation, confidence to apply such knowledge and understanding in order to make

effective decisions. Norman (2006) and Gove et al., 1961 defined financial literacy as a set of skills and knowledge that allow an individual to make informed and effective decisions through their understanding of finance. Overall, financial literacy assists individuals in managing their short and long term financial matters. In addition, it also helps individuals in responding to a situation involving risk and opportunities which enables them to take informed decisions resulting into financial wellbeing.

In this study, financial literacy is identified as one of the mediating variable to examine the relationship between the depositors' trust and their loyalty towards TH. In line with the main objective of TH to facilitate and manage hajj for Muslims in Malaysia, saving account product offered by TH is basically to keep deposit for Muslim to perform their hajj. To cater this objective, TH offers saving account based on the concept of *Wadiah Yad Dhamanah* where TH become the custodian for the depositors' savings. Under the concept of *Wadiah Yad Dhamanah*, profit generated from the business and investment activities belongs to TH. Thus, distribution of profit to the depositors depend on TH's discretion. Until year 2017, TH has been paying quite a high return rate known as *hibah* to the depositors, in average of 7.25% (between year 2013 until 2017). The consistent high *hibah* payment become one of TH strength that make it one of the popular saving product among Muslim in Malaysia. Even though in theory, high *hibah* payment is not compulsory under the contract, what happened in reality, depositors put high expectation on the return. Moreover, it is clearly stated in the Tabung Haji Act that *hibah* can only be paid if TH recorded profit and the value of assets exceeds its liabilities. Thus, in the current position of TH that experienced high amount of impaired assets, *hibah* payment needs to be considered to provide some space for TH to rectify back its financial situation.

However, despite a clear disclosure made by TH on its financial position, what happened on the other hand is public concern and still demanded for the high *hibah* payment which, portrays public misconception that TH is an investment platform to gain high return, which is diverted from its original objectives as a saving platform for hajj. This has resulted in bad perception of TH as reported in mainstream and social media such as possibility of "bank run" of TH. This scenario is consistent with as study by Ismal (2011) which discovered that low return on deposits had lead the depositors of Indonesian Islamic banks to withdraw their money from their saving account. Another study by Currie (2004) found depositors withdraw their money from bank due to the lower rate of return and higher service charge. However, the case of TH is definitely different as the savings shall not meant for investment instrument that promise high return. This scenario implied the financial literacy level of the depositors on how far they understand financial products subscribed by them. Based on the above, it is hypothesized that:

H₂: Depositors' financial literacy significantly mediates the relationship between depositors' trust and depositors' loyalty on TH.

5.3. Hajj Understanding

Hajj is one of the pillars of Islam. It is a pilgrimage to Mecca in Saudi Arabia during the last month of Islamic calendar (Dzulhijjah)

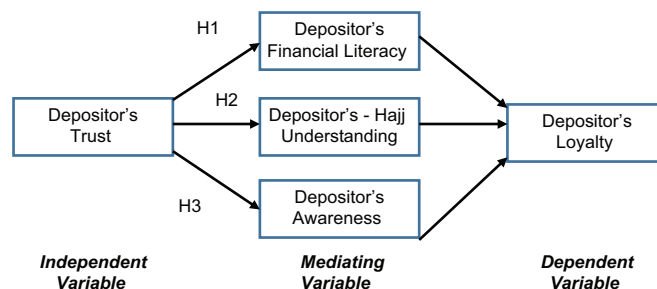
and it is mandatory for Muslims who are capable financially and physically at least once in a lifetime. Hajj demonstrates the submission of Muslim to Allah and the completion of hajj has religious and social significance to Muslims. Performing hajj is also a financial commitment due to the costs associated with Hajj including travelling cost, accommodation and meals while staying in Mecca (Tabung Haji, 2019). As at 2019, total cost for hajj is RM22,900.00. One of the advantages for TH's depositor is the availability of subsidy payment for the hajj costs. According to De Moor and Calamai (1997), subsidy is a direct or indirect provision to reduce the cost for consumers or producers and to maintain the consumers price as below market level or producers price above market level. The basic characteristic of subsidy is to reduce the market price of an item below its cost of production. Currently, TH subsidizes about RM12,920 for each hajj payment out of total cost of RM22,900.00, which has helped to maintain the hajj payment at RM9,980 even though the actual hajj cost keeps on increasing every year. The subsidy covers hajj pilgrimage operating costs in Malaysia and the Holy Land. The provision of subsidies is only applicable for those perform their 1st time *Muassasah* hajj only.

Subsidy payment for the hajj cost fall under the Corporate Social Responsibility ("CSR") of TH. It is the biggest and most significant components in TH's CSR. Schooley (2019) defines CSR as a business approach which contributes to the company's sustainable development through delivering economic, social and environmental benefits for all stakeholders. Here, the idea of CSR is found to be violated by the action taken by TH in giving the subsidy to the hajj payment since the financial position of TH is weak (The Edge Markets, April 5, 2019). Nevertheless, the concept of "istita'ah" in hajj was raised by Datuk Seri Dr Mujahid Yusof, Minister of Prime Minister Department in response to the issue of subsidy on hajj payment (Chow, March 20, 2019). According to him, hajj pilgrim must have a self-financial ability to perform hajj. Zainudin and Khairuldin (2017) explained the concept of istita'ah in hajj according to Shafie mazhab. Seven compulsory requirements of hajj pilgrims to fulfill (to have physical ability, having vehicle and transportation, financial stability, enough supplies of food and drinks for himself and animal ride, safety travel, the participation with husband or male family member and the ability to travel before hajj period) or otherwise, this last pillar of Islam is considered as non-obligatory to perform.

In the context of TH, the depositor fulfills the requirement of financial stability given that the actual cost of hajj can be self-covered and so, subsidizing the hajjj payment by TH is not obligatory. As subsidy is part of CSR, theoretically, TH is not obligated to continue high subsidy of hajj cost especially if the financial position is not encouraging. In a worst case scenario if the financial performance no longer can carry heavy subsidy, TH has a right to reduce or even to stop the subsidy amount which will result in high hajj cost to be paid by the depositors. Ironically, as long as the depositors has not enough hajj savings, they are not compulsory to perform the hajj as it depends on the financial capability of individuals to perform hajj. Based on the above, it is hypothesized that:

H₃: Depositors' understanding about hajj significantly mediates the relationship between depositors' trust and depositors' loyalty on TH.

Diagram 1: Conceptual model



5.4. Awareness

Many past literatures have shown that depositors awareness on their saving account influence their behavior and loyalty toward financial institution (Abduh, 2014; Ismal, 2011; Abduh, 2011; Lambert and Simon, 2000; Takemura and Kozu, 2009; Yada et al., 2009). Besides that, Lambert and Simon (2000), Takemura and Kozu (2009) and Yada et al. (2009) believed that the information on banking crisis influence the depositors' behavior and trust on the bank. On the other hand, the study of Abduh (2014) on Malaysian Islamic banks shown that the possibility of saving account holder to withdraw money from bank is higher as compared to investment account holder. This is due to the awareness of depositors on the implication of banking crisis on their deposited money. However, Takemura and Kozu (2009) stated that the reliability of information sources on banking crisis influence depositors' behavior to the bank. One of the interesting point highlighted by this study is the information delivered by media has a big influence on depositors' withdrawal attitude and loyalty to the bank since due to the high degree of trust on it. Having said this, in contrast, a study by Kassim et al. (2009) pointed that most of the TH depositors are less sensitive as they have poor level of self-awareness on their saving account. They never think that their saving is investment and so, it is used for the purpose of pilgrimage solely. Ahmed (2003), Abduh (2014) and Abduh (2011) found out that the banks' performance and *Shari'ah* management affect the depositors' behavior and loyalty toward Islamic banks. Based on the above, it is hypothesized that:

H₄: Depositors' awareness on current development of TH significantly mediates the relationship between depositors' trust and depositors' loyalty on TH.

6. CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

Based on the above discussion, a model to examine depositors' loyalty is developed as illustrated in Diagram 1 below. In the said model, there are three independent variables namely depositors' financial literacy, depositors' understanding about hajj and depositors' awareness on the current development of TH which determine depositors' trust on TH which, in turn affect depositors' loyalty with TH.

7. CONCLUSIONS

In general, the objective of the research is to propose a research model on the depositors' trust and loyalty against Hajj Institution,

particularly in Malaysia, refers to Lembaga Tabung Haji. Based on the previous literatures, trust is the main factor that contributes the customers' loyalty and this study brings three other factors that can mediate the impact of depositors' trust namely depositors' financial literacy, depositors' understanding about hajj and also depositors' awareness on the current development of hajj institution. The theoretical implication for this study is the proposed model can be applied for further research on Hajj Institution which the nature of activities and demographic significantly differs from other financial institutions. This study also gives practical contributions to the Hajj Institutions. As the research on trust and loyalty of Hajj Institution are still lacking, this study would contribute to necessary actions to be taken by the institution to further restore depositors' trust on them.

This study identifies three mediating factors that can influence the depositors' trust on the institution namely, depositors' financial literacy, depositors' understanding about hajj and depositors' awareness about current development of the institution. Overall, the model provides a guidance that there is a need to provide sufficient financial education to enhance depositors' literacy so that they have a right understanding about the products subscribed and also the nature of the institution. Moreover, the depositor shall also be educated on the hajj itself where the foundation is depended on an individual capability to perform the hajj to avoid misconception about the institution. Finally, to increase depositors' awareness on the current development of the institution so that, the depositors get the right information and able to differentiate the inaccurate information in the widespread of social media usage today. As this paper is a conceptual paper to establish understanding about trust and loyalty on Hajj Institution, there is no empirical evidence provided in this paper. As part of ongoing research, authors will continue to measure the items from the literature and validate the proposed model empirically.

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