



Journal of Contemporary Social Science and Education Studies

E-ISSN: 2775-8774


Vol 4, Issue 1 (2024)

Doi: 10.5281/zenodo.10912286

IMPLEMENTATION OF THE INTEGRATION OF HAJJ FUNDS  
AND WAQF IN MALAYSIA AND INDONESIA

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Article Info	ABSTRACT
<p><b>Article history:</b> Received: 25 Feb 2024 Revised: 12 March 2024 Accepted: 25 March 2024 Published: 1 April 2024</p> <p><b>Keywords:</b> <i>Integration of Funds, Hajj and Waqf, Waqf Innovation, Waqf Products, Hajj Waqf</i></p> <p>OPEN  ACCESS</p>	<p>Innovating waqf products using cash funds has the potential to transform the modern economy regardless of religious and national boundaries. Among the existing sources of funds that can be endowed is the Hajj savings fund derived from the savings of prospective Hajj pilgrims. The Hajj fund can pave the way for the emergence of new innovations in waqf products, such as Hajj endowments, to help alleviate the financial burden of performing Hajj due to reduced subsidy costs. This study aims to identify the management methods of Hajj in Malaysia and Indonesia and analyze the integration of Hajj funds and waqf in both countries. The data collection method used in this study involves document analysis using references from journals, books, papers, annual reports, newspaper clippings, and others. The study found that the integration of Hajj funds and waqf can serve as an initial catalyst for the establishment of Hajj waqf in Malaysia.</p>

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DOI [10.5281/zenodo.10912286](https://doi.org/10.5281/zenodo.10912286)

INTRODUCTION

Hajj is a highly comprehensive act of worship that requires meticulous organization. Among the conditions stipulated to complete the pilgrimage is considering the capability of prospective Hajj pilgrims. Allah SWT has stated in Surah Ali 'Imran, verse 97:

Meaning: "In it are clear signs (indicating its dignity; among them is) the Station of Ibrahim. And whoever enters it shall be safe and secure. And Allah has made it obligatory for people to perform the Hajj pilgrimage by visiting the Kaaba, whoever is able to make their way there. And whoever disbelieves (denies the obligation of performing Hajj), then indeed, Allah is Free from need of the worlds."

This aspect of capability is discussed by all four major schools of thought, which list financial sufficiency as one of the important conditions for performing Hajj (Musa & Man, 2022) and (Zainudin & Khairuldin, 2017).

The financial management of Hajj pilgrims through package schemes in Malaysia is fully managed by Lembaga Tabung Haji (TH), an Islamic institution responsible for managing and providing comprehensive and systematic Hajj services (TH, 2024). Since its establishment in 1963, TH's main objective has been to ensure that Malaysian Hajj pilgrims have sufficient financial capability to perform Hajj. The establishment objective of TH aligns perfectly with the needs of the Muslim community at that time, which relied on less efficient methods of saving money. A study conducted by Maslan & Baharudin (2023) showed that before the existence of TH, the Muslim community saved money using traditional savings methods that were not beneficial, besides the lack of financial resources for Hajj expenses, interrupted spending during their stay in Mecca, currency fluctuations, the use of non-uniform foreign currencies, and inadequate guidance from the government on financial preparations for Hajj pilgrims. In Indonesia, a similar role to TH is played by the Badan Pengelola Keuangan Haji (BPKH) under the provisions of Law No. 34 of 2014 concerning Hajj financial affairs (Primadhany, 2017). BPKH was established to assist in managing the Hajj funds of the Muslim community in Indonesia and to ensure that the depositors' desire to perform the obligatory Hajj in Mecca is fulfilled.

This paper aims to examine the methods of Hajj fund management implemented by TH and BPKH. Subsequently, it analyzes the method of integrating Hajj funds and waqf funds in the practice of Hajj management in Malaysia and Indonesia. The discussion of this paper is divided into four parts: first, the method of Hajj management in Malaysia. Second, the method of Hajj management in Indonesia. Third, an analysis of the integration method of Hajj funds and waqf funds in Malaysia and Indonesia, and fourth, the conclusion.

## **METHODOLOGY**

This qualitative study utilizes a document analysis approach to gather data from journals, books, papers, newspaper clippings, and other relevant sources related to the research topic. Subsequently, the data is analyzed using qualitative content analysis methods.

## **LITERATURE REVIEW**

### **Methods of Management Hajj In Malaysia**

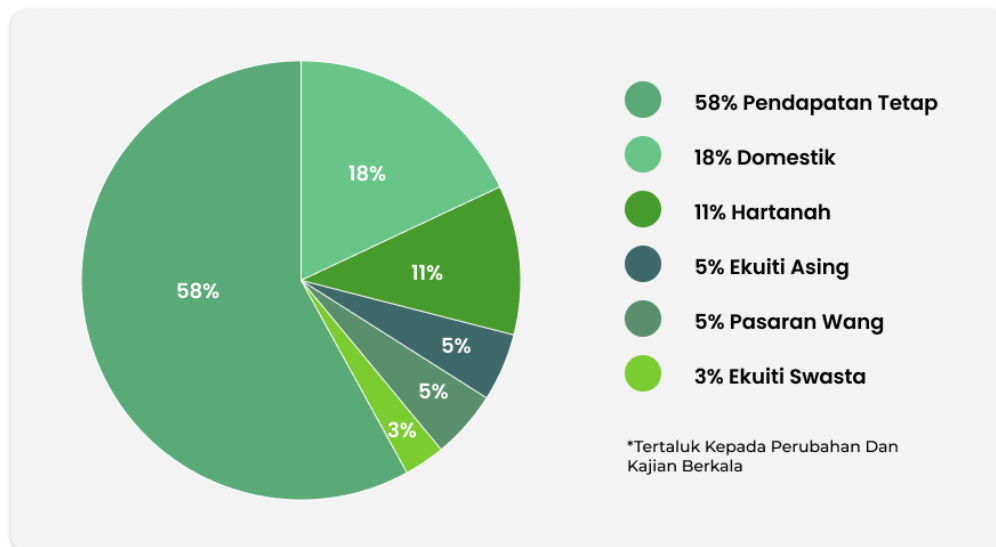
Before the establishment of TH, the Muslim community in Malaya at that time employed various methods to ensure sufficient funds to perform Hajj. Among them was the practice of accumulating assets in the form of land, gold, and livestock. All these assets would be sold when they intended to perform Hajj (Maslan & Baharudin, 2023). Although postal offices or banks were functioning at that time, the Malays, especially those residing in rural areas, had a strong understanding of the prohibition of *riba* (usury) and refused to save in conventional systems (Maslan & Baharudin, 2023). Therefore, to help the Malay Muslim community avoid *riba* and preserve their assets from being sold or pawned, a proposal for the establishment of TH was initiated in 1959 by an eminent economist, YM Professor Diraja Ungku Aziz, focusing on investment agendas and benefits derived from the savings of Hajj depositors (Syahidawati, 2003). TH was established as a statutory body under the Tabung Haji Act 1995 (Act 535) (TH Website). Its main activities are in the context of Hajj management, savings, and investments, consistently providing excellent Hajj services to Malaysian pilgrims. Until now, TH

plays a significant role as a primary Islamic financial institution, striving to provide comprehensive and systematic facilities for the benefit of Hajj pilgrims.

In addition to Hajj management, another primary function of TH is to manage depositors' savings and then multiply the returns through Shariah-compliant and competitive investment assets, thereby providing competitive returns with low risk (TH, 2024). As of 2022, TH has 8.77 million depositors with total savings deposits amounting to RM88 billion (TH Annual Report 2021). Since December 31, 2019, TH has replaced the Wadiah Yad Dhamanah savings contract with the Wakalah contract, allowing TH to manage depositors' funds for investment purposes and subsequently return them to depositors in the form of hibah (gift) (TH, 2024). Thus, TH continues to maintain its primary focus of assisting Muslims in saving money for Hajj in Mecca while simultaneously providing benefits back to TH depositors.

This cycle of the savings-investment process is managed by TH to generate sustainable and progressive returns. Generally, a plan categorizing various types of investments has been made through the Strategic Asset Allocation (SAA) with 58% allocated for fixed income, 18% for domestic equities, 11% involving real estate investments, 5% each for foreign equities, and money markets, and 3% for private equity investments (TH Website).

Figure 1: Strategic Asset Allocation (SAA) of TH Malaysia



TH itself has various assets that are invested including equity ownership, investments in the real estate sector domestically and internationally, investments in government-issued sukuk, corporate sukuk, commercial papers,

and financing to subsidiary companies. Among the forms of investments involving TH group companies are as follows (TH Website and Lembaga Tabung Haji Annual Report 2021):

1. Financial sector through its subsidiary companies namely Bank Islam Malaysia Berhad (BIMB) and Syarikat Takaful Malaysia Keluarga Berhad (STMKB).
2. Plantation sector through TH Plantations Berhad which is currently focused on oil palm plantation.
3. Development and construction of real estate domestically and internationally spearheaded by TH Properties Sdn Bhd (TH Properties). Among those developed are TH Hotel Kelana Jaya (THKJ) and Hajj café in Menara TH Jalan Tun Razak, Movenpick Hotel & Convention Centre (MHCC) KLIA.
4. Travel and tourism sector through TH Travel & Services Sdn Bhd (THTS) which manages comprehensive travel and tourism services especially for Muslims including Hajj and Umrah packages, tour packages, Hajj charter, flight charter, ticket purchases, halal food catering, and cargo services.
5. Involvement in the information technology (IT) sector through its subsidiary company, Theta Edge Berhad (Theta Edge).
6. Marine support through TH Marine Holdings and Marine 1 (L) Inc.

Since its establishment until now, TH has consistently recorded an increase in financial generation sourced from the savings of Hajj depositors. The table below summarizes the number of depositors and Hajj funds from 1963 to 2022:

Table 1: Summary of Depositors and Hajj Funds in Tabung Haji

YEAR	TOTAL OF DEPOSITORS	DEPOSIT AMOUNT (RM)
1963	1,281	46,610 million
1964	6,566	816,146 million
1990	1.7 million	1 billion
2008	4.7 million	17 billion
2009	5 million	23 billion
2012	8.2 million	38 billion
2013	8.3 million	45 billion
2014	8.6 million	54 billion
2015	8.8 million	62 billion
2016	9.1 million	67 billion
2017	9.3 million	70 billion
2018	9.21 million	75 billion
2019	8.75 million	69 billion
2020	8.97 million	76 billion
2021	8.51 million	83 billion
2022	8.77 million	88 billion

Reference: Muneeza, Sudeen, Nasution & Nurmalasari (2018) & Tabung Haji websit

TH's involvement in various economic sectors, particularly, aims to ensure the sustainability and collective participation of Muslims in the country's economic development. Based on this statement, it is not unreasonable to say that part of Malaysia's development progress is attributed to the investment of Hajj funds managed by TH. This statement is also supported by Lukman and Fitriyani (2023) in their paper on the efficiency of managing Hajj investment funds in Malaysia through various implemented projects.

### Hajj Management Method In Indonesia

In Indonesia, the function like TH in Hajj affairs falls under the supervision of the Badan Pengelola Keuangan Haji (BPKH), which is directly responsible to the President of the Republic of Indonesia through the Minister of Religion. Before the establishment of BPKH, the Ministry of Religion was responsible for handling Hajj affairs in Indonesia. However, due to certain constraints, this responsibility was transferred to BPKH after its formal establishment on July 26, 2017 (Julia, 2022). BPKH has extensive autonomy in generating Hajj fund

investments. There are four types of investments managed by BPKH, including sukuk, direct investments, gold investments, and other Sharia-compliant investment forms as mandated by Law No. 34 of 2014, Article 48, Paragraph 1. This article stipulates that investment implementation by BPKH must adhere to Sharia principles while considering aspects of safety, caution, benefit value, and asset liquidity (Syukriatin & Hanadiviyah, 2023).

There are two types of funds deposited by Muslim depositors in Indonesia for Hajj purposes. First, the Hajj Fund, and second, the Umat Perpetual Fund (DAU). There are differences between these two funds in terms of their existence.

1. Dana Haji - BPKH is responsible for managing the Hajj fund, which consists of deposits from prospective Hajj pilgrims used for Hajj maintenance, efficiency funds, Umat Perpetual Fund, and state-controlled benefits for Hajj operations and implementation of programs for the welfare of Muslims (Aziz, Fitriyani, Soeharjoto, Nugroho, & Parenreng, 2023). Simply put, it involves fund receipts, disbursements, and profit generation (Julia, 2022).
2. Dana Abadi Umat (DAU) - Since Indonesia's independence in 1945, the operation of Hajj affairs for the country's citizens was seen as unorganized and unsystematic (Zakiruddin, 2021). However, Indonesian Muslims have a high awareness of performing the Hajj pilgrimage. This is evidenced by the increasing number of depositors each year as recorded on the Ministry of Religion's website (<https://satudata.kemenag.go.id>). Additionally, Indonesia's predominantly Muslim population inherently has a high desire to perform the fifth pillar of Islam. In 1999, Law No. 17 was enacted regarding systematic and professional Hajj operations. The funds collected at that time to gather deposits for prospective Hajj pilgrims were called the Umat Perpetual Fund (DAU). The responsibility of managing Hajj operations was initially given to the Ministry of Religion through the Badan Pengelolaan Dana Abadi Umat. However, there were some accountability issues involving DAU management, prompting the government to establish a special agency to manage these funds (Zakiruddin, 2021). BPKH later took over the DAU operations from the Ministry of Religious Affairs starting in 2017 (Julia, 2022). After this transition, all funds collected from deposit savings, investment returns, etc., were termed as Hajj funds (BPKH website). At the same time, the DAU source remains under BPKH's responsibility.

Currently, DAU has become one of the components of Hajj funds in Indonesia, where its benefits or returns are used as financing sources for activities benefiting Muslims, including Hajj maintenance, education and preaching, health, religious social aspects, Muslim economic development, and facilitating worship aspects (Zakiruddin, 2021). The utilization of DAU for Hajj purposes aims to develop operations before and after completing Hajj affairs (BPKH website). Zakiruddin (2021) in his paper refers to DAU as the People's Endowment Fund, which is a sum of funds existing before the enactment of Law No. 34 of 2014. It is obtained from the results of developing the People's Endowment Fund and/or the balance of operation costs for Hajj implementation and other legitimate sources not bound to any party. Other sources included in the DAU may also come from public donations. If so, then the DAU can be categorized as one of the waqf funds in Indonesia directly related to Hajj funds.

## **RESEARCH FINDINGS AND DISCUSSIONS**

### **Analysis Of the Integration Method Of Hajj And Waqf Funds In Malaysia And Indonesia**

The integration of Hajj and waqf funds in Malaysia has long been implemented through collaborative projects between TH and the Federal Territories Islamic Religious Council (MAIWP) through the development of the MAIWP Waqf Tower. This 34-story building is strategically located in the Kuala Lumpur Golden Triangle. The land endowed to MAIWP was owned by an Indian businessman, the late Ahmad Dawjee Dadabhoy, who donated it to MAIWP. TH participated by fully financing the construction costs of the tower (Bank Islam website).

However, in Indonesia, the method of integrating the development prospects of this waqf is still not fully implemented. Therefore, the development of the MAIWP Waqf Tower project using Hajj funds in Malaysia serves as a primary reference for Indonesia (Helza & Lita, 2017). The same method is proposed for developing waqf assets in Indonesia using Hajj funds under BPKH management. A paper on the integration of waqf and

Hajj investment funds by Sulistiani, Saripudin, & Nurrachmi (2023) proposes the immediate implementation of waqf and Hajj funds integration in Indonesia to ensure more effective waqf benefit growth. Listiana (2018) suggests several collaborations between BPKH and strategic investment partners to realize this waqf and Hajj integration. Clearly, this is achievable given that Indonesia's Hajj and DAU funds have shown impressive growth, reaching a total of Rp166 trillion in January 2023 financial reports (BPKH website). With such substantial funds, Indonesia can develop waqf assets, particularly involving physical assets, similar to the implementation of hajj and waqf fund integration in Malaysia. BPKH is believed to be able to manage hajj funds synergistically by establishing close cooperation with strategic investment partners (Listiana, 2018).

From the perspective of investment innovation and profit achievement, Malaysia is recognized to have a consistent and excellent record compared to any other Islamic country in the world. However, the DAU mechanism in Indonesia, characterized as the People's Endowment Fund, can serve as a prime example for implementing waqf related to hajj in Malaysia. This is due to the increasing cost of hajj in the country, following the reduction of hajj subsidies according to target groups. Below is the table showing the amount of hajj payment for the muassasah package category under TH:

Table 1: Hajj Payment Amount for a Muassasah Pilgrim and Assistance Amount for the Year 2023

Group	Total Payment (RM)	Total Assistance by TH (RM)
<b>B40</b>	10,980	
	(after RM1000 Government assistance from Malaysia)	19,870 (64% of the cost)
<b>M40</b>	15,980	14,870 (48% of the cost)
<b>T20</b>	30,850	Not Related

The reduction of Hajj subsidies starting in 2023 is prompted by the increasing burden of government expenditure due to rising global Hajj costs. If TH were to maintain the same subsidy level, it would inevitably impact the institution's financial growth. Therefore, in addition to the existence of established investment assets, TH could consider alternative means to either restore previous subsidy levels or at least reduce them. One such approach is through the establishment of a Waqf (endowment) fund specifically for Hajj. This Waqf Hajj fund could serve as an alternative mechanism to alleviate the subsidy burden on TH and the government. It is not only a sustainable solution but also provides continuous benefits to Hajj pilgrims, especially those from lower and middle-income groups, with rewards that persist as long as pilgrims continue to perform Hajj through the Waqf fund.

Another idea that could be explored is to encourage Hajj pilgrims who have completed their pilgrimage but still have remaining funds in their Hajj savings to invest some or all their money into a Hajj Waqf Rahmah Fund. This approach aligns with the adaptation of the DAU in Indonesia, which utilizes funds generated from the People's Endowment Fund and other Shariah-compliant sources. However, the details of its implementation would require further thorough examination and refinement. The proposal for a Hajj Waqf fund has received positive responses from the government, which has opened avenues for further discussions at various levels.

## CONCLUSION AND RECOMMENDATION

The flexibility and potential of Waqf make it a powerful Islamic economic instrument that can be integrated with other financial sectors. Malaysia and Indonesia possess substantial Hajj capital capacity to develop their respective national financial capacities, particularly in Hajj affairs. TH Malaysia is often regarded as a benchmark model for other Islamic countries in its systematic management of Hajj funds. The high level of public awareness and support for TH is due to its highly systematic approach to Hajj fund management. Many Waqf projects in Malaysia have been developed using Hajj funds, and this development is seen by Indonesia as a model to emulate. However, global economic developments also impact changes in Hajj costs across all



Islamic countries, necessitating both TH and BPKH to play more effective roles in providing the best services to their respective Hajj pilgrims.

To achieve this goal, the integration of Hajj funds and Waqf is proposed through the implementation of Hajj Waqf, particularly in Malaysia, which can be referred to as the implementation of the People's Endowment Fund in Indonesia. Indirectly, Hajj funds donated through Waqf align with the aspect of social welfare preservation in society through the achievement of the Shariah objectives of Islam. Preserving Waqf through Hajj funds ensures the welfare of depositors with valuable benefits in the sight of Allah SWT.

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