

## Designing the Business Scheme Model of Direct Investment of Indonesian Hajj Funds to The Saudi Food Industry

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**Abstract.** Diversification of investment in hajj funds is also needed in the real sector to optimize the portfolio and sustainable development of hajj finance. This study analyzes the potential for direct investment in the supply of raw materials to meet the needs of catering and processed food by the Indonesian Hajj Fund Management Agency in Saudi Arabia's food industry. This research utilized a qualitative approach and used data and regulations from authorities and regulators in Indonesia and Saudi Arabia. All available data is used to design direct investment models using contracts complying with ethical and fair investment principles. The results depicted two alternative investment schemes: executing a joint venture or establishing a subsidiary. *Murabaha* and parallel *salam* can carry out the business contract schemes. Using the *murabaha* scheme, the risk of fluctuations in exchange rates and commodities can be controlled by setting the margins. Meanwhile, *salam* contracts are explicitly made for orders obtained from local suppliers to avoid the risk of exchange rate fluctuations. This research is limited to the condition of hajj financial management in Indonesia and Saudi Arabia. However, this research is expected to improve the literature on the management of hajj finance and provide an alternative way for innovative and sustainable direct investment performed by the Indonesian Hajj Financial Management Agency.

**Key words:** Direct investment, food industry, hajj fund, Saudi Arabia.

**Abstrak.** Diversifikasi investasi dana haji juga diperlukan di sektor riil untuk mengoptimalkan portofolio dan pengembangan keuangan haji yang berkelanjutan. Penelitian ini menganalisis potensi investasi langsung penyediaan bahan baku untuk memenuhi kebutuhan catering dan makanan olahan oleh Badan Pengelolaan Keuangan Haji Indonesia di industri makanan Arab Saudi. Penelitian ini menggunakan pendekatan kualitatif dan menggunakan data serta regulasi dari otoritas dan regulator di Indonesia dan Arab Saudi. Semua data yang tersedia digunakan untuk merancang model investasi langsung dengan menggunakan kontrak yang mematuhi prinsip-prinsip investasi yang etis dan adil. Hasil penelitian menunjukkan bahwa terdapat dua skema investasi alternatif: mengeksekusi usaha patungan atau mendirikan anak perusahaan. *Murabahah* dan *salam* paralel dapat menjalankan skema kontrak bisnis. Dengan menggunakan skema *murabahah*, risiko fluktuasi nilai tukar dan komoditas dapat dikendalikan dengan menetapkan margin. Sementara itu, kontrak *salam* secara eksplisit dibuat untuk pesanan yang diperoleh dari pemasok lokal untuk menghindari risiko fluktuasi nilai tukar. Penelitian ini dibatasi pada kondisi pengelolaan keuangan haji di Indonesia dan Arab Saudi. Namun demikian, penelitian ini diharapkan dapat meningkatkan literatur tentang pengelolaan keuangan haji dan memberikan alternatif cara investasi langsung yang inovatif dan berkelanjutan yang dilakukan oleh Badan Pengelola Keuangan Haji Indonesia.

**Kata Kunci:** Arab Saudi, dana haji, industri makanan, investasi langsung.

## INTRODUCTION

In Indonesia, the institution established by the government legally and formally in terms of managing hajj funds so that it continues to grow to provide subsidies from the real costs of hajj activities is the Hajj Financial Management Agency (known as Badan Pengelola Keuangan Haji or abbreviated as BPKH). BPKH was formed in 2017 and started operating in 2018 under the mandate of Law no. 34 of 2014, which is intended to reform the management of the Indonesian people's hajj funds to be more



efficient, transparent, accountable, and professional in order to increase the value of organizing hajj affairs (Muneeza et al., 2018).

Currently, the total income for hajj funds is still dominated by the rupiah (Indonesian currency) because the types of investments made are still on a national scale. It is calculated that only 10% of special hajj pilgrims (of the total pilgrims) pay an initial deposit in US dollars each year. On the other hand, the allocation of hajj expenses is also dominated by payment transactions using foreign currencies, including flight costs (46%) using US dollars, accommodation and transportation (34%), and living costs (6%) using Saudi riyal, and the remaining 14% for payment of other domestic fees using rupiah currency (BPKH, 2020).

The global economic uncertainty signed by inflation in the form of increases in accommodation and transportation costs for the hajj pilgrimage, as well as fluctuations in the rupiah currency, has a direct impact on the upward trend in the actual cost of performing the pilgrimage. Over ten years (2008-2017), the cost of hajj has increased by an average of 2% per year and 12.15% per year for 20 years from 1998 – 2017 (Hidayati, 2018). This is a substantial challenge for the Hajj Financial Management Agency (BPKH) to innovate investment and optimize the value of benefits through diversification of hajj financial management in order to cover the difference between actual costs and direct costs paid by pilgrims (Muneeza et al., 2018; Witjaksono, 2020).

Among the appropriate and potential forms of investment to be made to get foreign currency (Saudi Riyal SRA and US Dollar USD) income is through a direct investment scheme in the hajj ecosystem in Saudi Arabia. BPKH (2020) stated that there were three potential direct investment sectors to work on, especially in Saudi Arabia, namely transportation, accommodation, and consumption (catering). Among the three sectors, consumption (catering) is one of the strategically superior sectors that has an ecosystem in the form of a broad supply value distribution chain that BPKH can pursue optimally.

Saudi Arabia's food and beverage market is the largest and most attractive market in the Middle East, with market size of SAR 169 billion and a growth rate of 6% per year from 2013 (US\$ 36 billion) to 2021 (US\$ 59 billion). The official data from the Saudi General Investment Authority (SAGIA) shows that raw material commodities dominate the market, with animal and vegetable oils as commodities with the highest Compound Annual Growth Rate (CAGR) of 9% from 2013 to 2021. Followed by products seafood (7.0%), meat and poultry (6.9%), then fruits, nuts, and vegetables (6.3%), dairy and confectionery products, flour products, and coffee, each 6.1%, and finally, beverages that grow by 5.5% every year (Investsaudi, 2020c). In 2016, the Saudi Arabian food and beverage market accounted for 12% of Saudi GDP, with the average household spending reaching 18%. Uniquely, 80% of the total domestic demand is met through imports (Investsaudi, 2020a). This condition is in line with the fact that most Saudi food producers secure their raw material and production support needs by relying on imports (Mousa, 2018).

The food and beverage industry in Saudi Arabia is growing into a global halal market due to the growing population of hajj and umrah pilgrims, which reaches 8 million people annually and is estimated to reach a cumulative 30 million people by 2030 (Investsaudi, 2020a). In particular, concerning Indonesia, the growth in the number of Indonesian hajj and umrah pilgrims, which are the largest in the world, is a large potential market for supplying raw food materials. This condition is supported by Indonesia's position as the leading supplier in 2016 for processed fish products with a value of US\$ 62.5 million (24%), seasoning and sauce products with a transaction value of US\$ 57.91 million (30.9%), and spice products as the third-largest exporter (7.6%) of the total US\$ 150.3 million transactions after India and China (Mousa, 2018). Apart from that, the Government of Indonesia itself has strong support in the form of implementing the Law of Number 33 of 2014 concerning Guaranteed Halal Products, which covers many sectors, including halal food and beverages, both raw materials and finished goods (Effendi et al., 2021).

In this case, BPKH has an excellent opportunity to start exploring business and investment cooperation schemes in terms of providing/supplying raw materials for prepared food (catering). This potential is increasingly wide-open considering that there has been a collaboration between the Indonesian Government and catering company in Saudi Arabia regarding tenders for the provision of Indonesian specialties. Based on the explanation above, this research seeks to cover the research gap by focusing the discussion on the innovation of the Republic of Indonesia's hajj financial investment through BPKH in the direct investment sector, which so far has focused chiefly on indirect investment through securities, sukuk, gold, or Islamic deposits.

From an academic point of view, the research on hajj's financial investment is still the tiniest. Therefore, no research has explicitly discussed the scheme and design of the hajj fund investment model directly in the real sector. Hidayati (2018) examines the perspective of sharia investment on fluctuations in the rupiah exchange rate, US dollar, and dinar. Muneeza and Mustapha (2021) measured the impact of COVID-19 on hajj and umrah and what priority steps can be taken.

Next, Muneeza et al. (2018) compare the financial management of hajj by designated agencies in Malaysia, Indonesia, and the Maldives. Hashim et al. (2023) explored the relationship between crude palm oil prices and Tabung Haji dividend yields in the theoretical framework of residual dividend theory and dividend expectation theory on investments made by Tabung Haji Malaysia and Indonesian BPKH. Regarding the legal side of the contract, Musjtari and Kencana (2020) investigated the legal consequences and their relationship to the implementation of the *wakalah* contract in the deposit of hajj funds. Due to this, losses on hajj fund investments will be borne by BPKH, which acts as a representative of prospective hajj pilgrims.

In more particular regarding hajj fund investment management, Jumali (2018), in his research results, emphasized that hajj funds may and are halal to be invested in the infrastructure sector and other sectors. It is based on the signing of the representative of the hajj fund management rights from prospective hajj pilgrims to BPKH at the beginning of the hajj fund deposit. Affirming these results, Samsudin et al. (2023) encourage the implementation of hajj management that is in line with the maqoshid sharia, where BPKH is expected to collaborate with the Ministry of Religion and related parties to support professional and transparent hajj financial management and to reduce the negative stigma in society regarding the management of hajj funds.

Furthermore, the analysis of the feasibility of investing in hajj funds in the infrastructure sector was carried out by Witjaksono (2020). Furthermore, to maintain the security of hajj funds against exchange rate fluctuations, Ismal and Septiana (2019) examined the right time to carry out Islamic hedging of hajj funds for the Indonesian case. However, the research discusses explicitly how the pattern, model, and feasibility of direct investment of hajj funds in crucial sectors such as catering has yet to be found.

Based on the author's knowledge, this is the early research that directly discusses in detail and detail business potential, investment provisions and regulations, *modus operandi*, and contract schemes, as well as risk mitigation of BPKH's direct investment in the catering raw material sector. It is hoped that this paper can be a valuable input for BPKH in particular and the Indonesian government or the government of other countries that have similar institutions in terms of investment in hajj funds in the form of direct investment.

## LITERATURE REVIEW

### Investment Portrait of Processed Food Processing Raw Material Market in Saudi Arabia

The raw materials market for food and beverages in Saudi Arabia coincides closely with the food processing and production industry which continues to proliferate. This industry has become attractive and attracted many multinational companies to set up production facilities in Saudi Arabia. The

number of food processing factories increased by 38%, from 737 units in 2007 to 1,018 in 2016. In the same year, the sales volume of packaged food products increased 67% since 2007, with a transaction value of US\$ 40 billion (Mousa, 2018).

This growing investment climate is influenced by key driving factors such as population growth followed by an increase in per capita income, growth in investment from abroad and an increase in the number of retail outlets, and urbanization (Investsaudi, 2020a, 2020b; Mousa, 2018). Another key factor is Saudi Arabia's competitive advantage, followed by the availability of reliable transportation infrastructure with sophisticated supply chain management. In addition, the government's high commitment to market development through the provision of subsidies, low land rental costs, and the existence of interest-free soft loans have also been the main factors for the progress of this sector (Mousa, 2018; Investsaudi, 2020d).

The Saudi Foreign Investment Act (FIA) allows foreign investors to fully own food production facilities, acquire or take over existing local companies, or partner (joint ventures) with Saudi nationals or local companies to jointly set up a processing factory (Mousa, 2018). The Saudi government also provides other support in the form of soft loans through the Saudi Industrial Development Fund and the Saudi Agricultural Development Fund. In addition, for investors in the food processing sector, the Saudi government is given special incentives such as eliminating double taxation and easing investment in bilateral and inter-country trade (Investsaudi, 2020d).

### Potential Products in the Raw Material Supply Business in Saudi Arabia

Indonesia has great potential and opportunity to work in the food processing sector, focusing on providing/procuring raw materials for processed food and catering in Saudi Arabia. The raw materials in question can be in the form of Indonesia's leading export commodities to Saudi, such as processed fish, spice products, spices, raw materials, sauces, or the like (Mousa, 2018) or it can also target other superior products in this industry.

Table 1 Types of products of leading imported raw materials of Saudi Arabia

No.	Types of Product	Featured Product Type
1	Meat and milk	Poultry, beef, skimmed milk powder, full cream milk powder, cheese, butter, concentrated milk protein, anhydrous milk fat (AMF) and butteroil, whey powder, and whey permeate powder.
2	Processed food	Dehydrated chicken powder, jam ingredients, french fries, bread and cake ingredients, juice concentrates, ice cream ingredients, chili sauce, and specialty flours, sorbitol liquid, various syrups, beverage ingredients, margarine, shortenings, sauces, chocolate, cooking oil, vegetables, wheat flour, wheat gluten, corn flour, potato starch, grits, rice flour, soy flour, soy protein, soy lecithin liquid and powder, semolina, cocoa powder, cocoa butter, gum, egg powder.
3	Food and soft drinks	Food additives include coloring agents, flavor enhancers and stabilizers, and other snack ingredients.
4	Healthy food	Tree nuts, tomato paste, beans, oats, rice, vegetable oil, vegetable fats, grape leaves, spices, fruit pie fillings, other seasonings.

Source: Mousa, 2018 (data is processed by Author).

### Market Structure of the Food Processing Industry in Saudi Arabia

The distribution chain of the Saudi food industry starts from a network of Saudi Arabian importers, wholesalers, small retailers, clients, and consumers. Typically, Saudi importers sell their products to wholesalers, who then resell them to small retailers or even to consumers directly (Rahman, 2017). Regarding market segmentation, catering is one of the main sub-sectors with increasing demand yearly. Royal catering clients are divided into five categories, including the following (Mousa, 2014).

1. Blue-collar workers  
Namely, expatriates were living and working in Saudi, generally single and living in large labor camps.
2. White-collar ex-pats  
White-collar ex-pats, are employees who work in government agencies and the private sector.
3. Hospitals and other institutional customers  
This category includes universities, schools, housing complexes, and airlines.
4. Hajj and Umrah  
Pilgrims usually stay between two weeks to two months around the cities of Makkah, Madinah, and Jeddah and rely on restaurants or catering companies for their three meals daily.
5. Catering for special events  
Among them are weddings, conferences, iftar, and suhoor receptions during Ramadan.

### Business and Investment Contracts in Islamic Principle

Two major sharia-compliant business schemes can be used to invest and buy and sell raw materials or commodities. Each contract has its rules and consequences that make it unique compared to contracts in the conventional economy.

1. Buy-Sell Contract  
In Islamic economics and finance literature, the procurement of raw materials and processed food can be done through the following buying and selling schemes.
  - a. *Murabaha* Contract  
Also known as margin (cost plus) buying and selling, a sale and purchase in which the seller confirms the purchase price and payment by the buyer at a higher price as profit (AAOIFI, 2017; DSN-MUI, 2017; Iqbal and Mirakhor, 2011). The *murabaha* payment scheme is carried out in cash, like buying and selling. In practice in Islamic Financial Institutions (IFIs), buying and selling objects are sold with an installment system according to the agreement after being purchased and controlled by IFIs (AAOIFI, 2017; Usmani, 2012) based on an order by a prospective buyer in advance which is not binding for the parties (Majid, 2021b).
  - b. *Salam* Contract  
*Salam* or forward sale agreement is a buying and selling scheme by ordering where commodities (usually agricultural products such as spices or raw materials) are sold with detailed and precise specifications to the buyer with payment made in cash (advanced) upfront. The goods will be delivered at a later date based on the agreement (Iqbal and Mirakhor, 2011; Kaleem and Wajid, 2009; Majid, 2021a; Usmani, 2012). In a *salam* contract, the seller is not required to own production facilities or act as a producer because the seller can fulfill demand by buying from the market or other suppliers with a parallel *salam* scheme (AAOIFI, 2017; Majid and Sukmana, 2023; Usmani, 2012). With *salam*, the seller gets a cash payment upfront which can be used as initial capital, while the buyer gets the goods lower than the market price (Obaidullah, 2015). In addition, the initial capital received as a payment price can be used to cover family and other living expenses until the harvest season (Majid, 2021a, 2022).
2. Business and Investment Agreement
  - a. *Musharaka* (Joint Venture)  
That is a cooperation between two or more parties to combine their assets, labor, and dependents to obtain profits (AAOIFI, 2017). Profits are shared by the parties following a mutual agreement, while losses are divided in proportion to their respective capital contributions (Obaidullah, 2015).
  - b. *Mudharaba* (Trustee-Partnership)  
*Mudharaba* is a form of partnership where the capital comes from one party, namely the investor (*shahibul maal*), and the other party is the manager (*mudharib*). The profits are divided based on an agreement, and losses that are not caused by negligence and actions

that exceed the limits of the manager are entirely borne by the investor (AAOIFI, 2017; Obaidullah, 2015; Usmani, 2012). On the other hand, in a loss-making business condition, the manager also suffers a loss for the time, energy, thought, and effort that has been given (Majid, 2021b).

## METHOD

This paper used a descriptive-qualitative method by describing or analyzing a research result, but it is not used for broader conclusions, focusing on the formulation of the problem discussed (McCulloch, 2004; Yin, 1989). Secondary data is derived from reputable scientific journals, books, official statistics, reports, and other policies/regulations. In formulating and elaborating investment scheme ideas and innovations, the author remain guided by the laws, Presidential Regulations, and Government Regulations regarding hajj financial investments issued by stakeholders/regulators such as BPKH, Indonesian Financial Service Authority (OJK), and DSN-MUI in Indonesia as well as foreign investment, business and trade by the authorities/regulators in Saudi Arabia.

All data collected were analyzed by content analysis to provide knowledge and understanding of the problem under study through the subjective interpretation of the data content to develop knowledge (Hsieh and Shannon, 2005). The in-depth analysis includes potential investment schemes, a review of investment regulations in Indonesia and Saudi Arabia, *modus operandi*, contract schemes, and risk mitigation of the proposed ideas to direct investment of the hajj fund. The author also completes the analysis from the business perspective in the form of a Business Model Canvas (BMC) to facilitate the measurement of readiness, excellence, innovation strength, and the success of a product in creating and communicating value from opportunities to strengths in business.

## RESULTS AND DISCUSSION

### Alternative Schemes and Regulations for Investment in Raw Material Supply in Saudi Arabia

Referring to the regulation of BPKH No. 5 of 2018 concerning Procedures and Forms of Hajj Financial Investment Article 5 paragraph 3 in general, there are two alternative direct investment methods that BPKH can carry out in the raw material supply sector. First, BPKH conducts an investment cooperation scheme with a *musharaka* contract (joint venture) in the form of equity participation in non-public sharia companies, with a choice of the majority or non-majority ownership. Secondly, BPKH invests by establishing subsidiaries and conducting direct business cooperation with local companies or suppliers already operating domestically and in Saudi. The two forms of this scheme are in harmony and do not violate the Decree of the Kingdom of Saudi Arabia No. (M/3) dated 28/1/437H regarding the Companies' Law article 3 regarding the form of the company. When starting direct investment in the supply/procurement of raw materials in the food processing industry in Saudi Arabia, it is necessary to pay attention to the laws and regulations of the Kingdom of Saudi Arabia related to trade, economy, and investment, including the following.

Table 2 Regulations regarding trade, economy, and investment in the Kingdom of Saudi Arabia

No	Regulation	Description
1	Companies' Law	Government Decree No. M/ 3 dated 28/1/1437H
2	Law of Commercial Agents	Government Decree No. 11 dated 20/2/1382
3	Foreign Investment Law	Government Decree No. 1 dated 1/5/1421H
4	Law of Trade Marks	Government Decree No. M / 21 dated 28/5/1423H
5	Law of Trade Names	Government Decree No. M / 15 dated 8/12/1420H
6	Installment Sale Law	Government Decree No. M/ 13 dated 4/3/1426H
7	Contractor Classification Law	Government Decree No. M/ 18 dated 3/20/1427H
8	Law of Chambers of Commerce and Industry	Government Decree No. M/ 6 dated 30/4/1400H
9	Law of Saudi Development Fund	Government Decree No. M / 48 dated 14/8/1394H
10	Law of Commercial Register	Government Decree No. M / 1 dated 21/2/1416H

Source: Bureau of Experts at the Council of Ministers, 2020.

Regulations in the food processing sector ecosystem have also been regulated in such a way as to avoid overlapping roles and policies issued. In this case, the kingdom of Saudi Arabia divides the investment value chain into four main sectors.

Table 3 The roles of local and regional institutions in the investment value chain

Sector	Institutions
Development	Ministry of Environment, Water and Agriculture; Ministry of Trade and Investment, and Ministry of Energy, Industry and Mineral Resources.
Regulator	Saudi Food and Drug Authority (SFDA), Saudi Standards, Metrology and Quality Organization (SASO), GCC Standardization Organization
License Publisher	Ministry of Environment, Water and Agriculture; Ministry of Trade and Investment, and General Investment Authority
Funding & Investment	Saudi Agricultural Development Fund (SADF), Saudi Industrial Development Fund (SIDF), and Saudi Industrial Property Authority (SIPA)

Source: Investsaudi, 2020c (processed by Author).

By referring to the regulations of the kingdom of Saudi Arabia above, the general components of investment in the supply/procurement of raw materials are as follows. This is done to facilitate the regulation and provisions of business types based on the rules of both countries.

Table 4 General operational provisions for investment and business supply of raw materials in the food processing industry of the Kingdom of Saudi Arabia

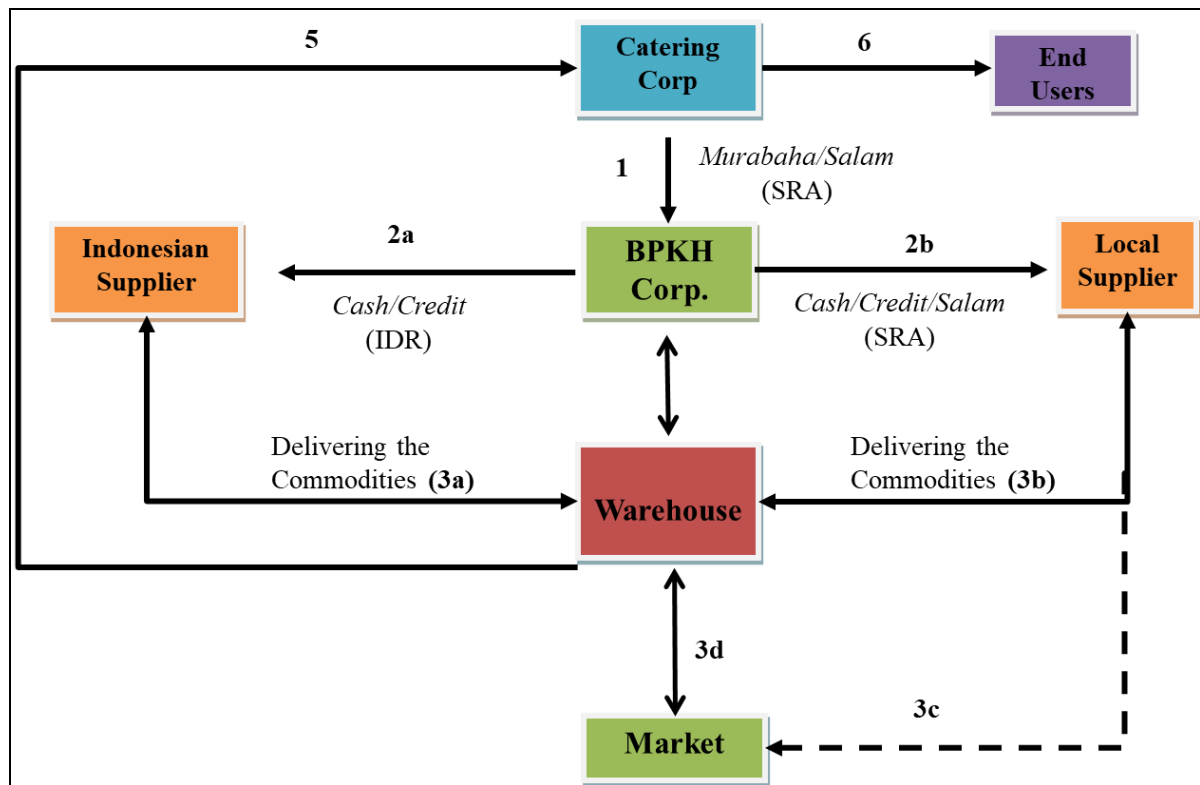
Component	Explanation
Type of Company	1) Joint Venture Partnership Model (with majority share ownership or not) 2) Establishment of a subsidiary (investment cooperation scheme)
Type of Business License	Commercial sector (business and trade)
Minimum Capital	1. SAR 26 million (up to 75% ownership) 2. SAR 30 million (up to 100% ownership)
Requirements (Share Ownership)	
Trade Rules (Multilateral and Regional)	1. World Trade Organization (Multilateral) 2. Gulf Cooperation Council (Regional) 3. The Greater Arab Free Trade Area (Regional)
Bilateral Trade Rules and Their Relation to Indonesia	Indonesia is one of 23 countries whose companies are promoted and protected while investing in Saudi Arabia
System/Method of Buying and Selling	Cash or credit (based on Installment Sale Law)
Double Tax Avoidance	No, Indonesia is not one of the 29 countries that have signed double taxation avoidance agreements.

Source: Author, 2025 (processed from various sources).

When converted to rupiah (IDR), the minimum capital requirement above has a value range between IDR 104 billion – 120 billion (assuming 1 SAR = 4000 IDR). As of June 2020, the funds managed by BPKH are IDR 136.42 trillion (BPKH, 2020). Therefore, if referring to BPKH Regulation no. 1 of 2019 concerning Procedures and Forms of Hajj Financial Placement points to the general policy of hajj financial allocation, there is IDR 68.21 trillion (50%) of funds placed in investment. Of this amount, 20% for direct investment is a maximum of Rp 13,642 trillion. Thus, the nominal still meets the criteria and does not exceed 1% of the minimum limit of funds required for obtaining an investment license in the trading and procurement business of raw materials in Saudi Arabia.

## Modus Operandi and Business Contract Scheme for Business of Supply for Raw Material in Saudi Arabia

Based on the two alternative investment schemes described before, when the first alternative (joint venture) is done, BPKH only injects funds, and the management of the existing company carries out business operations. This condition will be different if BPKH uses the second alternative: establishing a subsidiary, creating business plans, organizing and setting vision, mission, and targets, and collaborating directly with other companies. In this case, the modus operandi and contract scheme formulated by the author is for business operations using the second alternative because it is considered more profitable in the long term.



Source: Author (2024).

Notes:

\*The market segment to supply raw material consists of catering companies, processed food companies, hypermarts, supermarkets, and Baqalas (stores with small-scale storage). In this case, the market segment is symbolized/represented by a catering company.

\*\* IDR: Indonesian Rupiah & SRA: Saudi Riyal

Figure 2 Modus operandi as supplier for raw materials for the halal food and beverage market

The business operations above generally consist of six transaction processes based on the contract/transaction scheme and parties' involvement.

1. The catering company conducts buying and selling transactions with a subsidiary established by BPKH (hereinafter referred to as BPKH Corp) using the Saudi Riyal (SRA) currency. If BPKH Corp. has inventory, the contract is made by buying and selling either with a cash or installment scheme. However, as a newcomer to the market, to avoid the risk of unsold goods and increased storage costs (warehouse), BPKH Corp. can sell commodities to catering companies using a *murabaha* or parallel *salam* contract scheme.



Table 5 Sales and purchase scheme of BPKH Corp. – catering company

Components	The Scheme if Inventory is Available		The Scheme if Inventory is Not Available	
	Cash	Credit	<i>Murabaha</i>	<i>Salam</i>
Type of Payment	Cash	Installment	Installment	Cash
Delivery of Commodities	Cash/ Directly	Cash/ Directly	Cash/ Directly if the goods have been purchased and controlled	3-6 months, according to the type and specification of commodity ordered
Order Status/ Purchase	Binding the parties	Binding the parties	<i>Wa'ad</i> (purchase agreement) is not binding. The contract is carried out if the goods have been purchased and controlled. Guarantee money as a sign for seriousness ( <i>Hamish Jiddiyah</i> ).	Binding the parties
Down Payment	No	Yes		No

Source: AAOIFI, 2017; DSN-MUI, 2000; Iqbal and Mirakhor, 2011; Usmani, 2012.

- If using a *murabaha* scheme, the catering company performs *wa'ad* (purchase agreement) by explaining the raw materials specifications, including quantity, quality, color, type, variety, shape, and other details. BPKH Corp. can ask for a severe money/guarantee (*hamisy jiddiyah*), which is a deposit and may not be used. If using the *salam* scheme, the catering company explains the detailed specifications (as in the *murabaha* scheme) followed by an agreement on the delivery time of the commodity. In this case, payment is made in cash (advanced) upfront, and the goods will be delivered later according to the agreement.

The parallel *salam* scheme is only for commodity orders whose fulfillment is only from local Saudi suppliers. The goal is that transactions are carried out only using the Saudi Riyal (SRA) currency. Meanwhile, the orders for raw material commodities from catering companies (which are paid in SRA) can only be fulfilled from Indonesian suppliers (payments by BPKH Corp. using IDR), so the contract used is *murabaha*. The aim is to avoid the risk of currency fluctuations and commodity prices.

BPKH Corp. conducts buying and selling of raw material commodities from suppliers. Especially for products of spices, sauces, and other raw materials, which are only commodities and can only be met from Indonesian suppliers, BPKH Corp. buys them in cooperation with Indonesian suppliers with payment using IDR currency. The alternative contract used is buying and selling with cash or an installment payment system (see flow no. 2a). Meanwhile, for ordered products that can still be fulfilled from local products, BPKH Corp. can buy them from local suppliers where receipts and payments only use the riyal currency.

Alternative contracts are buying and selling with cash or installment payment system or with a *salam* scheme which will be parallelized later (see flow 2b). If using a parallel *salam* scheme, the purchase price paid (in cash) to local suppliers is lower than the selling price to the catering company. Likewise, the delivery time from local suppliers to BPKH Corp. is earlier than the delivery time for commodities from BPKH Corp. to catering companies.

- Indonesian supplier (3a) and local supplier (3b) deliver the purchased/ordered commodities to the BPKH Corp. warehouse. If it turns out that local suppliers have a shortage of commodities to deliver, the difference can be met by buying from the market or other suppliers (3c). Likewise, suppose there is a default case of delivery of goods by a local supplier to BPKH

Corp. (because it uses a similar *salam* scheme). In that case, BPKH Corp. can meet the difference in commodity shortages by buying from the market (3d).

4. Commodities received at the warehouse are ensured in terms of quantity and quality (stock opname) before being resold or delivered (if using a parallel *salam* scheme). BPKH Corp. is assumed to rent a warehouse for commodity storage in this case.
5. If using the *murabaha* scheme, BPKH Corp. sells the commodity by confirming the purchase price of the goods (including the cost of purchase and other costs) along with the agreed margin (profit). In terms of mitigating risk, the calculation of potential fluctuations in currency and commodities is included in determining the amount of margin, and all other costs are incurred in acquiring commodities. In terms of payment, the catering company pays with an installment scheme according to the agreement. Meanwhile, when using the *salam* scheme, the commodity is delivered to the local supplier at the agreed time and place/location.
6. Catering companies delivering their orders to consumers/end users.

### Risk Mitigation of Direct Investment for Business of Supply of Raw Materials in Saudi Arabia

The risks that occur are inherent in the use of contract schemes which have different consequences, including the risk of fluctuations in exchange rates and commodities. Based on the modus operandi above, it is known that orders for raw materials, which can only be fulfilled from suppliers in Indonesia, are executed under a *murabaha* contract scheme. The following is risk mitigation when using a *murabaha* scheme.

Table 6 Risk mitigation of *murabaha* and installment scheme

No	Type of Risk	Risk Mitigation
1	Exchange Rate	Determination of margin by including predictions/potential fluctuations in the IDR currency against the riyal (or vice versa) and fluctuations in commodity prices. So, in this case, the selling price (acquisition price + margin) is greater than the market price. In the event of a downward trend in the value of the rupiah against the USD (IDR depreciation) in several decades or the volatility of the IDR against the USD and SAR, which can affect the cost of organizing hajj funds, Islamic hedging can be carried out.
2	Price	The payment installment period is paid with a short period (e.g., between 3 – 6 months, depending on the commodity).
3	Fluctuation	
3	Buyer Cancels to Continue the Purchase	<ul style="list-style-type: none"> <li>▪ Asking for <i>hamisy jiddiyah</i>, which is guaranted money that is deposited (not allowed to be used) and can be used as a price deduction when the commodity is owned by BPKH Corp.</li> <li>▪ <i>Khiyar syarat</i>, namely the requirement to return the goods (not to continue the transaction) (for example, within a week) from the supplier if the catering company cancels the purchase.</li> </ul>
4	Liquidity	Short installment payment period. If there is a delay or default, execution of the collateral is carried out, or it is covered by the guarantor ( <i>kafil</i> ).
5	Failed to Pay (Default)	<ul style="list-style-type: none"> <li>▪ The object of sale (raw material commodity) is used as collateral (<i>dhaman</i>) or other goods that have value. It can be executed if the buyer does not pay installments twice in a row or if the default occurs.</li> <li>▪ Guarantees from third parties (<i>kafil</i>)</li> </ul>
6	Late in Payment	Financial sanctions can be executed (based on decisions from authorities or judges) in the form of fines used for social activities.

Sources: Ismal and Septiana, 2019; Wahyudi et al., 2015.

The risks and mitigation above are accommodated to the terms and conditions of implementing the *murabaha* contract. Meanwhile, the risk mitigation when using a parallel *salam* scheme can be seen in the following table.

Table 7 Risk mitigation of *salam* contract scheme

No	Type of Risk	Risk Mitigation
1	Exchange Rate	No risk. <i>Salam</i> transactions are only carried out with local suppliers, so they only use the Riyal (SRA) currency for receipts and payments.
2	Price Fluctuation	<ul style="list-style-type: none"> <li>▪ BPKH Corp. set aside 5% of the profit from each transaction to be used as reserved capital.</li> <li>▪ Establish cooperation and communication with local suppliers to get competitive prices.</li> </ul>
3	Failed to Deliver Goods (BPKH Corp. as Buyer)	<ul style="list-style-type: none"> <li>▪ Request a guarantee from the seller (local supplier) in the form of assets/goods or a guarantor (<i>kafil</i>) from a third party.</li> <li>▪ Carry out the liquidation of assets and then use them to buy the same commodity from the market.</li> <li>▪ BPKH Corp. appoints or requests a middleman/third party as a representative in order to monitor and evaluate orders purchased/sold.</li> </ul>
4	The Goods do not Meet Specifications, are Damaged, or Defective	Perform asset liquidation or ask for accountability from the guarantor ( <i>kafil</i> ) to cover unexpected losses. For the case of parallel <i>salam</i> , PT BPKH can buy the difference in goods that are unsuitable/damaged from the market.
5	Delay in Delivery of Goods	<ul style="list-style-type: none"> <li>▪ Keep in touch with the seller (local supplier) to detect problems/issues before delivery and determine why the delivery is delayed.</li> <li>▪ Using the financial sanctions by the authorities (authorities/regulators).</li> </ul>
6	Late in Payment	Financial sanctions can be executed (based on decisions from authorities or judges) in the form of fines used for social activities.

Source: Majid, 2021a; Wahyudi et al., 2015.

## CONCLUSION

BPKH has great potential and opportunity to invest directly in the business of supplying processed food raw materials and catering in the food processing sector in Saudi Arabia. The raw materials can be in the form of Indonesia's leading export commodities to Saudi, such as processed fish, spice products, raw materials, sauces, and the like. Alternative investment schemes can be done with a joint venture model or the establishment of a subsidiary. The minimum initial capital requirements to obtain a commercial sector business license in the food processing industry in Saudi can still be met or only less than 1% (30 million SR = IDR 120 billion, assuming SR1 = IDR 4000) of the maximum funds for direct investment which amounted to a maximum of IDR 13,642 trillion (20% of the total placement).

The business contract schemes that can be carried out are cash, installment, *murabaha*, and *salam* schemes. In order to mitigate the risk of fluctuations in exchange rates and commodity prices, the parallel *salam* scheme is only carried out to fulfill transactions that can be fulfilled from local Saudi suppliers. Likewise, to fulfill the demand for raw materials and spices, which suppliers from Indonesia can only meet, a *murabaha* contract is used. The objective is to mitigate the risk of currency fluctuations and rising commodity prices by regulating *murabaha* margins. The risk of late payment and default can be mitigated with the condition that there is collateral that can be liquidated and a guarantor (*kafil*) ready to cover the remaining payments and losses (if any).

## Implication and Recommendation for Future Research

It is expected that the result of this paper can open the knowledge about the hajj financial investment innovations and contribute to the literature on the hajj economy both for Indonesia and Saudi Arabia. The Indonesian Hajj Fund Management Agency can use the results of this paper to plan, make strategies, and create a grand design of direct investment in the food and catering sector in Saudi Arabia, considering that hajj and umrah activities have been opened as usual before COVID-19. BPKH can also consider the type of contract suggested by the author by adjusting the situation based on the legal-formal conditions and the position of BPKH in the grand design of direct investment in this sector.

More specifically, BPKH can coordinate with the Ministry of Religious Affairs, Ministry of Trade, Ministry of Small and Medium Enterprises and Cooperatives, Ministry of Agriculture, and relevant ministries in the value chain of trade and manufacturing of raw materials for spices or catering, to discuss the potential role of each party concerning with the model scheme proposed in this study. Similarly, in this case, the findings in the form of types and categories of businesses that can be run can be followed up by BPKH by conducting an assessment with relevant agencies, institutions, or ministries in Saudi Arabia, especially those related to company establishment permission. In addition, in more detail related to investment rules and risk mitigation efforts, coordination with financial services authorities and financial institutions such as sharia-based insurance is urgently needed.

This study is limited because it uses secondary data from a literature review. Therefore, future research can examine more deeply, especially in regulation, risk mitigation, and analysis of business operations (payment and delivery of goods). Further research can adopt in-depth interviews or focus group discussions (FGD) using the Delphi or Analytic Network Process (ANP) method to produce more detailed and comprehensive research. In this case, ANP is highly recommended to gain insight and choose the best option from several priorities suggested by experts with elements that need to be considered in the investment implementation. Further research is also highly recommended to make a kind of investment simulation that BPKH can do if it decides to invest in the food and catering sector of Saudi Arabia.

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