

## **Developing Sustainable Hajj Funds: Innovative Cash Waqf Investment Models**

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**Abstract:** The Indonesian Sharia Economic Masterplan (MEKSI) 2019-2024 presents a detailed plan for the growth of the Islamic financial industry. It focuses on combining the fiscal, commercial, and ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) sectors to promote economic inclusivity. The objective of this study is to assess the management mechanism of the Hajj Fund by BPKH and investigate alternative investment models that make use of cash waqf to enhance the efficiency of fund management. The technique encompasses an extensive examination of existing literature, both qualitative and quantitative evaluations, interviews with relevant stakeholders, and a comparative analysis of successful models implemented in other countries. Financial modeling is utilized to simulate the effects of various asset allocation methods. The results suggest that integrating cash waqf into BPKH's current procedures can lead to considerable improvements. Cash waqf offers higher financial returns and larger social welfare benefits through targeted investments in Sharia-compliant financial instruments such as Sukuk. The iterative process of allocating and reinvesting income guarantees the long-term viability and expansion of Hajj funds. The study highlights the capacity of cash waqf to strengthen financial stability and social influence, in accordance with Islamic principles and promoting economic growth. These findings have significant ramifications for

politicians and financial managers in enhancing the management of Hajj funds to more effectively cater to the needs of the Muslim community.

**Keywords:** Cash Waqf; Hajj Fund; Sharia-Compliant; Sukuk; Sustainable Finansial Models

**Abstrak:** Masterplan Ekonomi Syariah Indonesia (MEKSI) 2019-2024 menyajikan rencana terperinci untuk pertumbuhan industri keuangan syariah. MEKSI berfokus pada penggabungan sektor fiskal, komersial, dan ZISWAF (Zakat, Infak, Sedekah, dan Wakaf) untuk mendorong inklusivitas ekonomi. Tujuan dari penelitian ini adalah untuk menilai mekanisme pengelolaan Dana Haji oleh BPKH dan menginvestigasi model investasi alternatif yang memanfaatkan wakaf uang untuk meningkatkan efisiensi pengelolaan dana. Teknik yang digunakan mencakup pemeriksaan ekstensif terhadap literatur yang ada, baik evaluasi kualitatif maupun kuantitatif, wawancara dengan pemangku kepentingan terkait, dan analisis komparatif terhadap model-model yang telah berhasil diimplementasikan di negara lain. Pemodelan keuangan digunakan untuk mensimulasikan efek dari berbagai metode alokasi aset. Hasilnya menunjukkan bahwa mengintegrasikan wakaf uang ke dalam prosedur BPKH saat ini dapat menghasilkan peningkatan yang signifikan. Wakaf uang menawarkan imbal hasil keuangan yang lebih tinggi dan manfaat kesejahteraan sosial yang lebih besar melalui investasi yang ditargetkan pada instrumen keuangan yang sesuai dengan Syariah seperti Sukuk. Proses berulang dalam mengalokasikan dan menginvestasikan kembali pendapatan menjamin keberlangsungan jangka panjang dan perluasan dana haji. Studi ini menyoroti kapasitas wakaf uang untuk memperkuat stabilitas keuangan dan pengaruh sosial, sesuai dengan prinsip-prinsip Islam dan mendorong pertumbuhan ekonomi. Temuan ini memiliki konsekuensi yang signifikan bagi para politisi dan manajer keuangan dalam meningkatkan pengelolaan dana haji agar lebih efektif dalam memenuhi kebutuhan komunitas Muslim.

**Kata Kunci:** Wakaf Tunai; Dana Haji; Sesuai Syariah; Sukuk; Model Keuangan Berkelanjutan

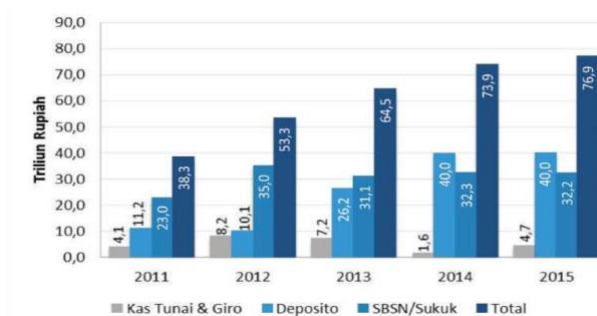
## Introduction

The Indonesian Sharia Economic Masterplan (MEKSI) 2019-2024, unveiled by President Jokowi, outlines a comprehensive strategy for developing the Islamic financial sector in Indonesia. One key component of this plan is the Indonesian Sharia Financial Architecture Master Plan (MAKSI), which aims to integrate the fiscal, commercial, and ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) sectors to enhance inclusiveness and economic reach (BAPPENAS, 2016).

A significant aspect of MAKSI is the reorganization of institutions such as BAZNAS (National Zakat Board) and BWI (Indonesian Waqf Board) to oversee the Zakat and Waqf sectors more effectively. Additionally, it includes strengthening the Hajj Financial Management Agency (BPKH) to manage Hajj funds more efficiently (BAPPENAS, 2016).

Indonesia, with the largest number of Hajj pilgrims globally, requires all prospective pilgrims to register with the Ministry of Religious Affairs and deposit Rp. 25 million. Annually, these Hajj funds accumulate to Rp. 8-9 trillion, underscoring the vast potential for economic development through strategic fund management (BAPPENAS, 2016).

**Figure 1.** Investment Details of Hajj Fund



Source: (BAPPENAS, 2016)

The Hajj funds are invested in various financial instruments, including Time Deposits, Sukuk, and cash accounts. In 2015, 52% of the funds were allocated to Time Deposits, 42% to SBSN/Sukuk, and 6% to cash and current accounts.

Waqf, another significant financial instrument in the Islamic economy, serves as a community endowment fund contributing to public welfare (Medias, 2017) (Munir, 2013). It plays a crucial role due to its immutable nature and widespread benefits (Fuadi, 2018). Waqf has been identified as a tool for achieving Maqashid Syariah and the Sustainable Development Goals (SDGs) (Mohd Thas Thaker et al., 2016).

Successful waqf management in countries like Egypt highlights its potential. In Egypt, waqf administration spans economics, property, agriculture, and land reclamation, contributing significantly to public welfare (Thayyeb, 2012) (Medias, 2017).

In Indonesia, the potential of waqf is immense. If 20 million Muslims contribute Rp. 100,000 monthly, the annual collection could reach Rp. 24 trillion (Nafis, 2011). Despite this potential, actual waqf receipts fall short. As of December 31, 2012, the balance reported by the Indonesian Waqf Board was Rp. 3.6 billion, a mere 0.12% of the estimated potential (Fuadi, 2013).

**Table 1.** The Potential of Cash Waqf di Indonesia

<b>Income Level per Month</b>	<b>Number of Muslims</b>	<b>Amount of Waqf per Month</b>	<b>Potential Cash Waqf per Month</b>	<b>Potential Cash Waqf per Year</b>
<b>Rp. 500,000</b>	4 million	Rp. 5,000	Rp. 20 billion	Rp. 240 billion
<b>Rp. 1-2 million</b>	3 million	Rp. 10,000	Rp. 30 billion	Rp. 360 billion
<b>Rp. 2-5 million</b>	2 million	Rp. 50,000	Rp. 100 billion	Rp. 1.2 trillion
<b>&gt; Rp. 5 million</b>	1 million	Rp. 100,000	Rp. 100 billion	Rp. 1.2 trillion
<b>TOTAL</b>				Rp. 3 trillion

Source: Nasution's Papers (Fuadi, 2013)

**Table 2.** Details of Cash Waqf Receipt

Name of LKS PWU	Initial Balance 2011 (Rp)	Increase (Rp)	Final Balance 2012 (Rp)	Contribution (%)
Bank Muamalat Indonesia	1,867,073,114	232,750,000	2,099,823,114	32.18%
Bank Syariah Mandiri	1,844,003,500	145,000,000	1,989,003,500	30.48%
Bank BNI Syariah	418,753,549	8,200,434	426,953,983	6.55%
Bank DKI Syariah	218,051,410	53,774,090	271,825,500	4.18%
Bank Mega Syariah	130,000,000	3,000,000	133,000,000	2.04%
Bank Syariah Bukopin	8,350,000	18,641,450	26,991,450	5.52%
Bank BTN Syariah	3,000,000	1,081,516	4,081,516	0.06%
<b>Total</b>	<b>4,489,284,448</b>	<b>566,297,490</b>	<b>5,055,581,938</b>	<b>100%</b>

Source: Indonesian Waqf Board Annual Report 2012

However, the actual receipt of monetary waqf is significantly lower. The Indonesian Waqf Board's 2012 report showed a balance of only Rp. 3.6 billion, highlighting the gap between potential and actual collections.

Given the substantial potential and the evident shortfall in realizing this potential, there is a clear need to explore alternative investment models for Hajj funds via cash waqf. This research aims to address this gap by investigating innovative approaches to maximize the impact of cash waqf in the formation and management of Hajj funds.

### Literature review

Waqf, an Islamic endowment of property held in trust for charitable or religious purposes, has played a crucial role in advancing the Muslim community. Although extensive research has been conducted on waqf, the integration of waqf with Hajj management remains underexplored. Therefore, this literature review aims to shed light on the current state of research on

waqf and Hajj fund management, identifying potential synergies between these two concepts.

Previous investigations into cash waqf have firmly established its legitimacy, supported by the waqf law promulgated by the Indonesian Ulama Council (MUI). These studies highlight the importance of accountability in monetary waqf and the selection of suitable financial instruments for investment. Since 2016, Hajj funds have primarily been allocated to Islamic banks, specifically through Islamic deposits. It was only in 2018 that the Indonesian Hajj Fund Management Agency (BPKH) began exploring the potential of SUKUK as an alternative financial instrument. Despite this, research on waqf and Hajj fund management has typically been conducted separately, without examining the combined effects of managing Hajj funds through cash waqf invested in secure financial instruments that offer significant benefits.

(Khairunisa et al., 2018) explored the "Strategic Exploration to Strengthen the Role of Islamic Banking in Raising Cash Waqf Funds." Their findings indicate that cash waqf is legally accepted among scholars and practitioners. However, the main challenge lies in the lack of transparency and synergy among various affiliated institutions (BPKH, BWI, DSN MUI, Kemenag, OJK, and BI). They emphasized the need for a model that enhances transparency and monitors waqf management across these institutions. Inspired by Rizanti et al.'s research, their study proposes a design that facilitates the integration of term money waqf management among DSN MUI, BPKH, and BWI to improve the efficiency of Hajj fund management.

Similarly, (Yasin, 2017) focused on the urgency of term cash waqf in managing waqf assets in Indonesia. Term cash waqf emerged as a viable alternative to provide supplementary funds for financing projects on waqf land, which often suffers from mismanagement. The legality of term cash waqf has been affirmed, given its enormous potential and contribution to societal welfare. Despite its potential, a lack of understanding persists within the

community regarding its optimization for Hajj fund management. Yuli Yasin's research supports the money-term waqf scheme developed in this study through Sukuk investment.

In another study, (Siswanto & Dewi, 2007) examined "The Efficacy of Waqf Fundraising via Mutual Funds in Indonesia." They highlighted the need for transparent waqf management, particularly regarding cash waqf. Incorporating waqf assets into investment strategies can enhance the benefits of cash waqf. Recognizing the immense untapped potential of the term cash waqf sector, the study suggested allocating term cash waqf funds to low-risk securities investments as an effective alternative. Hajj fund management currently involves various investment vehicles, predominantly Islamic bank deposits, with a minor portion allocated to sharia securities (Sukuk). Therefore, further investigation into the synergy between BPKH and BWI regarding managing term cash waqf is crucial.

Moreover, (Mitsaliyandito et al., 2017) explored the "Impact of Sukuk Market Development on Indonesian Economic Growth." Their findings demonstrate that the sukuk market positively impacts Indonesia's GDP, making it an effective financial instrument for economic development. Thus, optimizing sukuk as a financial instrument source is a superior alternative, considering its substantial benefits to the Indonesian economy. Hajj funds represent a promising financial resource for Indonesia, provided they are managed prudently to maximize practical utility while mitigating investment risks in Sukuk financial instruments.

Furthermore, Nasution and Faruqi (2019) conducted a study titled "The Rough Way to Manage Hajj Funds (BPKH): Implementing Governance of Hajj Funds." They concluded that managing Hajj funds independently and separately is essential for greater efficiency. They suggested designating one institution as the investment manager to optimize these funds. BPKH faces challenges in allocating Hajj funds to high-risk financial instruments, partly due to the community's lack of awareness about the benefits of such

allocations. Implementing a Hajj fund management scheme using waqf money futures and effectively disseminating information about this approach could provide an efficient solution for prospective pilgrims and enhance the nation's economy.

Lastly, (Listiana, 2018) studied "Synergy of Hajj Fund Management of Waqf Asset Funds to Promote the Realization of the Public Good." She emphasized the necessity of establishing a harmonious relationship between Hajj fund administration and waqf assets. Despite accountability challenges, particularly concerning profit sharing, the potential synergy is appealing. Listiana's research conceptualized managing Hajj funds and waqf funds through waqf money futures, inspiring other scholars to explore this innovative approach.

In summary, while significant research has been conducted on waqf and Hajj fund management separately, there is a notable gap in examining their synergistic potential. Future research should focus on integrating these concepts to enhance the efficiency and impact of Hajj fund management through innovative financial instruments like Sukuk and term cash waqf.

### **Hajj Fund**

Efficient and ethical utilization of Hajj funds in Indonesia necessitates strategic planning and strict adherence to Sharia norms in its management and investment. The research on the development strategy of the Hajj fund investment, from the perspective of Sharia investment management, reveals that a substantial proportion of the funds in Indonesia are allocated to the Islamic banking sector. Specifically, 65% of the funds are invested in this sector, while the remaining 35% are designated for the Indonesian Hajj fund Sukuk (Sulistiyowati, 2022). This strategic allocation is in accordance with the principles of Sharia finance and guarantees that the money are used in adherence to Islamic rules.



Interviews were conducted with important individuals involved in the management of the Hajj fund in Indonesia, including the Hajj fund manager at the Indonesian Ministry of Religion, the Badan Pengelola Keuangan Haji (BPKH), and Bank Syariah Mandiri. These interviews provided insights into the investment management practices and decision-making processes employed within the fund (Hulwati et al., 2022).

Research on the financial management of Indonesian Hajj funds highlights the significance of complying with relevant rules and regulations when handling these funds through institutions such as the BPKH (Pujiharto et al., 2022). This regulatory structure guarantees openness, accountability, and adherence to specified norms in order to protect the interests of the fund donors and maximize the efficient use of the monies for the benefit of Hajj pilgrims.

The research emphasizes the importance of transparency and accountability in managing Hajj funds, particularly in relation to financial reporting and investment optimization within the Hajj fund framework (Panjaitan & Adam, 2022).

The COVID-19 pandemic's effect on Hajj and Umrah activities has been examined, highlighting the importance of employing adaptable techniques to manage Hajj money at times of crisis (Muneeza & Mustapha, 2021).

The creation of the Badan Pengelola Keuangan Haji (BPKH) as a separate organization responsible for overseeing Hajj funds in Indonesia has significantly improved the effectiveness, openness, and responsibility in how the funds are used, ultimately benefiting all Indonesian pilgrims (As-Salafiyah, 2022).

The research focuses on the *Siyasah Syar'iyah* paradigm of Hajj financial management regulation in Indonesia. It highlights the government's responsibility to guarantee that management and investment methods adhere

to Islamic principles, therefore ensuring the fund's conformity with Sharia regulations (Zakiruddin et al., 2022).

To optimize the strategic asset allocation for Indonesian Hajj funds, it is necessary to have a thorough knowledge of Sharia-compliant instruments and build specialized institutions such as the Indonesian Hajj Bank (BHI) to ensure effective fund management (Witjaksono & Bustomi, 2021).

### **Cash Waqf**

Cash Waqf, an Islamic form of charitable giving, plays a crucial role in providing financial support for diverse social and economic endeavors within Muslim communities. Waqf is a concept that entails the voluntary contribution of assets for charity objectives. It has expanded to encompass Cash Waqf, which involves the collection of cash in a trust to be used for the improvement of society (Mohd Nor & Mat Sari, 2022). The utilization of this type of Waqf has played a crucial role in funding vital services such as education, healthcare, and societal welfare (Uluyol et al., 2021). The adaptability and usefulness of Cash Waqf have made it a feasible method for the growth and strengthening of the Ummah (Masrizal et al., 2023).

The concept of cash waqf originated in the Ottoman Empire, when it served as a means to finance diverse social services and infrastructure initiatives. Initially met with controversy, the concept gradually gained support, especially within the Hanafi school of thought, which acknowledged the legitimacy of endowing movable goods such as currency. Subsequently, other Islamic schools of thought, such as the Shafi'i and Hanbali schools, also approved of this practice (Ahmad, 2015).

Islamic social financing, notably Cash Waqf, played a vital role in Indonesia's economic recovery efforts during the COVID-19 epidemic (Ascarya, 2022). The application of Cash Waqf in offering medical aid, social security systems, and financial backing to businesses, particularly micro-small firms, underscores its flexibility and efficacy in tackling present-day difficulties

(Ascarya, 2022). In addition, Cash Waqf has been recognized as a crowdfunding approach that mobilizes public finances to support initiatives such as the development of Waqf land and the financing of various programs for the betterment of society (MOHAMED et al., 2022).

Cash Waqf has become a valuable tool in the field of poverty reduction, offering the ability to make a major contribution to economic empowerment and social welfare (Izzah & Soemitra, 2022). To successfully combat poverty, the impact of Cash Waqf can be optimized by measures such as boosting literacy about Cash Waqf, improving the professionalism of managers, and fostering public trust (Izzah & Soemitra, 2022). In addition, the creation of Cash Waqf models designed for certain sectors, such as small-scale farmers or educational institutions, showcases the adaptability and usefulness of Cash Waqf in many contexts (Azganin et al., 2021).

The administration of Cash Waqf necessitates a strategic methodology that takes into account risk management approaches that are exclusive to cash-based Waqf endeavors (Soediro et al., 2022). To maintain the perpetuity and integrity of Cash Waqf funds, it is crucial to implement sound portfolio management methods, ensure capital protection, and engage responsible fund managers (Azganin et al., 2021). Incorporating Cash Waqf with contemporary financial technology, such as e-payment systems, has effectively encouraged more involvement and interaction, particularly among Indonesian Muslim millennials (Musahidah & Sobari, 2021).

In Indonesia, Cash Waqf has played a crucial role in strengthening micro, small, and medium companies (UMKM) by creating long-lasting finances to finance their requirements (Nisa & Rokhmah, 2022). By utilizing Cash Waqf as a sustainable financing method, small and medium enterprises (UMKM) within the Pondok Pesantren ecosystem have gained access to crucial resources for their expansion and progress (Nisa & Rokhmah, 2022). The utilization of Cash Waqf in bolstering Islamic schools highlights its capacity to

finance educational institutions, aid teachers, and support pupils in need (Negasi & Jamel, 2021).

The notion of Cash Waqf goes beyond conventional philanthropy and includes new approaches like Waqf Link Fisherman Insurance (WLFSI). WLFSI combines Sharia insurance premiums with marine-based activities through collaborative Cash Waqf funding (Mudrikah et al., 2022). These programs demonstrate how Cash Waqf can effectively promote sustainability and economic empowerment in specific sectors, addressing the distinct requirements of various communities (Mudrikah et al., 2022). Furthermore, the introduction of Cash Waqf in Indonesia is anticipated to not only streamline Waqf donations but also tackle poverty and foster economic development (Albab Al Umar et al., 2022).

Cash Waqf, an Islamic endowment, has garnered interest for its ability to tackle diverse socio-economic issues, especially in low- and middle-income countries (LMICs). The notion entails the contribution of monetary funds rather than tangible assets, which are subsequently invested to produce profits for philanthropic objectives. This approach has the potential to be highly effective in tackling inequities in health and education. For example, monetary transfers, regardless of whether they come with conditions or not, have demonstrated notable advantages in enhancing health outcomes and educational achievement. Unconditional cash transfers (UCTs) have been proven to diminish hunger, enhance dietary variety, and decrease the percentage of secondary school dropouts, making them a practical instrument for social protection during emergencies such as the COVID-19 epidemic. Furthermore, Universal Cash Transfers (UCTs) have shown favorable effects on individuals' tendencies to seek healthcare and their healthcare expenses. However, the impact of UCTs on illness rates is inconclusive, highlighting the necessity for further investigation into the long-term implications and factors that may influence these outcomes.

## Methods

The paper utilizes a comprehensive approach to analyze the Hajj Fund Management Mechanism applied by BPKH (Badan Pengelola Keuangan Haji) in Indonesia, and also investigates alternative investment models including cash waqf. The study commences by doing an extensive literature analysis, analyzing current research on waqf and Hajj fund management in order to discover possible connections and areas that require more investigation. This entails a comprehensive examination of the financial mechanisms presently employed for the purpose of handling Hajj monies, including Islamic banking deposits, Sukuk, and cash accounts. The process of data collecting involves gathering financial information, legislative documents, and yearly reports from pertinent agencies such as BPKH, BWI (Indonesian Waqf Board), and the Ministry of Finance.

The research methodology combines qualitative and quantitative analysis to evaluate the performance and impact of different financial instruments. Insights into investment management techniques and decision-making processes are obtained through interviews with important stakeholders, such as senior officials at BPKH, BWI, and the Ministry of Finance. These conversations provide valuable insights into the difficulties and possibilities associated with handling Hajj monies and implementing cash waqf.

An analysis is performed to compare Indonesia's management methods of the Hajj fund with successful models in other countries, including Malaysia's Imara Waqf Building initiative. This method of comparison emphasizes optimal strategies and possible areas for enhancement. In addition, the study examines alternative investment strategies by suggesting the incorporation of cash waqf into the framework for managing the Hajj fund. This entails generating speculative investment scenarios and assessing their prospective returns and hazards.

The study also employs financial modeling to examine the effects of various asset allocation methods on the performance of Hajj funds. The research utilizes asset allocation theories and risk management techniques to identify investment portfolios that adhere to Sharia standards and maximize returns. The iterative process of investing and reinvesting, as described in the proposed models, guarantees the long-term viability and expansion of Hajj funds.

## **Result and discussion**

This paper analyzes the Hajj Fund Management Mechanism implemented by BPKH (Badan Pengelola Keuangan Haji) in Indonesia. It specifically investigates the financial management of Hajj monies and explores alternative investment models employing cash waqf. The findings emphasize the existing methods, difficulties, and possibilities for enhancement, specifically when compared to Malaysia's well-established Hajj fund management approach.

### **Financial Management of Hajj Funds on Investment Allocation**

Effective administration of Hajj money is a crucial factor that necessitates careful attention to ensure the appropriate allocation of investments for the congregation's benefit throughout the journey. Several studies have examined the field of Hajj money investment management, emphasizing the significance of efficiently employing these assets (Hulwati et al., 2022). Utilizing investments to manage Hajj finances not only enhances the well-being and happiness of the congregation, but also contributes to their total prosperity throughout the sacred pilgrimage. It is crucial to take into account the tenets of Islamic finance and guarantee that investment choices conform to Sharia rules in order to uphold ethical standards and preserve Islamic values (Zakiruddin et al., 2022).

The financial administration of Hajj funds in Indonesia is governed by the *Siyasah Syar'iyah* paradigm, which highlights the significance of matching investment strategies with Islamic principles (Zakiruddin et al., 2022). The government, with the assistance of organizations like as the BPKH, has a vital responsibility in supervising the administration and investment of Hajj revenues to guarantee adherence to Sharia principles. The government aspires to uphold the principles of *Siyasah Syar'iyah* in Hajj fund management by enacting policies that prioritize preserving the value of these money and strategically investing in Islamic financial institutions.

The administration of Hajj finances in Indonesia is regulated by Article 1 and Article 48 of Law No. 34 of 2014 on the management of financial resources for the Hajj pilgrimage. This legislation defines Hajj finance as the complete set of financial rights and responsibilities of the government related to the implementation of the Hajj pilgrimage and any resulting monetary assets. The administration of Hajj finances strictly follows the principles of sharia, prudence, cost-effectiveness, non-profit status, openness, and accountability.

BPKH oversees multiple sources of revenue, including BPIH/BPIH Special deposits, Hajj financial benefit values, Hajj efficiency funds, and the Ummah Endowment Fund (DAU). Expenditures encompass the implementation of Hajj, BPKH operations, financial placement and investment, reimbursement of canceled payments, and participation in activities that are advantageous to Muslims.

Examining the impact of asset allocation policies, investment manager performance, and risk levels on the performance of Sharia money market mutual funds yields significant insights for maximizing returns and successfully managing risks (Firli et al., 2022). Through meticulous evaluation of asset allocation, the careful selection of proficient investment managers, and comprehensive risk analyses, the performance of Islamic money market mutual funds can be optimized, resulting in more advantageous outcomes for investors.

### **Investment Practices and Analysis**

Investment techniques and analysis play a vital role in developing the financial environment, particularly in terms of efficiently allocating assets for maximum returns and effectively controlling risks. Regarding Sharia money market mutual funds in Indonesia, the success of these funds is strongly influenced by asset allocation regulations, the performance of investment managers, and the degrees of risk involved (Firli et al., 2022). Investors might strive for best performance by taking into account these elements, while still adhering to Islamic financial norms. Furthermore, the analysis of public opinion on the allocation of funds for Hajj in Indonesia emphasizes the significance of investing in gold. This can be done through the acquisition of certified gold bars or by opening gold accounts that are managed by Islamic financial institutions. It is important to note that these investments should adhere to regulatory oversight and comply with Sharia guidelines, as stated by (As-Salafiyah, 2022). According to (Sulistiyowati, 2022), around 65% of the Hajj monies in Indonesia are directed towards the Islamic banking sector, while the remaining 35% is distributed to Indonesian Hajj fund Sukuk. This allocation technique exemplifies a purposeful endeavor to synchronize investments with Sharia rules and foster financial stability in the Islamic finance domain.

Article 48 of Law No. 34 of 2014 provides the guidelines for regulating investment allocation. It allows investments in several areas such as banking goods, securities, gold, direct investments, and more. BPKH's investment strategies encompass the utilization of securities, Sharia-compliant capital market instruments, and direct investments across several sectors. BPKH utilizes a varied investing approach to efficiently oversee Hajj monies. The main goals are to guarantee the security of the funds, produce profits, and provide financial assistance for Hajj operations. The investment portfolio comprises Islamic Banking Deposits, Sukuk (Islamic Bonds), Islamic Stocks,



and Real Estate and Gold (Masruroh et al., 2023; Sulistyowati, 2022; Witjaksono & Bustomi, 2021).

Senior staff interviews revealed that the investments are spread out across several Sharia-compliant products, including stocks, mutual funds, state sukuk, corporate sukuk, and certified gold. As an illustration, BPKH allocates significant resources to invest in various types of financial instruments, such as Sharia-compliant stocks, sukuk, and mutual funds, in order to safeguard the value of benefits.

In addition to focusing on securities, BPKH also investigates opportunities for direct investments in productive business areas. This encompasses long-term hotel agreements and catering facilities in Indonesia and Saudi Arabia. The investment plan is formulated to achieve a harmonious equilibrium between liquidity, security, and benefit value, with the objective of attaining tax exemptions and optimizing returns for pilgrims.

BPKH has exhibited robust performance in the management of Hajj monies. In 2020, the amount of money managed by BPKH for Hajj increased by 15.08% to Rp143.1 trillion, despite the economic difficulties caused by the COVID-19 pandemic. The agency's management practices, which are characterized by transparency and professionalism, have consistently received unqualified assessments from the Audit Board of Indonesia (BPK) for several years (Humas BPKH, 2022).

### **Exploring Alternative Investment Models using Cash Waqf**

When considering the development of Hajj funds, it is important to explore cash waqf-based alternative investment models. Cash waqf has the potential to be a Sharia-compliant financial instrument that can be used to support the growth and sustainability of Hajj funds. The flexibility and adherence to Islamic principles of cash waqf have made it a popular choice for creative investment strategies in Indonesia, attracting substantial attention. Aldeen et al. (2021) conducted the study. The endorsement of cash waqf

practices as Sharia-compliant in Indonesia has opened up opportunities to investigate its utilization in different financial scenarios, such as the establishment of Hajj funds.

The Imara Waqf Building in Kuala Lumpur, Malaysia, serves as an example of how Hajj revenues can be effectively managed for the purpose of waqf. This building is constructed on waqf property. The Imara Waqf building was constructed with financial support from the Tabung Haji Foundation, in conjunction with the Islamic Religious Council of the Federal Territory, who acted as the nazir. The Waqf Tower has been in operation since October 2011 and is now fully leased by Bank Islam Malaysia Berhad. The result is intended for the beneficiaries of the Waqf. The Hajj Financial Management Agency has the potential to emulate the Uthman bin Affan Hotel and the Imara Waqf Building by constructing tourist facilities, including as hotels and restaurants, on waqf land. By ensuring the settlement of Hajj monies, we may effectively contribute to the welfare and development of the community.

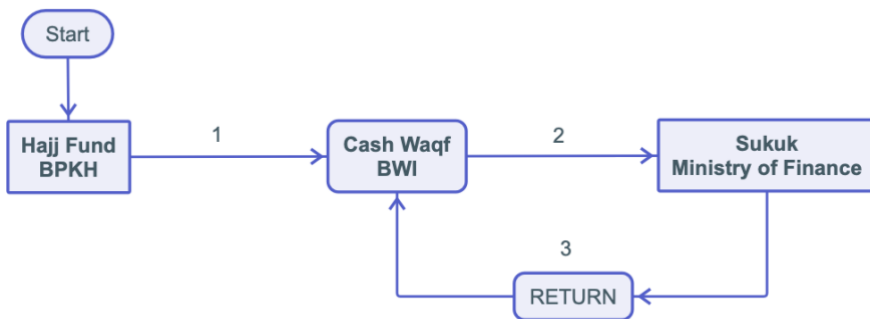
The growing accumulation of Hajj money in Indonesia provides an opportunity to enhance management while safeguarding the fund's objectives, risks, and rewards. Allocating funds to productive waqf assets has the potential to greatly improve the provisions for Hajj pilgrims and promote economic growth. As to Law No. 34 of 2014 and Law No. 41 of 2004 regarding Waqf, it is permissible to utilize Hajj monies for investment in productive waqf projects that adhere to Sharia standards. This encompasses properties such as real estate, commercial buildings, and other business endeavors that contribute to the economic benefits of the community.

An suggested concept entails integrating the management of Hajj funds with the Indonesian Waqf Agency (BWI) to achieve synergy. By appointing BWI as an investment manager for a term money waqf contract, potential pilgrims have the opportunity to engage in waqf during their period of waiting. The expected profits of 8% from sukuk investments would be dispersed to both institutions, so benefiting a wider part of the community.

The process of creating efficient cash waqf models for Indonesia requires careful consideration of several crucial elements, including the functions of waqf institutions, waqf donors, sources of funds, investment assets, and recipients of waqf returns (Ascarya, 2022). These criteria are the basis for organizing investment models based on cash waqf, which can promote sustainable growth and value creation in the administration of Hajj funds. These models are in line with the principles of Islamic finance and ethical investment practices.

Efficient administration of Hajj finances is essential for maintaining the long-term viability and effectiveness of the pilgrimage financing system. The Hajj Financial Management Agency (BPKH) in Indonesia is responsible for supervising these funds, and it consistently seeks novel methods to maximize their utilization. An approach that can be taken is the integration of cash waqf into the investment paradigm, which would involve the Indonesian Waqf Board (BWI) and the Ministry of Finance. This article analyzes the functioning of the integrated investment model and explores its possible advantages.

**Figure 2.** Alternative Investment Models in Hajj Fund Development through Cash Waqf



Below are the details explanations of the model as figure 2:

1. **Fund Management by BPKH:** The purpose of collecting and organizing these monies is to ensure strict compliance with the precepts of Sharia law. The primary responsibility of BPKH is to ensure that all financial transactions adhere to the principles of Islamic law.
2. **Cash Waqf by BWI:** This phase is transforming the cash into a philanthropic endowment that can be allocated to several Sharia-compliant financial instruments for investment purposes. Cash waqf enables the consolidation of funds that can be strategically employed to generate profits while fulfilling religious duties. The duration of the waqf period needs to be established in this instance.
3. **Investment in Sukuk by the Ministry of Finance:** Sukuk is an Islamic financial instrument that has resemblance to a bond in Western finance. It guarantees that the investments adhere to Islamic legal norms, offering a predetermined yield based on the underlying assets. The Ministry of Finance is responsible for issuing these Sukuk, which are then supervised and evaluated for their performance.
4. **Return Flow:** The return flow guarantees that the funds increase in value while being utilized in accordance with Islamic financial principles. The profits are put into the Hajj fund, ultimately helping the Hajj pilgrims and the wider society. The iterative process of investing and receiving profits aids in maintaining the fund and guaranteeing its long-term expansion.

## **The Significance of the Integrated Investment Model for Hajj Funds**

The integrated investment strategy for Hajj money, which includes BPKH, BWI, and the Ministry of Finance, offers numerous notable advantages and consequences for the efficient administration of these assets. This methodology not only complies with Sharia principles but also seeks to maximize financial returns and contribute to wider social and economic well-being. The following are the crucial elements of its importance:

### **1. Compliance with Sharia Principles**

An essential feature of this paradigm is its rigorous adherence to Sharia rules. Utilizing cash waqf and Sukuk guarantees adherence to Islamic law, a crucial factor in upholding the faith of the Muslim community. This adherence ensures the preservation of the ethical and religious principles mandated in Islamic finance, guaranteeing that the administration of Hajj monies is carried out in a manner that is religiously and morally permissible.

### **2. Enhanced Financial Returns**

The model seeks to attain superior and consistent financial gains by investing in Sukuk, a financial instrument that adheres to Sharia principles, as opposed to conventional investment approaches. Sukuk investments offer consistent and reliable returns, which are crucial for ensuring the long-term growth and stability of the Hajj funds. By reinvesting these gains, the money can be certain to continuously expand and provide benefits to future Hajj visitors.

### **3. Diversification and Risk Management**

Incorporating cash waqf into the investment strategy enables the creation of a diversified portfolio. Diversification is a core principle in investment management as it distributes risk among different assets, mitigating the impact of any individual investment's underperformance. The approach incorporates Sukuk and maybe other Sharia-compliant products to reduce financial risks and improve the stability of the investment portfolio.

#### **4. Contribution to Social Welfare**

Waqf is an inherently philanthropic donation designed to provide benefits to the community. The integrated investment approach utilizes waqf to ensure that the financial benefits are not limited to Hajj fund management alone, but also encompass wider social welfare. The profits generated by these investments can be utilized to fund a range of community initiatives, including the construction of infrastructure and implementation of social programs, thus enhancing the general welfare of the Muslim community.

#### **5. Strategic Optimization of Fund Management**

The utilization of BWI as an intermediary to oversee the waqf and invest in Sukuk, under the supervision of the Ministry of Finance, demonstrates a strategic enhancement of fund management. This arrangement guarantees that the funds are managed by specialized businesses with proficiency in Sharia-compliant investments and financial management. Specialization improves the efficiency and efficacy of managing funds, guaranteeing that the funds are both protected and optimized for maximum profits.

#### **6. Economic Development**

Allocating funds to Sukuk and other financial products that adhere to Sharia principles enhances the overall economic progress of the nation. Sukuk frequently finances infrastructure projects, entrepreneurial endeavors, and other economic activities that create jobs, enhance infrastructure, and foster economic expansion. The methodology facilitates the allocation of Hajj revenues towards productive initiatives, hence promoting the achievement of national economic development objectives.

#### **7. Sustainability and Growth of Hajj Funds**

The iterative process of investing and receiving profits illustrated in the model guarantees the long-term viability and expansion of Hajj funds. The reliable profits created from Sukuk investments enable ongoing reinvestment, establishing a financially viable ecosystem that facilitates the long-term goals

of Hajj fund management. Ensuring sustainability is essential to accommodate the growing number of pilgrims and guarantee that there are the financial resources to meet their demands.

## **Conclusion**

This research emphasizes the crucial significance of efficient and Sharia-compliant handling of Hajj finances in Indonesia. The report emphasizes the existing strategies employed by BPKH, which involve allocating funds to Islamic banking deposits, Sukuk, and direct business operations, thereby showcasing a dedication to upholding Islamic financial standards. Additionally, it highlights notable prospects for enhancement by incorporating cash waqf into the Hajj fund administration structure.

The suggested alternative investment strategies, which utilize cash waqf, present a potential strategy to improve the sustainability and expansion of Hajj money. By making strategic investments in Sukuk and other Sharia-compliant financial instruments, and by effectively managing these investments through BWI and oversight from the Ministry of Finance, we can achieve higher financial returns and greater social welfare benefits. The cyclical process of allocating and reinvesting income guarantees the sustained viability and ongoing expansion of the funds, ultimately benefiting Hajj pilgrims and the wider community.

Moreover, doing a comparison analysis with Malaysia's successful Imara Waqf Building initiative offers useful insights and exemplary methods that can be applied to the Indonesian setting. The research highlights the necessity for increased openness, accountability, and strategic optimization in fund administration to accomplish these objectives.

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