



Hajj Financial Investment in Indonesia: Concept, Policy, and Risk Management of BPKH

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Hajj financial management is a strategic issue in the Islamic public financial system, considering the large amount of funds collected from millions of prospective pilgrims every year. In Indonesia, the management task is carried out by the Hajj Financial Management Agency (BPKH-Badan Pengelola Keuangan Haji) as mandated by Law Number 34 of 2014. This article aims to summarize and analyze the concepts, policies, investment instruments, and risk management of hajj financial investment as explained in the book *What & How to Investment Hajj Finance – BPKH* (2020). The method used is a literature study with a descriptive-analytical approach. The results of the study show that Hajj financial investment is not only oriented towards achieving returns, but also emphasizes the principles of prudence, sharia compliance, protection of pilgrims' funds, and the creation of value benefits for the benefit of the people. BPKH implements diversification of investment instruments, layered governance, and a structured risk management system to maintain the sustainability of hajj funds. This article is expected to enrich the literature on the management of hajj funds and become a reference for the development of Islamic social finance policies in Indonesia and other Muslim countries.

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INTRODUCTION

Hajj is the fifth pillar of Islam which has a spiritual as well as an economic dimension. Every year, millions of Muslims from various countries set aside large amounts of funds to carry out the Hajj. Globally, the potential for hajj funds reaches billions of international currencies per year, so its management is an important issue in the modern Islamic financial system

In Indonesia, with the largest Muslim population in the world, the hajj funds collected are very significant. The fund not only functions as a cost for worship travel, but also contains great economic potential if managed professionally, transparently, and in accordance with sharia principles. Awareness of the importance of hajj fund governance prompted the birth of Law Number 34 of 2014 concerning Hajj Financial Management, which then gave birth to the Hajj Financial Management Agency (BPKH) as an independent institution for managing hajj funds in Indonesia

The book *What & How to Investment Hajj Finance – BPKH (2020)* comprehensively discusses the legal basis, objectives, policy directions, investment instruments, and risk management implemented by BPKH. Therefore, this article was compiled to summarize the main ideas of the book into a scholarly article format to make it more accessible to academics, researchers, and policymakers.

BPKH was established based on Law Number 34 of 2014 and strengthened by Presidential Regulation Number 110 of 2017. BPKH is a public legal entity that is independent and directly responsible to the President of the Republic of Indonesia. The institutional structure of BPKH consists of the Executive Board and the Supervisory Board, which together carry out the functions of management, supervision, and financial accountability for Hajj

The main objectives of hajj financial management include improving the quality of hajj services, rationalization and cost efficiency of organizing the hajj, and increasing the value of the benefits of hajj funds for the benefit of Muslims.

Principles of Hajj Financial Management

Hajj Financial Management (HFM) refers to the comprehensive system governing the collection, investment, allocation, and oversight of funds associated with the organization of the Hajj pilgrimage. Unlike conventional public financial management, HFM operates within a dual accountability framework:

compliance with national financial regulations and adherence to Islamic legal and ethical principles (Sharia). The primary objective of HFM is not profit maximization but the preservation of pilgrims' funds (*ḥifẓ al-māl*), cost efficiency, service quality improvement, and intergenerational fairness among pilgrims.

From a theoretical perspective, HFM represents a hybrid model combining public sector financial management, Islamic asset management, and religious fund governance. It encompasses long-term fund accumulation, as pilgrims typically deposit funds years or even decades before their actual departure, creating substantial investable balances that require professional management. The financial management of Hajj by BPKH is based on sharia principles, prudence, security, transparency, and accountability. These principles affirm that hajj funds are not just commercial investment funds, but trust funds that must be protected in value and utilized as much as possible for the benefit of pilgrims and Muslims at large.

Hajj Financial Management is the system of planning, collecting, investing, safeguarding, and disbursing funds related to the organization of the Hajj pilgrimage in a transparent, accountable, and Sharia-compliant manner to ensure sustainability, efficiency, and pilgrims' welfare. In countries like Indonesia, Hajj financial management is often cited as a unique model of public Islamic fund management, where large-scale religious funds are professionally invested while maintaining strict Sharia and public accountability standards.

In Islamic public finance, Hajj funds are classified as restricted religious public funds (*amwāl 'āmmah muqayyadah*), meaning they are entrusted by individuals for a specific religious purpose and cannot be freely reallocated by the state. This distinguishes Hajj funds from zakat (which has explicit beneficiary categories) and waqf (which involves perpetual endowments). Several scholars argue that Hajj funds occupy an intermediate position between trust funds and public investment funds, requiring heightened governance standards due to their fiduciary nature.

The management of Hajj funds is closely linked to the *maqasid al-shariah* framework. Protection of wealth (*ḥifẓ al-māl*) is operationalized through capital preservation and risk mitigation, while protection of religion (*ḥifẓ al-dīn*) is fulfilled by ensuring access to Hajj at affordable and predictable costs. Moreover, the principle of *maslahah* (public interest) justifies prudent

investment activities as long as they enhance pilgrims' welfare and do not expose funds to excessive risk.

The literature highlights that one of the defining features of HFM is the advance payment system. Pilgrims deposit an initial amount to secure a queue position, followed by a final settlement closer to departure. This system generates large-scale pooled funds, particularly in countries with long waiting lists such as Indonesia and Malaysia.

Scholars emphasize that this accumulation mechanism creates both opportunities and challenges. On one hand, it enables economies of scale and long-term investment planning (Rusydia et al., 2021). On the other hand, it introduces ethical and governance concerns, particularly regarding consent, information asymmetry, and the fair distribution of investment returns between current and future pilgrims. Transparency in how returns are used—whether to subsidize Hajj costs or improve services—is therefore a recurring theme in the literature.

HAJJ FINANCIAL INVESTMENT INSTRUMENTS AND SCHEMES

Placement and Investment of Hajj Funds

BPKH has the authority to place and invest hajj funds in various Islamic financial instruments, including Islamic banking, sukuk, Islamic stocks, Islamic mutual funds, gold, and direct investment. This policy is strengthened by Government Regulation Number 5 of 2018 which opens up wider space for the optimization of hajj funds through sharia capital market instruments.

In practice, BPKH collaborates with sharia investment managers who are strictly selected with the Financial Services Authority (OJK). Of the approximately 88–90 existing sharia investment managers, only about 15 have been selected as BPKH partners, including several state-owned enterprises and national sharia financial institutions.

Gold Investment and Safe Haven Assets

Gold is seen as an alternative investment instrument that functions as a safe haven asset in volatile market conditions. Gold investment by BPKH is limited to a maximum of 5% of the total funds placed and must meet investment grade criteria and sharia compliance. This policy shows BPKH's conservative approach in managing the risk of market volatility.

Direct Investment and Hajj Ecosystem

In addition to financial investment, BPKH can also make direct investments, both domestically and in Saudi Arabia, especially in sectors directly related to the hajj ecosystem such as transportation, accommodation, catering, and hajj equipment. This direct investment is expected to create natural hedging, increase the efficiency of hajj costs, and provide sustainable economic added value.

Investment management constitutes the most debated dimension of HFM. Existing studies consistently underline that Hajj funds must be invested in low-risk, Sharia-compliant instruments, reflecting the trust-based nature of the funds. Commonly cited instruments include sovereign sukuk, Islamic bank deposits, and Sharia-compliant money market funds.

The literature also highlights a tension between capital preservation and value optimization. Excessive conservatism may erode real value due to inflation, while aggressive investment strategies may violate prudential and Sharia principles. Consequently, scholars propose a moderate-risk investment framework guided by *maqasid al-shariah*, where financial returns are treated as a means to enhance pilgrims' welfare rather than an end in themselves.

HAJJ FINANCIAL INVESTMENT RISK MANAGEMENT

The Concept of Risk in Hajj Fund Investment

Investments always contain risks, including market risk, liquidity risk, credit risk, legal risk, and operational risk. BPKH realizes that hajj funds have special characteristics because they concern pilgrim trust funds. Therefore, the application of risk management is a fundamental aspect in every investment decision.

Risk Mitigation Process

BPKH implements a risk mitigation process consisting of three main stages: investment planning, assessment and approval, and investment determination. Each stage involves a check and balance mechanism between the Implementing Board and the Supervisory Board to ensure investment decisions have considered risks and returns in a balanced manner.

In addition, investment evaluations are carried out periodically through monthly reports which are the basis for decision-making to continue or divest investments. BPKH can also form an investment loss reserve as an anticipatory measure against potential risks.

Legal Risk and Compliance Policy

In direct investment, especially in Saudi Arabia, BPKH faces the challenges of asset ownership regulations and legal risks. Therefore, BPKH is prohibited from investing in entities that are facing material legal cases and is required to apply the principle of high prudence in every investment transaction

This book also compares the management of hajj funds in Indonesia with several other countries, especially Malaysia through the Tabung Haji Institute. Tabung Haji Malaysia is considered one of the most successful and modern hajj fund management models, with a diversified investment portfolio and the ability to provide significant returns to depositors. This comparison provides an important lesson for BPKH in developing a sustainable and value-oriented long-term investment strategy.

CONCLUSION

The management of hajj financial investment by BPKH is a strategic practice in the management of modern Islamic social funds. Based on the summary of the book *What & How to Investment Hajj Finance – BPKH (2020)*, it can be concluded that BPKH has built a relatively comprehensive framework for managing hajj funds, covering legal, institutional, investment instruments, and risk management aspects.

The main orientation of Hajj fund investment is not solely to pursue returns, but to maintain the sustainability of funds, protect the interests of pilgrims, and create broader value benefits for Muslims and the national economy. In the future, strengthening governance, transparency, and innovation of sharia investment instruments will be the key to the success of hajj financial management in Indonesia.

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