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Effectiveness of Hajj Cost Management by Tabung Haji and Lessons learned for National Office for Hajj and Umrah

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Abstract:

Hajj cost management in perspective of efficiency theory is the effective use of Hajj funds through institutional means in order to get Hajj portion. Thereby, creating an opportunity for the pilgrimage to Holy Land at the least cost possible; however, as the days go by and the soaring number of pilgrims makes the costs carried out by each pilgrim increase annually.

The paper aims to contribute to the comprehension of the effectiveness of Hajj cost management in Malaysia and Algeria, although, these two countries have established legal institutions to manage Hajj operations, but their cost Hajj management are clearly different. This study used qualitative analysis; it then belongs to descriptive-analytical approach. Lastly, the outcome of this study will shed light on cost Hajj management effectiveness in Algeria based on a successful experience of Tabung Haji in Malaysia where there is a necessary political will and support and strong desire to adopt such.

Keywords: Effectiveness; Cost Hajj Management; Tabung Haji; National Office of Hajj and Umrah; Hajj Package.

Jel Classification Codes : G23 ; M1.

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1. Introduction.

Pilgrimage, generally referred to as Hajj, is an obligation on the fifth pillar of Islam. It is mandatory for every adult Muslim man and woman with financial and physical ability to fulfill the duty at least once in his/her lifetime as part of worship. Therefore, Muslims without sufficient means to pay the costs associated with pilgrimage are not required to perform this duty.

Despite all that, the extensive movement of pilgrims is a sign of a unique spiritual and human experience Hajj is. as such, in 2024, the total number of pilgrims converge on the Holy Land to carry out a series of rituals related to Hajj performance was officially reported as 1,833,164, with 221,854 internal pilgrims and 1,611,310 external pilgrims arrived Saudi Arabia through various entry points (General Authority for Statistics, 2024).

The journey to Holy Land, generally, used to cost pilgrims a Hajj package including travel to Ka'ba and its associated costs, for instance, transportation, board and lodging, visa & passport, healthcare services, etcetera. Consequently, cost of organizing Hajj is closely associated with this duty.

As nations with a Muslim majority, Algeria and Malaysia, it is a source of great solace that these countries are establishing institutions to organize Hajj operations. Tabung Hajj in Malaysia hereinafter abbreviated as (TH) and National Office for Hajj and Umrah in Algeria, hereinafter abbreviated as (NOHU) are institutions that have the responsibility to manage Hajj affairs for their Muslim citizens through various facilities and services. Although these institutions are similar in performing such function, they are different in some aspects.

Internationally, considering the escalating total costs of Hajj, due to the demands of the new normal arising from pandemic, new regulations and taxes, the movement in foreign exchange, inflation, redevelopment of the two holy cities of Mekkah and Madinah and Improvement in quality of services. Mostly many countries are looking at exploring and adopting the best cost management to assist Muslims perform the fifth tenet of Islam.

In light of the aforementioned, the main question is:

- **How the effectiveness of Hajj Cost Management by Tabung Hajj (TH) and National Office for Hajj and Umrah (NOHU) is?**

1.1. The importance of the study

The study's significance arises from its focus on the importance of Hajj cost management and elucidate the difficulties associated with funding Hajj expences in Algeria through the successful experience of TH in Malaysia.

1.2. Objectives of the study

This monograph addresses Hajj management with particular emphasis to cost management. In this context, this study seeks to investigate the application of cost management by TH through the effective process of mobilizing savings and investment through the provision of the most comprehensive Hajj services in a single package, in order to develop Hajj cost management for NOHU in Algeria.

1.3. Methodology of the study

The study employs both a descriptive and an analytical approach, data were collected, analyzed and presented in the study. For instance, Decrees, laws, issued by government, other scholarly works

such as academic papers, and annuals reports conducted from official website of TH and information obtained from official website of NOHU.

Though it is a qualitative research, the study can be seen as a building block on Hajj cost management by providing an analytical insight while examining the opportunities given by Islamic financial engineering through innovative products pertinent to effective management of Hajj cost.

2. The Cost of organizing Hajj: a Brief Overview

The point that the researchers are driving at here is that economics and cost of Hajj management are two sides of the same coin, That is, the cost of organizing Hajj is the specified amount of money that must be paid by the selected pilgrims to perform Hajj rituals at a specified location and time. Whereas, economics of Hajj management can be seen regarding a wide range of financial and economic activities as a robust institution for the mobilization of savings and investments, so offering the possibility to undertake Hajj with minimal expense.

Subsequently, by the mobilization and effective allocation of Hajj funds via institutional mechanisms, a significant number of Muslims can obtain enhanced opportunities for pilgrimage to Mekkah at less cost (Abdul Mannan, 1996, p. 14). In this context, Hajj reaffirms planning and controlling the expenses associated with Hajj pillar; it includes collecting savings from pilgrims and investing the collected deposits in conformity with Shari'ah and lastly monitoring costs during maiden trip to Holy Land.

3. Cost of Hajj Management in Malaysia

3.1 Institutional framework: Background

Lembaga Tabung Haji Malaysia known as Tabung Haji or by its acronym TH is the first model in the world for innovative Hajj management that aims to continuously offer a range of comprehensive and systematic facilities for the wellbeing of Malaysian Hajj Pilgrims. In addition to halal savings and effective Hajj operations management, it also oversees investment transactions to enhance value for depositors.

Apart from that, there was no Islamic bank that offered services to Malaysian Muslims for their Hajj savings until TH was established. However, The impetus for establishing TH originated from the eminent Malay economist, Royal Professor YM Ungku Abdul Aziz bin Ungku Abdul Hamid, who proposed the creation of the Prospective Hajj Pilgrims Savings Corporation to the Federal Government of Malaya in December 1959. The corporation fell under the jurisdiction of the Prime Minister's Office in Malaysia. The Pilgrims Fund Board Act of 1969 was amended and altered in 1995 to enhance TH's responsibility in managing the allocation of savings and Hajj management.

Alongside the establishment of TH in 1995 and its omission from the Government Scheme of Service, the affairs related to Malaysians' Hajj pilgrimage became much easier and well organized. Malaysian Muslims who are making their maiden trip to the Holy Land would have nothing to worry about because TH looks into all their needs including matters related to passport, Hajj visa, transportation, accommodation in Mekkah, Madinah, Mina, and Arafah as well as healthcare and Hajj guidance (TABUNG HAJI, 2024).

3.2 Hajj Management

3.2.1 Hajj operations

TH Hajj management is a continuing process carried all year long to guarantee Hajj operations efficiently and smoothly. TH begins from the moment the prospective Hajj pilgrim makes his/her first saving, until he/she returns to Malaysia after completed his/her Hajj in the Holy Land reflecting a comprehensive Hajj management. The comprehensive Hajj management process has 28 activities, including both the pre-Hajj and Hajj periods. as shown in figure 1.

Figure 1. Pre-Hajj and during Hajj period activities-services



Source: (TABUNG HAJI, 2024)

Table 1. Activities-services package provided by TH in Malaysia and Saudi Arabia

Activities-services package provided by TH in Malaysia	**Activities-services package during Hajj**
Registration for the Hajj	Accommodation
Selection of eligible pilgrims	Meals
Hajj guidance courses for pilgrims at the states and district level	Ibadah advisory services
Issuance of Hajj passport and visa	Medical services
Health examinations	Financial services : saving and withdrawal
Hajj flight arrangements	Customer services
	Counseling services
	Other services :funeral, dealing with complaints from pilgrims, searching for lost pilgrims
	Return flight operation.

Source: (TABUNG HAJI, 2024)

The comprehensive Hajj management process provided by TH ensure efficient and smooth Hajj operations, so far it is a leading institution that uses innovative institutional means to benefit from depositors' savings in order to perform Hajj at the least cost possible and to get revenues from the invested deposits.

3.2.2 Hajj Fund

TH is an entity of non-bank Islamic institution that streamlines savings for the pilgrimage to Holy Land through Shari'ah compliant investment. It operates as follows (Muneeza, Sudeen, Nasution, & Ratih Nurmalasari, 2018, pp. 124-125):

a- Saving management:

TH collects savings made by prospective pilgrims through Wakalah contract. According to Kahf, Wakalah arrangements can be applied for a variety of practices including investing, buying, selling and transactional activities (Monzer, 1975). In accordance with the practice of this contract, Wakalah-based deposit taking, in which TH manages prospective pilgrims' investments by acting as Wakil or agent. The depositors enter into a WAKALAH contract with Tabung Haji where pilgrims, as principal (MUWAKKIL) authorizes TH as WAKIL to invest their deposits. Based on the delegation of powers to TH by the depositors, which give rise to Tabung Haji having small savings towards the depositors within mobilising deposits and invest them in many projects (Bank Negara Malaysia, 2016).

Prior to December 31, 2019, TH used -WADIAH YAD DHAMANAH –interest free deposits for safekeeping-at the payment of 9.980 RM every year for each depositor. According to MUI DSN Fatwa No. 2 of 2000, concerning general provisions savings based on contract Wadiah are deposits that can be taken on call or based on an agreement without required compensation, except in the form of voluntary gifts from the bank. Thus, WADIAH YAD DHAMANAH is used to empower assets or money deposited and it might be implemented in Shari'ah financial institutions, which they are seen as investment institutions (Jenio Yusma, 2018, p. 10).

According to TH website, when its operations began on 30 september 1963, a relatively small number of 1,281 prospective pilgrims opened their accounts with a total savings of RM46, 610. As at 31 December 2023, TH's total deposit stood at RM 89 billion, with more than nine million depositors (TABUNG HAJI, 2024) .

As the world faced the pandemic, it was timely for TH to accelerate the use of technology. As such, on February 5, 2020 THiJARI began operations as online platform in order to allow depositors to manage their accounts and other related services, this facilitates the reduction of waiting time and alleviates physical congestion at branch offices around the nation (TABUNG HAJI, 2020).

- **Advantages of Saving at TH**

Saving at TH has many advantages as follow (TABUNG HAJI, 2024) :

- Shari'ah compliant contract
- Contribution to wealth management services
- Deposits are 100 per cent guarranteed by government
- Zakat is paid on behalf of depositors
- No savings limit imposed
- Various channels for to make deposits: TH counters, salary deduction, electronic and internet banking, partners counters and collection agents.

Table 2. TH Depositors and Deposits' savings

year	Total Number of Depositors (Million people)	Total Number of Deposits' savings (RM Million)
2014	8,61	54,358
2015	8,85	62,548
2016	9,08	67,704

2017	9,27	73,522
2018	9,21	75,412
2019	8,75	69,417
2020	8,97	75,920
2021	8,41	83,338
2022	8,77	87,600
2023	9,15	89,004

Source: compiled from TH annual Reports (2014-2023)

The table above illustrates some interesting facts about the number of Malaysian pilgrims and their deposits' savings per year since 2014 to the time being. In terms of deposits, prospective pilgrims made their savings to TH, in which they increased from 8 million in 2014 to 9 million in 2023; subsequently, total deposits' savings stood at 89 RM billion in 2023, an increase of 90% from 2014 deposits.

b- Investment function

Investment is a core activity besides Hajj management and savings function. However, under the umbrella of investment, TH has established 24 subsidiaries span across different sectors, including financial services, plantation, hospitality, oil and gas marine services, real estate development and investment, Halal travel and tourism and IT solution services; these subsidiaries offer wealth management services to their customers.

In addition, TH's investment strategy is based on Strategic Asset Allocation (SAA), which entails the purposeful distribution of assets among many asset classes, with the portfolio being regularly adjusted to return to the original allocation. Strategic multi-asset portfolios aim to maximize the advantages of diversification by disturbing investments among assets with varying risk and return expectations and characteristics, therefore assisting investors in achieving their long-term return goals (Vanguard, 2023). Taking cognizance of this fact, SAA is a guide for the investment framework comprising five main asset classes, which are equity, private equity, fixed income, property and cash. Meanwhile, SAA is important to ensure the objectives and returns are met within a tolerable risk level (TABUNG HAJI, 2024).

As a result of the increased deposit, records showed that TH assets have grown stedily to reach RM 86.6 billion in the year ended 31 December 2022. Followed by total investment of RM 3.12 billion by the same period of time (TABUNG HAJI, 2022).

Nevertheless, 55.4% of TH's investments are in fixed income, 26.2% are in equity, 12.2% are in real estate, 3.3% are in private equity, and 5.5% are in the Islamic money market and working capital (TABUNG HAJI, 2024). Tabung haji grants working capital financing that mainly involves six financial instruments : Musharakah, Mudharabah, Ijarah, Murabaha, Qardh Hassan and Bai Bithaman Ajil.

c- Profit Distribution

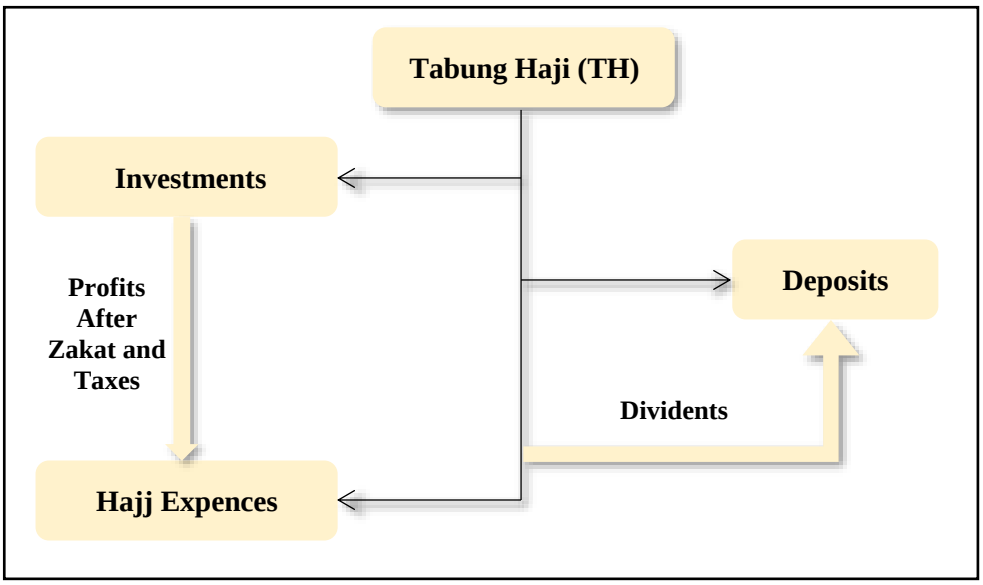
In implementing financial management and investment function, TH functions similarly to an Islamic Bank in its interactions with depositors. Depositors grant TH authorization to manage their deposits for investing purposes. The generated profits from the investment are allocated to the depositors as a bonus. (Abdul Mannan, 1996). On top of that, dividend and bonuses were not in the

mind at all, at the time of establishment. Moving forward, the bulk of income was generated from fixed income assets, equities investment, real estate investment and islamic money market instruments respectively as set out earlier.

For 2022, TH reported acceptable financial results amidst the challenging circumstances with an income decreased to RM 3.16 billion (Dec 2021 : RM 3.23 billion) while net profit after Zakat fell 15.62% to RM 1.93 billion, a decrease from RM 2.29 billion that was reported in 2021 (TABUNG HAJI 2020 annual report, 2022). Additionally, a profit distribution rate was 3.10 % for the year 2022-no changes occur), in addition to Hajj expenses, TH also pays zakat and taxes on behalf of the depositors based on WAKALAH contract. (TABUNG HAJI, 2022, p. 15)

To sum up, TH facilitates savings for the pilgrimage to Holy Land through Shari'ah compliant investment, as figure out below :

Figure 2. Modus Operandi of Tabung Haji



Source: Authors

3.2.3 Hajj Dues

The total cost of Hajj consist of all direct costs for activities that TH plans and finances in a given year including flights, lodging, meals, Hajj courses, medical examinations and payments to Saudi Arabia government. The sum of money pilgrims must spend in order to perform Hajj yearly are as follow:

Table 3. Hajj Dues in Malaysia (2014-2024)

Year	Actual Cost (RM)	Hajj Payment Per Pilgrim (RM)	*TH*'s Hajj Financial Assistance (HAFIS) Per Pilgrim (RM)	Total Hajj Financial Assistance (HAFIS) by *TH* (RM)
2014	16,155	9,980	6,175	106 Mil
2015	17,270	9,980	7,290	135 Mil

2016	18,890	9,980	8,910	160 Mil
2017	19,550	9,980	9,570	298 Mil
2018	22,450	9,980	12,470	313 Mil
2019	22,900	9,980	12,920	299 Mil
2020	Hajj Postponed			
2021	Hajj Postponed			
2022	28,632	B40 segment: (%38) 10,980 ---------- Non B40 segment: 12,980 (45%)	B40 segment: (%62) 17,652 ---------- Non B40 segment: 15,652 (55%)	188 Mil
2023	30,850	B40 segment: 11,980 - 1,000 (Financed by the government) 10,980 (36%) M40 segment: 15,980 (52%) T20 segment: 30,850 (100%)	B40 segment: 19,870 (64%) M40 segment: 14,870 (48%) T20 segment: 0 (0%)	199 Mil
2024	33,300	B40 segment: 13,356 - 1,000 (Financed by the government) 12,356 (37%) M40 segment: 19,152 (58%) T20 segment: 33,300 (100%)	B40 segment: 20,944 (63%) M40 segment: 14,148 (42%) T20 segment: 0 (0%)	---

Source: (TABUNG HAJI, 2024)

Table 3, above, demonstrates Hajj Dues over the period of study. Hajj cost were RM 16,155 in 2014. It has increased up to 33,300 in 2024. The first set of analyses highlighted the increasing costs associated with Hajj, no Hajj fees recorded in 2020 and 2021 respectively due to COVID-19 outbreak. Hajj payment per pilgrim was constant until 2019 and was estimated at 9,980, after that TH dealt with different groups of pilgrim (B40 represents the bottom 40% of income earners, M40 represents the middle 40%, and T20 represents the top 20% of Malaysian household incomes). As such each group pay different cost, and TH pay the remaining amount called financial assistance but the whole cost still unchangeable. For example, for year 2024: total Hajj cost was RM 33,300, B40 group paid RM 12,356 and M40 group paid RM 19,152 whether T20 group paid the entire cost RM 33,300. The value added tax (VAT), which increased from 5% to 15%, COVID-19 insurance coverage, and Saudi Arabian government-imposed visa fees are the main causes of the cost increase (TABUNG HAJI, 2022, p. 71).

Moreover, TH regularly covers additional indirect expenses, such as (TABUNG HAJI, 2024):

- Hajj courses

- Hajj brochures and guidebooks
- Hajj operations costs within Malaysia
- Hajj officers
- Value-added services for all pilgrims from Malaysia
- Medicines.

4. Hajj management in Algeria

4.1 Institutional framework: Background

The National Office for Hajj and Umrah or by its acronym NOHU is a State-owned commercial and industrial company with legal personality and financial independence; however, Executive Decree No. 07-349 of 17 November 2007 issued NOHU. This office is directly under the jurisdiction of the Ministry of Religious Affairs and Awqaf.. Moreover, the Office is responsible for the provision of necessary services to pilgrims as follow (Al'Marsūm al'Tanfīdhī raqm 07-349, 2007, pp. 7-9)

- Physical and human preparation of pilgrimage within Algeria and in the Holy Land.
- Collecting, processing and exploiting data on pilgrimages.
- Physical organisation of events, conferences and seminars within the Offices' responsibilities. In addition to the participation at pertinent international meetings.
- Conduct and promote studies and research about the pilgrimage.
- To ensure good living conditions for pilgrims and the protection of their rights in coordination with the competent authorities inside and outside Algeria.
- Participation in the selection and the identification of the pilgrim's staff, the implementation of their formation program, and the evaluation of their activity.
- Preparation and execution of annual and multiannual programmes.
- Promotion of exchanges and cooperation with national or foreign organizations working in the same domain.
- Signing various contracts and agreements for the pilgrimage.
- Follow-up of all operations related to Hajj.

4.2 Hajj fund management

As the sole Hajj organizer in Algeria, NOHU is responsible for carrying out Hajj for Algerian pilgrims, it mandated to provide facilities for performing Hajj from registration to repartiation. Therefore, NOHU administers the funds given by Algerian Muslims who have been saving for pilgrimage and subsequently monitoring costs during maiden trip to Holy Land. In line with this raison d'etre; NOHU is not responsible for Hajj financial assistance. As such, Algerian pilgrims afford the total costs of Hajj at once.

Table 4. Hajj Costs paid by Algerian pilgrims (2014-2024)

(1000 Algerian Dinars)

year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Hajj Costs	256	312	490	496	525	565	0	0	856,1	770	840

Source: Authors

The table above shows cost of Hajj paid by Algerian pilgrims for the period of 2014-2024. Costs of performing Hajj have increased multiple times. Lowest cost reported in 2014 whereas the highest one recorded in 2022. Hajj postponed in 2020 and 2021 respectively due to COVID-19.

The reason behind increasing costs in 2022 is the COVID-19 effects, which require more expenses. Other contributing reasons concerning the growing Hajj expenses will be discussed hereinafter through this paper.

4.3 Challenges

National Office for Hajj and Umrah issued Hajj cost for the year 2024. Accordingly, the cost for Algerian Muslims to perform Hajj has increased 9 % within 2O24 since the cost of Hajj was set at 840 thousand Dinars, while it was 770 thousand Dinars in 2023. Thereby, mostly many Algerian pilgrims have decided to opt out and not to go to Hajj. The cost of doing the Hajj has increased significantly due to global inflation. In addition, Algeria is experiencing sharp declines in the value of national currency.

Taking cognizance of this fact, it is timely to offer alternative modes of financing to the Algerian pilgrims. Pursuant to that, in 2022 the government has established a new financial product namely "Al Sabil" in the form of Qardh Hassan; prior to that, Algeria president decided to reduce the Hajj due from 856 thousand Dinars to 756 thousand Dinars. In spite of the President's decision, the cost is still significant making Hajj pillar difficult to fulfil.

The strong desire of Algerian government in order to carry out Hajj is supported by the existing Islamic windows given by Bank of Algeria nationwide. The implementation of Qardh Hassan which is a loan facility given to pilgrims in order to get Hajj seat is standing alone with a purpose of merely social purposes, not as a means for other transactions in the products which has an aim to get any profit (Ahmad, 2018).

In the content of Al Sabil, it is regulated to finance Hajj expenses up to 70% in a period of two years. Also, Bank of Algeria announced the opening of Islamic windows exceptionally since Saturday, June 04, 2022, in order to receive requests for financing pilgrims nationwide (Al'Idhā'ah Al'Jazā'irīyah, 2022).

The Algerian National Bank was the first banking institution to provide financial instrument in accordance with the Shari'ah principle. To date, the Bank renews its commitment to Algerian pilgrims. Al Sabil product is intended for the beneficiary of the Hajj passport per se, his spouse, this funding is up to AD 450,000 with a 24 month repayment period including three months of deferred payment, without any profit margin (Al'Bank al'Waṭanī al'Jazā'irī, 2023).

The Algerian People's Loan Bank also lunched Qardh Hassan called "*Hajji"* that supports financial capabilities for Algerian pilgrims and allows them to finance Hajj cost. The selected pilgrims who have a willing to take an advantage of this product are committed to open an account. In addition, Algerian citizens can benefit from this mode of financing in order to finance the costs of pilgrimage for the relatives to perform Hajj at a value of funding of AD 300,000 with a 24-month repayment including three months of deferred payment, without any profit margin (Al'Qarḍ al'sha'bī al'Jazā'irī, 2024).

5. Proposed arrangements for effective Hajj cost management in Algeria: Lessons learned

5.1 A comparative study between TH and NOHU

The authors have highlighted Hajj Cost Management in Malaysia and Algeria. The comparison has identified important similarities as well as differences between TH and NOHU regarding **legal status**, **Hajj management**, **Hajj fund** as set out in table (6). However, there are similarities between the two Hajj fund management institutions. Both TH and NOHU are state-owned companies.

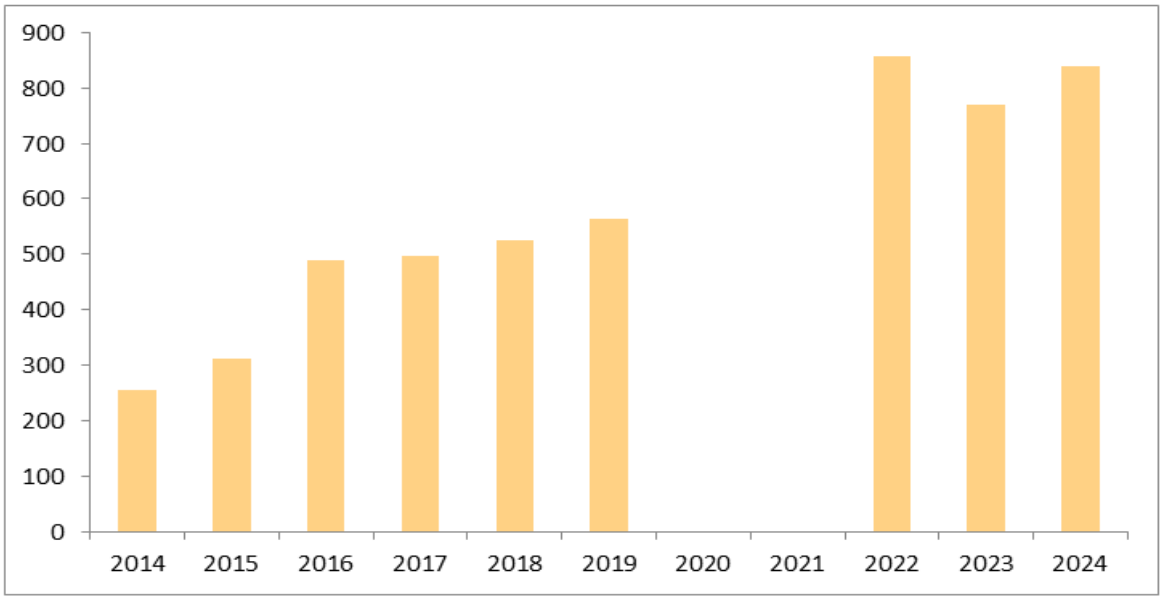
In fact, there are important differences between Malaysia and Algeria: TH is regulated by Parliament-passed legislation; NOHU is established under Executive Decree. Again, TH **Hajj management** is an on-going process begins from the moment the prospective Hajj pilgrims make their first savings, until they return to the homeland after completed their Hajj in the Holy Land. The entire Hajj management process consists of 28 activities including services provided in Malaysia and in the Holy Land; whether NOHU Hajj management process consists of necessary services to pilgrims since pilgrim's success in the Hajj draw until he/she returns to the homeland after completed Hajj in the Holy Land. More so, TH is independent from the Government Scheme of Service, while; NOHU

comes under the direct control of the Ministry of Religious Affairs and Awqaf. Therefore, the former become innovative and more productive.

In terms of **cost of Hajj management,** in 2024, the total cost to perform Hajj for Malaysian Muslim is RM33,300. For a Malaysian pilgrim, the cost is capped annually at RM12,356 per person for M40 group, RM 19,152 per person for M40 group and RM 33,300 per person for T20 group where TH subsidize the remaining costs.

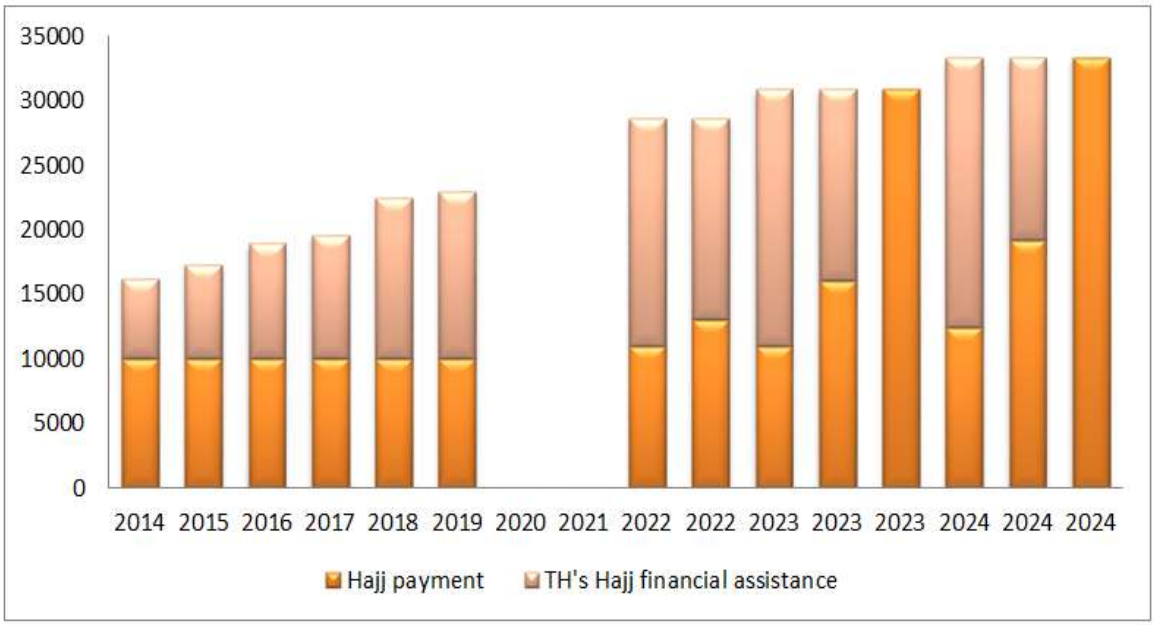
Whereas Algerian pilgrims use to pay the cost of Hajj operations at once without any financial assistance from government or NOHU unless the reduction of cost Hajj by the president in 2022 and the adoption of Al Sabil financial instrument by Bank of Algeria and *Hajji* financial instrument by Algerian People's Loan Bank at the last moment. However, with a persuasion of getting some loans from Islamic windows, the pilgrims have to hand over the Hajj registration to the Bank of Algeria. It means that some profit are gained from the transaction that is some earnings in the form of administrative costs (registration fees). In the case of Al Sabil process, the pilgrims have to pay Algerian Dinars 20,000.

Figure 3. Hajj payment by Algerian pilgrims (2014-2024)



Source: Authors

Figure 4. Hajj payment by Malaysin pilgrims (2014-2024)



Source: Authors

What supports our analysis is the speech of the Secretary-General of the International Islamic Fiqh Academy, Prof. Dr. Abdulsalam Al Abadi, since he pointed that, «bank financing to cover the pilgrim's expenses, if it costs the financier what he cannot, and results in the assignment of what he and his dependants cannot, at the time of payment, be resorted to". (Islamonline, 2024)

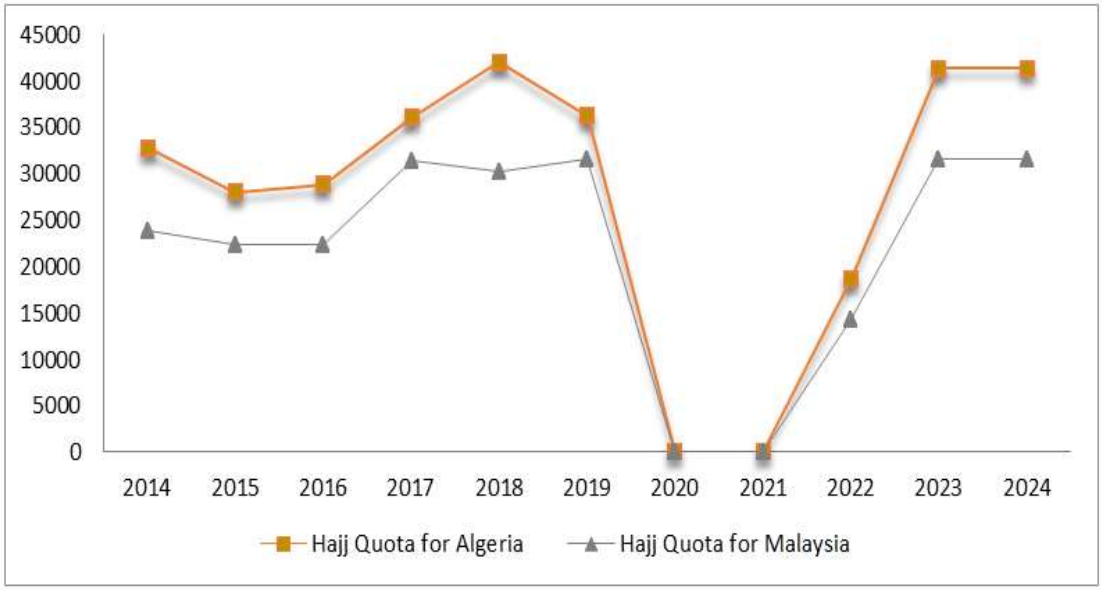
Further analysis showed that Hajj quotas for Malaysia and Algeria take the same path, due to the huge volume of pilgrims Saudi Arabia has to impose national quotas giving each nation a predetermined number of places for the annual pilgrimage. As for, the pilgrims from Algeria are greater than the ones from Malaysia due to the greater number of Algerian population compared to those in Malaysia.

Table 5. Hajj quotas for Algeria and Malaysia (2014-2024)

year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
No. of Algerian Pilgrims	32743	28000	28800	36000	42000	36200	0	0	18697	41300	41300
No. of Malaysian Pilgrims	23789	22320	22320	31300	30200	31600	0	0	14306	31600	31600

Source: Authors

Figure 5. Hajj quotas for Algeria and Malaysia (2014-2024)



Source: Authors

Table 6. Comparison between TH & NOHU

Comparability	TH	NOHU
Institutional framework	Economic and financial institution	State-owned company
Legal Status	regulated by law passed by Parliament	established under Executive Decree
Objectives	Facilitate Muslims from Malaysia to perform Hajj by pooling saving and investing them through three main focuses: Depository, investment, and Hajj services	Responsible for the provision of necessary activities-services to pilgrims in Algeria and Holy Land.
Hajj Management	an on-going process begins from the moment the prospective Hajj pilgrims make their first savings, until they return to the homeland after completed their Hajj in the Holy Land	A process consists of necessary services to pilgrims since pilgrim's success in the Hajj draw until he/she returns to the homeland after completed Hajj in the Holy Land.
Economics of Hajj management	Perform Hajj at the least cost possible through mobilization and efficient utilization of Hajj funds by institutional means.	Perform Hajj at high cost especially during post pandemic, the cost for Algerian Muslims to perform Hajj has increased 48,67 % within a period (2019-2024)
Hajj cost management	The investment portfolio in various sectors with 424 institutions have enabled TH to cover the rising costs of Hajj operations.	Bank of Algeria launched new Islamic financial product namely « Alsabil » for Hajj bailout funds in parallel Algerian People's Loan Bank have lunched new Islamic financial product namely « Hajji»

Management system	Modern management system	Administrative management associated with relevant public parties

Source: Authors

5.2 Effectiveness of Hajj cost management in Malaysia: an appraisal

The most widely used definition of effectiveness is when an organization operates in a way that maximizes output given specific (constant) inputs; this is also known as the "productivity formulation". Furthermore, there is cost formulation, which aims to produce a specific result at the lowest feasible cost (POSKART, 2014, p. 181). In line with this, the issue of how to attain objectives and results/goals, how powerful an organization's components are functionally, and how to raise satisfaction levels are all closely tied to effectiveness (Arafah, 2020, p. 193). Effectiveness in this study, from a cost formulation perspective, is generating competitive, sustainable revenues for the depositors and providing efficient services for pilgrims at the lowest feasible cost.

Since its establishment, TH has focused on fulfilling the aspirations of depositors and have successfully managed the pilgrimages for Malaysian pilgrims to date. TH has successfully managed an investment fund in accordance with Islamic law and mobilized the savings of Muslims in Malaysia. In accordance with Shari'ah principles, it has utilized the deposits for industry, agriculture, trade, real estate, plantations, and transportation, managing the resources effectively. In addition to giving the Malaysian pilgrims financial assistance, it also generates revenues. TH achieves excellence and economic success within an environment of rising costs preserving economies of scale. Due to the increasing number of pilgrims, plus the escalating Hajj financial assistance, total operating cost has increased.

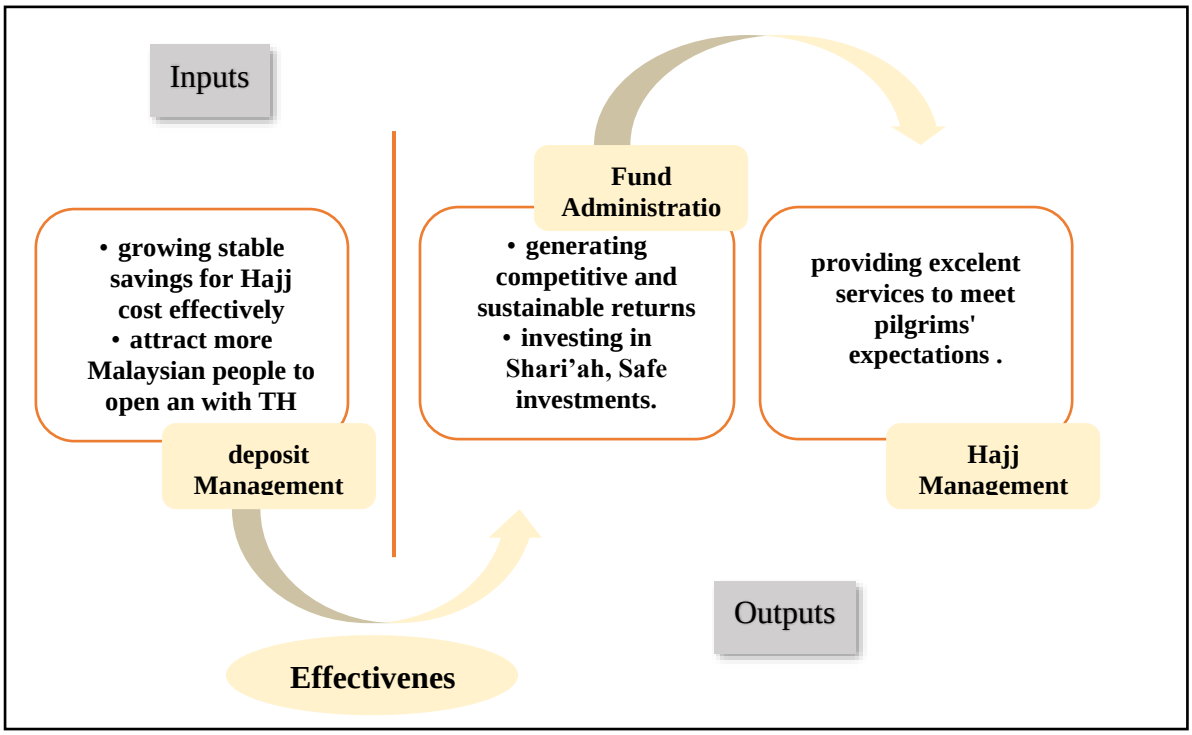
Despite the evolution taking, TH embodies three pillars, deposit management, fund administration and Hajj management. With this in mind, deposits represent inputs whereas fund and Hajj represent outputs. In the initial stage of process, TH collects deposits from prospective pilgrims taking into consideration cost-saving strategies; therefore, TH are moderating down the medium of communication with depositors via digitalization through TH mobile Branch. This allows TH for reaching more depositors at the lowest possible operational cost. Following this, for year 2022 Active Depositor to Malaysian Muslim ratio grew from 45% to 48%, sustain the high level of customer satisfaction while maintaining a reasonable cost structure, as such Customer Satisfaction Index at 91% (TABUNG HAJI, 2022, p. 17). This sets the stage of fund administration, with this, TH's investment strategy, which places a premium on consistent returns and demonstrates dedication to protecting depositors' interests by keeping and growing their assets even in the face of difficult capital market conditions. A strategic Asset Allocation (SAA), authorized by the Prime Minister's Department (Religious Affairs), serves as the foundation for TH's investment strategy, the SAA reviewed and adjusted on a regular basis to improve TH's investment strategy and make sure that investment goals/results and returns are met while staying within reasonable risk parameters. In 2020, the profit distribution rate recorded 3.10%, which was higher than the average twelve-month Islamic fixed deposit rate of 2.6 % (TABUNG HAJI, 2020, p. 50).

Interestingly, fund administration provide depositors with sustainable and competitive yields at a risk level appropriate for the state of the market, in addition to guarantee consistent growth and yield returns that are on level with the market make wise, safe and allowable investments.

TH is recognized globally as an excellent organization for managing Hajj. Over the years, Hajj operations have proceeded smoothly, providing excellent services to pilgrims from Malaysia. Expand its range of services and subsequently, maintain costs at a reasonable level.

The fees increased to RM12,356 for the B40 group, RM 19,152 for M40s. This is still below the actual cost of hajj of RM33, 300 per person this year.

Figure 6. Effectiveness of TH' Hajj cost management



Source: Authors

On this front, an in-depth analysis of hajj cost management in Malaysia have shown that TH mobilized Malaysian deposits and invested successfully the sum of fund in an Islamic way giving them revenues and providing excellent Hajj operations. This is also to ensure the benefits of the assistance are completely utilized by those in need and the pilgrim's welfare remains guaranteed. Besides, it not only provides the financial support to the Malaysian Pilgrims to fulfill Hajj payment but also creates jobs in various sectors of the Malaysian economy. Consequently, TH is managing Hajj process in an effective manner.

On another note, the challenge for TH is the escalating hajj financial assistance needed to be allocated for pilgrims with the hajj cost expected to increase further in the coming years due to (TABUNG HAJI, 2020, p. 64):

- foreign exchange fluctuations
- Saudi Arabia inflation
- New regulations and taxes opposed by Saudi Arabia
- Improvement in services quality and redevelopment of Madinah and Mekkah
- The knowledge of Istito'ah (ability) concept among depositors
- sustaining high quality TH services
- Operating in a foreign country
- Age profile as well as knowledge levels among the pilgrims
- Embracing Saudi Arabia's 2030 Vision
- New norms in the COVID-19 endemic
- Ringgit depreciation.

5.3 proposed arrangements for effective Hajj cost management for NOHU

The growing expenses of Hajj is felt not only by Malaysians but also by pilgrims from other countries, among which Algeria. Unlike TH, NOHU is not an efficient organization in terms of Hajj cost management since the selected pilgrims had to pay the total cost of Hajj at once. Not everyone is able to afford the rising cost. However, bearing in mind the experience of TH, there is a need for reform throughout NOHU. These arrangements are touching many areas, institutionalism, legal requirements and regulatory procedures in which the Algerian prospective pilgrims can bear the cost of Hajj seamlessly.

Before delving into proposed arrangements, there are some points to consider. Firstly, Algerian pilgrims are chosen through balloting system while Malaysian pilgrims are chosen through FIFO system, which means first-come, first-serve; with this, the NOHU should change the pilgrims' selection criteria. Secondly, huge number of pilgrims from Algeria perform Hajj, which means unused fund and at the same time a burden to pilgrims. Because many Algerian after being selected to perform Hajj do not have enough payment, therefore they either borrow some money or sell off some of the assets. From the foregoing, table 7 shows the huge unused fund from 2014 to 2024.

Table 7. Sum of Hajj Dues paid by Algerian pilgrims

year	No. of Pilgrims	Hajj payment per pilgrim (1000 AD)	Total Hajj cost (1000 AD)
2014	32743	256	8,382,208
2015	28000	312	8,736,000
2016	28800	490	14,112,000
2017	36000	496	17,856,000
2018	42000	525	22,050,000
2019	36200	565	20,453,000
2020	0	0	0
2021	0	0	0
2022	18697	856,1	16,006,501.7
2023	41300	770	31,801,000
2024	41300	840	34,692,000

Source: Authors

a- Institutional arrangements

NOHU is a State-owned company responsible for Hajj affairs; it needs institutional restructuring in order to be a saving Islamic institution that mobilizes deposits and invest these funds by financial Islamic modes. Of course, it is unreasonable to transform NOHU to financial corporate entity at least in the short-term but there is a possibility to create a fund for the management of financial resources under Hajj directorate. On that basis, Hajj fund, if it can be called such, will receive deposits from Algerians.

b- Legal requirements

In Algeria, public sector institution do not have the right to make profits from their activities, their ultimate goal is maximizing social welfare. In case of establishing Hajj fund under sub-Hajj directorate namely sub-directorate for investment, many legal arrangement are required. According to article 45 of the Directive Law on Public- Sector Company, a public enterprise of an industrial and commercial nature in its life shall have a distinct financial balance and a special budget; it is clear-cut that NOHU represented by Hajj directorate shall have a financial balance (Zwāymyh, 2022, p.

18), therefore gaining profits and undertaking corresponding obligations. Nevertheless, establishing an investment fund requires modification on law in order to allow this institution to finance itself through investments. Not only that but to generate profits for depositors and to help them to perform Hajj at the lowest possible cost.

c- Financial rearrangements

As mentioned earlier, a proposed fund requires making investments with Shari'ah principles. By doing so, under provision of Ministry of Religious Affairs and Awqaf, directorate of Hajj may enter into agreements either with Islamic Banks or with other corporates in the short-term. Afterwards, it can establish a corporate body supervised by Hajj directorate in the long-term whether it is industrial or commercial but it will be responsible for investment activities.

6. Conclusion:

To sum up, it can be said that Hajj is the fifth tenet of Islam, it is considered mandatory if it fulfils the financial and physical ability.

The study is about the effectiveness of cost Hajj management. In this context, Tabung Haji oversees the wellbeing of pilgrims by managing their Hajj affairs in an efficient way. Saving-investment approaches in Hajj-handlings adopted by the prominent leader in Hajj management TH are covering early childhood to adulthood. Accordingly, Tabung Haji expand its range of services and at the same time, maintain costs relating to pilgrimage services at a reasonable level by supporting mechanisms for Hajj financial assistance. More specifically, TH manages the deposits entrusted by Malaysian Muslims who have been saving for pilgrimage and subsequently managing them as investments, which would allow the Institution to provide reasonable returns to the depositors.

Meanwhile, Algeria's efforts to reduce its dependency on oil, seeks to increase revenues from other sectors. Hajj provides a building block based on excellent fund administration that will help generate sustainable returns, which in turn resulting in seamless Hajj management and support its underlying costs.

Finally, in order to make better economics of Hajj management, it is better that Hajj fund is replaced by depositors' savings. Consequently, the concept of Hajj manifests as an adaptation to the new normal.

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