

Issues and Challenges on Khairat Death Fund Management: Case Study of Khairat Death Fund Organizations in Malaysia

Nuur Halimatus Sa'adiyah Masrukhin, Azrul Azlan Iskandar Mirza, Khairil Faizal Khairi, Syadiyah Abdul Shukor

Universiti Sains Islam Malaysia, Malaysia

Abstract

Khairat Death Fund, also known as *Khairat Kematian*, is an organization that plays an important role in the Malay Muslim community in Malaysia. Its main role is to ensure that the death of a Muslim is handled in an appropriate manner. In Malaysia, the Khairat Death Fund is administered by either the *qaryah* Mosques or the local village associations. Both entities are responsible for administering the fund. Nevertheless, the research and development efforts of Khairat Death Fund have not yet reached the optimal level. Therefore, this paper aims to analyze some of the issues and challenges faced in managing the Khairat Death Fund to ensure that it continues to play an important role as one of the Islamic financial instruments. This study is important because it will help the Khairat Death Fund management organizations and related bodies to take measures that will eventually allow the Khairat Death Fund to be raised and developed as one of Islamic financial instruments. This research adopted a qualitative approach that involved conducting semi-structured interviews with four organizations involved in the management of Khairat Death Fund. The results of this study indicate that Khairat Death Fund organizations are facing with six of issues and challenges which are, low awareness, delay of annual fees payment, differences of costs for Muslim funeral, limited investment strategy, cancellation of coverage and uncover group and differences of Khairat Death Fund fees and benefits. It is hoped that this study will contribute to achievement the development of Khairat Death Fund to be more innovative and competitive product in future.

Keywords: *Khairat Death Fund, Khairat Kematian, Issues and Challenges, Khairat Death Fund Management*



This is an open access article under the CC-BY-NC license.

INTRODUCTION

Death will come at some point for each of us. It is the end of the present life, and it becomes everyone's greatest concern. A Muslim believes in an afterlife in the hereafter; therefore, Islam has a very detailed understanding of the stages of death and the hereafter (*akhirah*). Death is seen as Allah's will. For Muslims, death is not the end, but a temporary separation of the soul from the body; on the Day of Judgment, everyone will be resurrected for judgment.

The Khairat Death Fund is important to prepare for the upcoming death. Every person in the world is threatened by the possibility of death. Funerals are expensive, and these expenses are rarely anticipated before the moment of need. The death of a family member is often an emotionally stressful moment for those left behind. According to *Fair Funerals campaign Quaker Social Action*

Corresponding author
nuur.halimatus.saadiyah@gmail.com
DOI: 10.31098/ijeis.v2i1.1011

Research Synergy Foundation

(2017), the cost of funerals increases annually, especially in developed countries. The average cost of a simple funeral increased by 1.4% to £3,837 in the UK in 2020 compared to 2019. The rising cost of burial, cremation, and funeral directors is the reason for this increase (Royal London, 2020). While in United States, the cost of funerals and burials has become prohibitive for many low-income families. People who are unable to pay for these services must resort to the least expensive alternative, which is cremating the remains of their loved ones and hiring a funeral home to dispose of those remains (Press, 2019). In much of the poor world, funeral costs tend to be significant and account for a substantial portion of monthly household income. Roth (2001) found that impoverished people in South Africa spend nearly fifteen times their average monthly income on funerals. Therefore, many mosques and organizations in Malaysian urban and rural areas, have established the Khairat Death Fund to address the problem of funeral expenses and the management of the Muslim funeral from washing (*al-ghusl*) to burial.

People in the Malay world have known about *Khairat Kematian* since year 1926. At that time, Malays were already known and practice for giving charity, benevolent, welfare, good and donations (Rofaizal et. al, 2017; Ismail et. al, 2019). According to Shamsul B. (1988) Death/Funeral Charity and the Mosque Committee Association (*Persatuan Khairat Kematian*), which is recognized as a voluntary organization, makes a substantial social-political contribution to Village Development and Security Committee (VDSC) covers the funeral expenses of villagers who are members, as well as villagers who are not members as such expenses could be costly for the village poor. It has been almost 100 years since Khairat Death Fund lived in Malaysia, and it is believed that there are more than 6,000 Khairat Death Fund organizations there. Nevertheless, these organizations are not as well run and developed as it could be, and there are still some problems that need to be fixed. Funeral poverty still present in the community, and there are also some groups that are excluded from this death benefit (Corden & Hirst, 2015). So, the aim of this study is to find out what are issues and challenges in the management of Khairat Death Fund in Malaysia.

LITERATURE REVIEW

In Malaysia, there are organic organisations called "Khairat Kematian" or "Khairat Death Fund" that exist in every Malay Muslim community with the purpose of supporting the family members of the deceased during the funeral process. It is common in the Malay Muslim community for the other members of the community to assist the family in the funeral process when one of their members has passed away. This funeral process incurs a cost, even if it is relatively small, but for the poor part of the community, even this small amount can be a great burden. The establishment of a Khairat Death Fund managed by the mosque organisations in the community, could therefore prove useful in providing financial support to the family of the deceased. This practise is widespread throughout the country, and it is likely that most Muslim communities or *qaryah* have this type of Khairat Death Fund organisations. The family members of a deceased Khairat Death Fund participant receive financial assistance for funeral expenses (Muhamat, 2014). With the availability of the Khairat Death Fund, people who sign up pay in a certain amount monthly or annually, and in the event of a death in the family, there are funds for welfare and death expenses. This ensures that last rites are performed without complications and funeral arrangements are made when a family member dies. According to Rofaizal Ibhram et al., (2017) the term "khairat," which is used in the Malay community, also demonstrates how Islam's qualities are so strongly

present there and how it has assimilated into long-standing beneficent customs that serve as the foundation for how members of the community behave and interact with one another.

Khairat Death Fund or *Tabung Khairat Kematian* is a system of collection among the Muslims who agreed to contribute some funds for welfare and death expenses happen in the family members. People can sign up to ensure that their last rites will be executed without complications. Those who sign up for this fund not only help themselves but they are also help other members in their community who cannot afford a funeral. Muhamat (2014) stated the basis of 'Khairat Kematian' or Khairat Death Fund is similar to Takaful which is based on mutual agreement to help each other and the contribution is based on donation (*tabarru'*) principle. This Khairat Death Fund embodies the spirit of takaful (Islamic insurance) concept. It operates on a principle of mutual help, mutual cooperation and mutual responsibility; everyone pitches in a small amount for the person who needs the money. Takaful participants contribute to a Takaful fund based on the concept of mutual assistance (*ta'awun*). In the holy Quran:

"Help (ta'awun) yet one another in righteousness and piety, but help ye not one another in sin and rancour, fear Allah, for Allah is strict in punishment" (Al-Quran: 5:2).

The verse can be interpreted as encouraging the cooperative concept for the greater good of a society and as long as it causes no harm to any party. In addition, the Khairat Death Fund also should aim all members of Muslim family regardless background rich or poor so that poor group also can benefit together from this fund.

Khairat Death Fund is set up in a community or region, overseen by a committee affiliated with the local mosque (*qaryah*). Since the committee is composed of volunteers, all the work associated with the funeral is done by volunteers who are willing to participate and donate their services (Ismail et al., 2019). Muhamat (2014) suggested that the "Khairat Kematian", also known as mutual charity, which exists in every Malay Muslim community in Malaysia, should be converted into a mini-cooperative. This cooperative would operate within the qaryah, i.e., near the mosque, and would be expected to provide support to the community it serves, not only in terms of burial, but also for causes (under welfare and support). Later, Ezamshah et al. (2019) and Sahabuddin (2015) advised the modern practise of the Khairat Death Fund, which was to transfer the Khairat Death Fund previously maintained by mosques to the takaful company to reduce the premium payable. Services are provided according to the agreed contract and cover twenty-four hours a day, seven days a week, and the entire world. Although this approach has already been adopted by a number of mosques, there is still room for improvement as the standards and regulations of each institution are unique. Most takaful societies are focused on maximising their profits, while the Khairat Death Fund is more concerned with helping those in need. These differences affect the way takaful companies approach the provision of funeral products.

RESEARCH METHOD

A qualitative research method or inductive will be being used as research approach to achieve the objectives of this study. The main characteristic of qualitative research is that it is mostly appropriate for small samples and it is most focus on the exploration on the real experiences of participations, while its outcomes are not measurable and quantifiable (Collis & Hussey, 2003).

This study implemented case study which involved face-to-face interviews with semi-structured, in-depth questions. These in-depth interviews are considered the most effective method as suggested by many researchers for describing and understanding respondents' perspectives on the management of the Khairat Death Fund in Malaysia (Cresswell, 2012; Saleh and Sam, 2010; Marican, 2009; Kumar, 2009). The conciseness and precision of the responses formed the core of the descriptions that were helpful in the management of the Khairat Death Fund in Malaysia. A purposive sampling technique was used by selecting a sample of four Khairat Death Fund organizations willing to participate in this study. The respondents were selected based on the following characteristics: (1) the organizations belong to a *qaryah* or a local mosque that provide Khairat Death Fund in the society, (2) they have more than two years of experience in managing Khairat Death Fund organizations, and (3) they serve as a committee in the organizations. Respondents were asked to openly express their opinions about the issues and challenges in managing the Khairat Death Fund related to their experiences, beliefs, knowledge, and behaviors. Prior to the interview, permission to record was obtained. Subsequently, the audio recording is transcribed and the interview data is analyzed thematically based on the established research questions (Othman Lebar, 2009). The transcription was thematically analyzed using the tool ATLAS.ti. To maintain trustworthiness and validation, the technique (ARC); ask, record, and confirm was used during the interview.

FINDINGS AND DISCUSSION

A. Low Awareness

The awareness of people in a community to participate in and subscribe to the Khairat Death Fund is still low, and many people, especially in urban areas and younger generation, take it for granted. Some of them have less engagement with the mosque and this make them uncomfortable for them to come to the mosque for seeking the help when death happen for seeking the help. Respondent (S4) mentioned:

"People no awareness to participate to Khairat Kematian."

In addition, the population has little concern or knowledge that the Khairat Death Fund is available in their area or *qaryah*. Katan & Nasrijal (2020) in their study due to changes in social and community structure including urbanizations have affect human to have full reliance on the traditional community-based bereavement organizations. While Ismail et al., (2019) revealed there is not much contact and engagement with the *qaryah*. They are also unaware that the Khairat Death Fund plays an important role in supporting the burial of their loved ones. Muslim believe death is a sure thing and everyone has to be prepared for the arrival of our own mortality at any time, regardless of the time.

B. Delay of Annual Fees Payment

The Khairat Death Fund required its members to pay the agreed-upon membership fees by a certain date each year, and members had to be able to pay them as soon as they signed up. Due to work and income constraints, some families are unable to pay on time and at the end miss the payments. Respondent (S2) mentioned:

"Late payment. We receive late fees."

As a result, management struggles with insufficient funds, especially for small memberships. If management does not take the matter seriously in the long run and the number of those who do not pay the dues continues to increase, it may become difficult for the organizations to remain viable in the long run.

C. Differences of Costs for Muslim Funeral

There are four main processes for the preparation of a Muslim's body until burial that are body washing or '*ghusl*', wrapping or '*kafan*', prayers or '*solat*', funeral and burial. There are procedures involved in each of them. Most participants stated that the charges incurred on materials for funeral such as cloth or *kafan*, washing or *ghusl*, digging the grave and transportation. Even they have same process and procedures of funeral management, there are differences costs of funeral charge on the community and the costs are varies from place to another place. The total cost of each funeral arrangement is difference of each of the place and it is roughly from RM600 to RM940 (for these four organizations). Miza et al., (2019) revealed in their study the cost of a funeral varies from state to state. Some states have strange customs that aren't done in other states or even in other *qaryah*. These differences of the costs are freely set up by Khairat Death Fund organizations and without any specific rules and regulation that they need to follow. There are no authority body who monitor these funeral costs which have been charged to the community and it expose to manipulation and over charging on the costs of Muslim funeral.

D. Limited Investment Strategy

Most of the existing Khairat Death Fund organisations lack the knowledge and expertise to invest the available funds themselves. Respondent (S3) stated:

"We do not have any investments. Just saving in the bank only."

While respondent (S1) also stated:

"Saving the fund to bank account only. No cooperatives and other investments. Initially we planned to create a cooperative but because there is no experienced person or expert to manage and operate the cooperative and also there are risks in managing these public funds. Thus, the wish could not be continued."

The committee is risk averse and reluctant to invest the available funds in channels other than fixed deposits or savings accounts. In addition, there is no clear policy in place regarding the investments of the funds, and in reality, some of the mosques have mixed the khairat funds with the mosque's general operation fund. This is one of the reasons why there is no formal policy (Ismail et al., 2019). Khairat death fund organisations could reinforce its investment formal policy and find innovative strategies or competitive investment products to expand available funds thus allowing members to earn more benefits.

E. Cancellation of Coverage and Uncover Group (for Khairat Death Fund who collaborate with Takaful Operator)

There are few Khairat Death Fund that work with takaful companies. Khairat Death Fund organisations collect premium money from community members and pay a certain amount to the takaful company to cover death benefits. Generally, the premiums charged by the takaful company are much cheaper and more competitive than the membership fees collected by the Khairat Death Fund organisations. However, due to the strict nature of the takaful company, the community runs the risk of having its coverage cancelled if it misses the premium payment deadline. Respondent (S2) stated:

“The problem is the villagers are delaying to pay the premium of takaful (offered by takaful company) and this lead to failure to cover during the year. Every year, we are facing problem for the takaful (funeral takaful) to be renewed. Problems arise as many members who are paying off more than deadline stated (eg takaful company set up payment date March 31). Every year we do not know exactly any members who wish to continue for the takaful or not. Usually, in January we will remind for the members to make payments until 31 March. If a member fails to make the premium payments for the takaful, so that there is no takaful covered in the year. Sometimes we make a payment of 2 or 3 times, those who are late to be included in the next batch, but problems arise when the death happen during gap of time. Seniors aged 65 and over are also not covered by takaful.”

There is also an age restriction on participation in the funeral Takaful, so members older than 65 cannot take advantage of this option. In terms of benefits, the Takaful company can provide a high value of benefits; however, claims are not due until the funeral is completed and usually take 14 days to process. When a death occurs, the family usually needs immediate funds for living expenses and other family-related expenses.

F. Differences of Khairat Death Fund Fees and Benefits

In terms of Khairat Death Fund membership fees and benefits, the majority of Khairat Death Fund organizations make decisions based on the consensus of agreed voices among committees and members (*musyawarah*). The decisions are not based on actuarial knowledge, which exposes to inaccurate amounts when determining the correct fees and benefits. The benefits provided by some organizations do not cover the entire costs of the funeral, so the family has to bear additional costs.

CONCLUSION

As the conclusion, the Khairat Death Fund plays an important role in providing funeral benefits for its members in terms of funeral arrangement and expenses, allowing those members to receive the benefits during the time of death. Even though most mosques in Malaysia already have their own Khairat Death Fund organizations, there are still issues and challenges that could slow down the development of the Khairat Death Fund if immediate action is not taken. It is important to note that the Khairat Death Fund can be one of the helpful tools to reduce and eliminate funeral poverty, making it beneficial especially to low-income families. The discussion of the issues and challenges will support in the analysis of potential solutions for future study, and

thus various stakeholders will take immediate action. Due to time constraints, this study was limited to four organizations in the central region of Malaysia that focus on management. Therefore, it is advisable to expand this study to include more samples (qualitative and quantitative), cover all zones of Malaysia, and examine a broader range of topics. The Khairat Death Fund has the potential to become a marketable product in the near future. Since there is not yet a comprehensive literature review, much research needs to be done on the Khairat Death Fund.

REFERENCES

- Collis, J., & Hussey, R. (2003). Business research: A practical guide for undergraduate and postgraduate students.
- B, S. A. (1988). Development and Change in Rural Malaysia: The Role of the Village Development Committee. In *Southeast Asian Studies* (Vol. 26).
- Corden, A., & Hirst, M. (2015). The meaning of funeral poverty : an exploratory study. *Marie Curie*. Retrieved from <http://www.mendeley.com/research/meaning-funeral-poverty-exploratory-study>
- Fair Funerals campaign Quaker Social Action*. (2017).
- Ismail, E., Khai Lim Sze, Masli Siri Aishah, & Hafiz Nur Izzani Binti. (2019). INSTITUTIONALIZING KHAIRAT FUNDS VIA TAKAFUL. *IF HUB*, 22–29.
- Katan, M., & Nasrijal, N. M. H. (2020). Islamic Bereavement Care Services Social Enterprise Model. *International Journal of Academic Research in Business and Social Sciences*, 10(13), 1–10. <https://doi.org/10.6007/IJARBS/v10-i13/6883>
- Miza, N., Nasrijal, H., Katan, M., Man, N. C., Halim, A., & Noor, M. (2019). Social Entrepreneurs' Innovation in Islamic Bereavement Care Services: Issues and Challenges. *Sci.Int.(Lahore)*.
- Muhamat, A. A. (2014). Transforming the Khairat Kematian (Mutual Benevolent Association) to Mini Cooperative. *Dimensi Koop*, (January 2014), 25–28.
- Press, A. (2019). Paying for funerals impossible for many poor families. Retrieved July 26, 2022, from NBCNEWS website: <https://www.nbcnews.com/news/us-news/paying-funerals-impossible-many-poor-families-n960746>
- Rofaizal Ibhraim, M., Yosef Niteh, M., Ahmad, M., Farid Ravi Abdullah, M., & Sharil, S. (2017). *Khairat Kematian Di Alam Melayu*.
- Roth, J. (2001). Informal microinsurance schemes - The case of funeral insurance in South Africa. *Small Enterprise Development*, 12(1), 39–50. <https://doi.org/10.3362/0957-1329.2001.007>
- Sahabuddin, A. D. M. F. M. (2015). *Khairat Kematian Dalam Komuniti Islam (Death Fund Concept in Muslim Society)*. Retrieved from https://www.academia.edu/8261480/Khairat_Kematian_Dalam_Komuniti_Islam_Death_Fund_Concept_in_Muslim_Society_