

Exploring Current Practices and Governance of Malaysian Mosque Committees in Managing the Mutual Benevolent of Khairat Death Fund

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Abstract

Purpose: This study intends to gauge the different practices and management governing the mutual benevolent Khairat death fund in Malaysia.

Design/methodology/approach: A series of interviews were conducted with the representatives from the State Islamic Religious Council (SIRC) and the Mutual Benevolent Death Fund committees in the rural areas of three different states. This qualitative study employed thematic analysis to analyze the different practices and management of this death fund.

Findings: Results show there are three different forms of governance practices of this Khairat death fund namely: (i) management and governance under a committee registered under the Register of Society (ROS); (ii) management and governance under a mosque committee registered under ROS; and (iii) administration exclusively under a mosque committee

Research limitations/implications: Findings from this research are applicable to the sampled rural areas only.

Practical implications: This study suggests that all relevant players, such as the ROS, Khairat Society, mosque management, and SIRC should actively contribute to addressing the issue to safeguard the rights and interests of Khairat members and ensure the long-term viability and sustainability of the fund.

Originality/value: Provide empirical evidence the presence of separate governance frameworks for the management and supervision of the Khairat death fund.

Keywords: mutual benevolence, Khairat death fund, governance.

Introduction

Khairat Death Fund and Welfare Institution is an organization that is synonymous with the Islamic community in Malaysia, especially among the Malays who live in villages and rural areas. The primary goal of this organization is to establish a proactive Muslim community that provides ongoing care for the well-being of fellow community members who encounter the death of family members. This involves providing various aids, including financial assistance and social support services.

The practices of this institution were derived from the previous generation, rooted in trust and collective belief among all members. However, this organization lacks registration and governance by any legal or statutory entities. Based on trust, the committee has been designated

to oversee the administration and financial matters of the organization. Its members are accountable for the operation and management of the organization.

The primary sources of funding for the organization are fees collected from the heads of every Muslim household in the community. Even though the committee sets a fixed amount of fees for every household, the default fees among members remain significantly high resulting in a persistent growth in the outstanding balance over time. Among the contributing factors are the appointed treasurer's failure to document the amount accurately, and the lack of a dedicated bank account established to manage the fund. The committee is entrusted with absolute trust and obedience in managing the fund.

The organization provides funeral cost coverage in the event of a family member's death, which encompasses expenses related to burial, shrouds, transportation, fees charged by the mosque committee for the arrangement and management of the deceased, and other associated costs. Over time, the demand for the Khairat Death Fund in Malaysia has diversified. Khairat is not solely practiced in rural areas but is also exercised at the institutional and corporate levels. For example, Lembaga Tabung Haji (TH) has launched the TH Khairat to its existing depositors which provide RM12,000 protection benefits at a low annual subscription (*TH Khairat*, 2023). The increased awareness of the Muslim community to protect family members caused a tremendous increase in Khairat demand. Hence, the Khairat Death Fund operators must prioritize transparency and accountability in their management practices, ensuring adherence to the established requirements to deliver optimal services to all stakeholders involved. This study intends to gauge the different practices and management governing the mutual benevolent Khairat death fund in Malaysia.

Literature Review

Khairat Fund and Khairat Death Fund

The term "Khairat" originates from the Arabic language and is commonly understood to encompass the concepts of goodness, compassion, and mercy. The Khairat Fund is a philanthropic initiative aimed at assisting individuals who are in need. It is subject to the legal jurisdiction of each state and is regulated by the respective state enactments, under the supervision and enforcement of the State Islamic Religious Council (SIRC). The utilization of the Khairat fund includes individuals represented by various groups or institutions, mosques, schools, and societies. As per the provisions outlined in this legislation, the utilization of the Khairat fund is restricted to specific objectives. These objectives include the establishment of new mosques or Islamic facilities, the restoration of existing mosques, activities related to repair and maintenance, initiatives aimed at providing relief in times of disaster, and charitable projects. The structure of Khairat fund, established at the mosque and community level, operates at a minimal capacity. Its primary objective is to construct and develop the designated facility to achieve its intended goals. However, there are highlighted issues with the Khairat fund like insufficient dedication towards the governance and administration of the organization, coupled with a dearth of value-enhancing activities implemented for effective business management. As highlighted by Ibrahim et al., (2017), the Khairat fund exhibits deficiencies in its legally created framework and fails to conform to the requisite standard operating procedures (SOPs).

However, this enactment does not cover the Khairat Death Fund and its associated benefits. Hence, the Khairat Death Fund operates as an autonomous institution, functioning independently and without the oversight from SIRC, thereby possessing the freedom to fulfil its responsibilities as outlined in its constitution. The oversight and governance of the Khairat Death Fund exhibit a deficiency in well-defined norms and guidance from regulatory bodies. The absence of a regulatory body overseeing the operations of the current Khairat Death Fund, which functions under the purview of mosques or community organizations, gives rise to apprehensions pertaining to transparency and accountability. As these funds are under self-management and self-control, there is no external entity tasked with overseeing and supervising their operations (Mirza et al., 2022).

Accountability, Governance, and Sustainability

The mosque serves as an important hub for the Muslim community to engage in the religious practice of worshipping Allah. Simultaneously, mosques also serve as crucial facilitators for community development, endowment centres, educational hubs, social entrepreneurship, and various other social endeavours. The optimization of the value of mosques to society can be achieved through the transformation of their responsibilities, facilitated by competent mosque administration the incorporation of advanced assets, and effective governance and control. Hence, it has the potential to enhance the well-being and togetherness within the Muslim community. The mosque committee's empowerment of internal controls and financial management procedures could lead to a better outcome in terms of providing effective and transparent governance and management with the involvement of all mosque stakeholders, including the general public, public leaders, and the mosque committee (Adil et al., 2013). The practices of religion are seen as a crucial component of Muslim accountability in their day-to-day lives since they have a big impact on how they respond morally and ethically (Mohd Zin et al., 2021).

The management of the mosque has faced criticism for their handling of financial information, specifically concerning poor management practices, inadequate recording methods, and insufficient reporting procedures (Alim & Abdullah, 2010). These issues have resulted in concerns regarding the mosque's accountability and transparency. Furthermore, the implementation of weak internal control and governance practices within the mosque might potentially heighten the likelihood of ineffective control and mismanagement of the mosque's resources. Therefore, this would generate a negative signal and erode public faith in the management of Islamic institutions.

The move from traditional practices of managing the Khairat Fund by the mosque to a systematic takaful Khairat may need the implementation of measures aimed at reducing the premium payable and ensuring the long-term viability of the fund (Ismail et al., 2019; Halimatus et al., 2022). The transition of this fund has the potential to serve as a robust mechanism for safeguarding the interests of its members and fostering increased collaboration among them, thereby enhancing the benefits they get. However, a potential conflict may arise regarding this fund, as the primary focus of the Khairat death fund is to assist individuals in need, whilst the takaful corporation prioritizes profit maximization. An adjustment and suitable alignment are necessary to effectively address the offering of funeral products.

The integration of Islamic bereavement care services social enterprise model with strategic business partners, such as cooperative businesses and takaful companies, plays a crucial role

in enhancing and empowering the sustainability of the Khairat Death Fund society. This collaboration aims to effectively address the rising costs associated with funeral expenses over the long term, ensuring that they are managed suitably (Katan & Nasrijal, 2020). Value creation in entrepreneurship is derived from the strategic selection of appropriate key partners and the implementation of effective collaboration strategies, which ultimately foster synergy in the organization (Schaltegger et al., 2018). Nevertheless, modern management of the Khairat Death Fund such as via cooperative societies and insurance companies is not appropriate for the under-privileged Muslim community. Traditional Khairat death funds are preferable by these Muslim community segments because the disbursement of death funds is speedier and less complex (Sharifah Norhafiza Syed Ibrahim et al., 2021).

Methodology

The present study employed thematic analysis to examine the diverse practices and governance structures of the Death Benefit Fund across ten (10) distinct institutions responsible for its management. The interview consisted of four basic elements, namely (1) demographic information, (2) rules and regulations, (3) practice and management, and (4) suggestions and improvements. Each section included several subtopics. A specific set of questions was allocated to facilitate the interview process. The researchers also employed unstructured questions produced from the interview, which necessitated more elucidation and explanations. The interview was meticulously recorded and transcribed in its entirety and subjected to thorough analysis. The transcribed interviews underwent a coding process to assign labels to the topics discussed by the respondents. The codes were further verified to assign them to a category or specific concern, identifying significant themes. The code is structured in a manner that facilitates the later construction of the final code framework by the researchers. This study focuses on the examination and analysis of the codes that are relevant to the governance and management of the Death Benefit Organisation.

Finding

The full transcription of the interviews conducted with the SIRC's and the representatives of the Khairat Death Fund was analysed using thematic analysis to achieve the objectives of this study. The findings indicate the existence of three distinct governance structures for managing and overseeing this fund. These structures include (i) governance and registration through the Register of Society (ROS), (ii) governance and management under a mosque committee with registration under ROS, and (iii) administration alone under a mosque committee.

Mutual Benevolence of Khairat Death Fund Organization is governed and registered under the Register of Society (ROS)

Based on thematic analysis, it was revealed that some of the participants had successfully registered the Mutual Benevolence of Khairat Death Fund Organization under the ROS, in compliance with the Society Act 1966 (Act 335). This aligns with the stipulation of the ROS that mandates the registration of a society or organization with a minimum of seven members, irrespective of the society's permanent or temporary status, for any purpose of establishment. This organization was required to meet fixed requirements and comply with regulations before the endorsement and acceptance of their registration. The constitution of the Khairat Death Fund Organization outlines crucial elements and policies that serve as primary references for all members. These include specific regulations, roles, and responsibilities assigned to each member, such as membership requirements, fees, claims and benefits, financial matters, and

other related aspects. Simultaneously, it is imperative to ensure the maintenance and retention of pertinent documents in the organization, including the records of members, records of members' fees, cash books, payment vouchers, bank account statements, minutes of meetings, annual report statements, and any other papers mandated by legal requirements. In line with Section 14(1) of the Society Act 1966 (Act 335), the organization is also required to submit the annual report statement to the ROS within 60 days following the conclusion of the Annual General Meeting (AGM). The first respondent clarified, *"We signed up with Register of Society (ROS) a long time ago. Since then, we've been split from the mosque management and State Islamic Religious Council (SIRC). We have our constitution, and our financial statements are reviewed by two internal auditors and presented at the annual general meeting of Khairat Fund before they are sent to ROS. Starting 2020, we had changed Khairat's membership to make it clear who was an associated member and who was not. Only members who are related to each other are covered, like a parent and a child under 21 years old. Married children are not covered. Those who are 21 years old and married will be considered separate members even if they live in the same house. Disabled people who are not working and senior citizens with no income who are registered with Khairat Administration are exempted from paying the fees"*.

Since 2016, the ROS has implemented measures to enforce compliance with the provisions of the Society Act 1966 within registered societies. The enforcement in question was predicated upon the provisions outlined in section 14(1), which pertains to the issuance of a reminder notice for the submission of the annual report including the financial statement, and section 14(2), which pertains to the issuance of a notice to provide the necessary information. Meanwhile, another respondent revealed that *"In 2020, when the government enforced the movement control order (MCO) because of COVID-19, we had not prepared the financial statement as required and had not shown it to ROS. Because of this, the ROS sent us a letter to remind us to send in the Annual report and audited financial statement. Finally, the treasurer did what was needed and sent the appropriate documents to the ROS to keep the society from getting in trouble. ROS gives an excuse during the COVID-19 pandemic, but we need to fulfil the required event later."*

The registration of the Khairat Death Fund under the ROS has a substantial impact on all stakeholders involved. Internal stakeholders, such as members of the society will benefit from the sustainable nature of the fund as it enables the provision of aid to those in need for the arrangements for the deceased. From a managerial standpoint, this would facilitate the achievement of effective and efficient operations, consequently enhancing transparency and promoting good governance. The ROS has the capacity to supervise the affairs and operations of all registered societies, ensuring their compliance with regulations to preserve the country, maintain public security, and promote peace.

Mutual Benevolence of Khairat Death Fund Organization is governed and managed by the Mosque Committee

Several participants of the Mutual Benevolence of Khairat Death Fund, including the Chairman, Registrar, and treasurer, have asserted that their organization is not registered with the ROS, but rather operates and is regulated solely under the administration of a mosque. The organization adheres to a traditional approach in maintaining the mutual benevolence fund, wherein all matters pertaining to Death Khairat are overseen and governed by the current committee that is officially recognized by the mosque. The bureau is responsible for overseeing the financial matters pertaining to burial expenses, as well as the associated costs and the

welfare of the Khairat members. The respondent highlighted that *“Before this, Khairat Death Fund was registered with the ROS. We later deregistered with the ROS and registered under the mosque, which is indirectly controlled and observed by SIRC. We stopped being registered with the ROS because it looks like we're running Khairat as a business, and all its assets, like the van, property, and other things that belong to it, are listed as business assets. Since the Khairat was overseen by the mosque, all Khairat affairs were handled well by the group that was put together”*.

The operating practices of the Khairat Death Fund exhibit similarities, regardless of whether they are registered with the ROS or affiliated with a mosque. The primary source of authority for this organization is derived from its constitution or charter, known as the Khairat Death Constitution. The administrator of Khairat and its members possess the right to access the constitution to obtain clarification regarding their respective roles, obligations, and the benefits received from their involvement. The respondent emphasized that *“In our mosque, the Charter of Khairat Death Fund is an important document for Khairat members to go through because it spells out their rights and responsibilities. For example, it lists the benefits that can be given to the families of the deceased, including the head of the family, the wife, the children, and most recently, the parents. This is because the deceased funeral management is part of Islam Fardu Kifayah (which means “must be done before the dead is buried”), our only goal is to give money to those who need it.*

Under the administration of the mosque, a minimum audit method and trial are implemented by the appointed committee to assure the accuracy of the financial reports and to give a positive financial outlook. An interval time of audit trials is implemented on Khairat activities to achieve operational transparency. The participant stressed that *“The appointed committee and trustee will put the Khairat fund financial records on the table and show them every two months. At the same time, the mosque committee will audit all the cash records of the mosque. The Khairat fund has been consolidated into a single account for the mosque. After that, the inspected financial statement will be sent to SIRC to be approved”*.

Nevertheless, the Khairat Death Fund is currently encountering a liquidity challenge in fulfilling its responsibility to provide the necessary benefits to the Khairat members. The viability of the Khairat Fund is being called into question because of the limited collection of fees and the absence of a feasibility study to assess the associated risks of this fund. The presence of employees lacking competence and professionalism in the management of the mosque's money may potentially hinder its future growth and development. One of the interviewees pointed out that *“Khairat fund is not sustainable. The group must work hard to make sure that the fund has enough money to cover the costs of the deceased's burial for all 200–300 members. Khairat Fund does not get any money or donations from outside sources. But the mosque fund helps to cover the Khairat fund's lack of money”*.

The registration and administration of the Khairat Death Fund under the mosque at least provide a provision for the preservation and protection of the members' interests. The Khairat Death Fund, which is indirectly controlled by the SIRC, is subject to a single layer of monitoring. Consequently, the implementation of appropriate control mechanisms is necessary to safeguard the interests of all stakeholders and ensure the long-term viability of the fund to effectively achieve its intended goals.

Mutual Benevolence of Khairat Death Fund Organization is registered under the ROS and administered under the Mosque Committee.

Several participants acknowledged that their respective organizations were registered under the ROS and adhered to all the prescribed requirements set forth by the ROS. Simultaneously, the administrative issues and financial matters are managed by the mosque committee. Considering the initial foundation of the Khairat Death Fund, the committee decided to formally register the organization using a legally recognized platform. This step was taken to assure adherence and compliance with relevant rules and regulations.

The respondent highlighted that *“The Khairat Death Fund is registered under the Mosque, which is indirectly affiliated with the SIRC. The organization referred to as the Welfare and Khairat Death Committee is overseen by the Chairmen of the mosque. During the initial phase of Khairat's establishment, the committee duly registered the organization with the Registrar of Societies (ROS). To this day, we continue to adhere to all the requirements mandated by the governing authority. The rationale for administering Khairat within the mosque is rooted in the shared human resources and administrative committee overseeing both Khairat and the mosque.”*

The management of deceased individuals according to the principles of Shariah, with oversight provided by a committee comprised of mosque members who are also responsible for overseeing Khairat activities. The mosque committee bears the mutual responsibility for managing the body from the first stage to the funeral. The key concern of the Khairat Death Fund committee is to emphasize the organization's objective and trajectory in providing both financial and non-financial assistance to grieving family members. The Khairat Death Fund grapples with the primary concern of ensuring its sustainability, as the funds are inadequate to meet the escalating expenses associated with funeral management. The financial challenge encountered by the mosque administration might potentially be resolved by the collaborative engagement of the Khairat. This is due to the alignment of their goals and objectives, which revolve around aiding and protecting those in need. The respondent admitted that *“The funds collected from the fees charged to the members of Khairat are insufficient to fully cover the expenses associated with managing the funeral administration. The cost has steeply rose over time, including the expenses associated with compensating individuals responsible for grave digging, procuring essential materials for body management, and other related expenditures. The mosque fund will assume responsibility for addressing the shortfall in the Khairat fund, as a manifestation of the mosque's commitment to Fardhu Kifayah and its social responsibility.*

The registration of the Khairat Death Fund under the ROS and its parallel administration under the mosque have yielded beneficial outcomes for all partners concerned. The reciprocal obligation of both sides to offer praise to one another would enhance collaboration in delivering optimal services and coverage to the members of Khairat. Simultaneously, the effective management of accountability and governance was ensured as the Khairat entity was overseen by an external party and diligently adhered to all set requirements.

Discussion and Conclusion

This study aims to explore the various practices and management strategies that regulate the mutual benevolent Khairat death fund in Malaysia. The findings indicate that three distinct registration categories governed this institution, which are either registered and managed under the ROS or mosque management. Some of the Death Khairat Fund is registered by the ROS

and managed by mosque management. According to the Society Act 1966 (Act 335), it is mandated that the Khairat Death Fund be duly registered under the ROS and adhere to all the rules and regulations prescribed by the ROS. Nevertheless, the implementation of various procedures and management strategies by the Death Khairat Fund in overseeing the financial and non-financial aspects of the Khairat benefit has resulted in concerns regarding accountability and transparency in fund management. The stakeholders, including the members of Khairat, may lack awareness of the rules and regulations that govern the institution. The stakeholders such as the members of Khairat might not be aware of the rules and regulations that govern the institution, thus provide the full confidence and trust of the management of Khairat to the mosque committee due to the Khairat principles that reflect the Islamic values and doctrines. At the same time, the limited enforcement efforts undertaken by regulatory bodies like the ROS to oversee and implement compulsory registration have resulted in a minimal number of entities being registered. All relevant players, such as the ROS, Khairat Society, mosque management, and SIRC should actively contribute to addressing the issue to safeguard the rights and interests of Khairat members and ensure the long-term viability and sustainability of the fund. Other potential areas for development and suggestions might be emphasized, for instance, strengthening the functions and enhancing the operational capabilities of Khairat within the framework of the ROS and SIRC should be explored to guarantee that resources are utilized optimally and to achieve synergy for all stakeholders involved.

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