

Indonesia's new Hajj Fund Management Agency



INDONESIA

By Farouk Abdullah Alwyni

The members of Indonesia's new Hajj Fund Management Agency, or known by its Indonesian name as Badan Pengelola Keuangan Haji (BPKH), were inaugurated by the president of the Republic of Indonesia, Joko Widodo, on the 26th July 2017, and immediately commenced work on the management of Indonesia's Hajj funds. Previously, Indonesia's Hajj funds were managed directly by the Ministry of Religious Affairs, and invested mostly in government Sukuk and deposits of Indonesia's Islamic banks.

The new approach in managing Indonesia's Hajj funds was introduced with the issuance of Law No 34/2014 (the Law) on Hajj financial management signed by Susilo Bambang Yudhoyono, a former president of the country, on the 17th October 2004.

“ It is critical for the management of BPKH to uphold the principles of integrity/ethics and professionalism in managing these Ummah funds, and be brave enough to deal with any vested interests and unnecessary political interference ”

The Law stipulates that Hajj financial management is done by BPKH



and that BPKH is an independent public legal entity responsible to the president through the minister, and the management of Hajj funds should use a corporate and non-profit approach. Here, it means that although BPKH should be managed professionally like any other financial institution, all of its profits should be used to increase the quality of services to pilgrims in particular and bring benefits to Indonesia's Muslims in general (Article 3 of the Law).

Based on information from the Ministry of Religious Affairs, as of June 2017, Indonesian Hajj funds reached IDR99.4 trillion (US\$7.41 billion), which is approximately 18.9% higher than the total assets recorded in the audited report done by the State Audit Agency on the 31st December 2015 which stood at IDR83.6 trillion (US\$6.23 billion).

The aforementioned figure of Indonesian Hajj funds is relatively significant, and in fact is bigger than the total assets of the largest Shariah bank in the country, Bank Syariah Mandiri, which stood at IDR78.8 trillion (US\$5.88 billion) in 2016. However, the amount is still less than half that of Tabung Haji Malaysia whose assets as at the

31st December 2016 stood at RM64.3 billion (US\$15.04 billion). Taking into consideration all of the subsidiaries, the total assets of the Tabung Haji Group reached RM124.8 billion (US\$29.19 billion) during the same period.

Actually, if managed properly, Indonesia's Hajj funds could have been bigger than Malaysia's considering that the Muslim population in Indonesia is more than 10 times bigger.

The establishment of a dedicated body like BPKH is an important step toward creating a professional entity to preserve and grow Indonesia's Hajj funds. In turn, it will also contribute to the development of Islamic finance in the country. However, to realize this, it is critical for the management of BPKH to uphold the principles of integrity/ethics and professionalism in managing these Ummah funds, and be brave enough to deal with any vested interests and unnecessary political interference.☺

Farouk Abdullah Alwyni is the chairman of the Center for Islamic Studies in Finance, Economics and Development and CEO of Alwyni International Capital. He can be reached at faalwyni@alwynicapital.co.id.