

Economics of Hajj

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Introduction

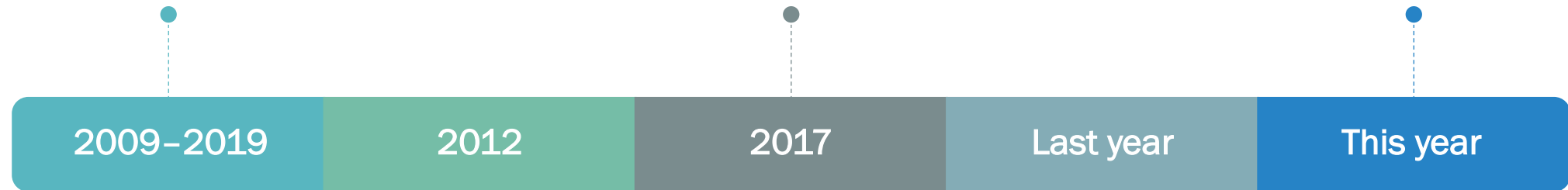
According to some estimates, revenue for KSA from Hajj and umrah in 2019 stood at US\$12 bil contributing to 7 percent of total GDP and 20 percent of its non-oil GDP

The Council of Saudi Chambers estimated that from 2018 to 2022, spending associated with the pilgrimages will generate upwards of \$150 billion in income and create up to 100,000 Hajj-related jobs

KSA General Authority of Statistics reported from 2009 to 2019 the average number of Hajj pilgrims is approximately 2.4 million

The number of pilgrims again increased from 2017 onwards as some of the expansion works were completed

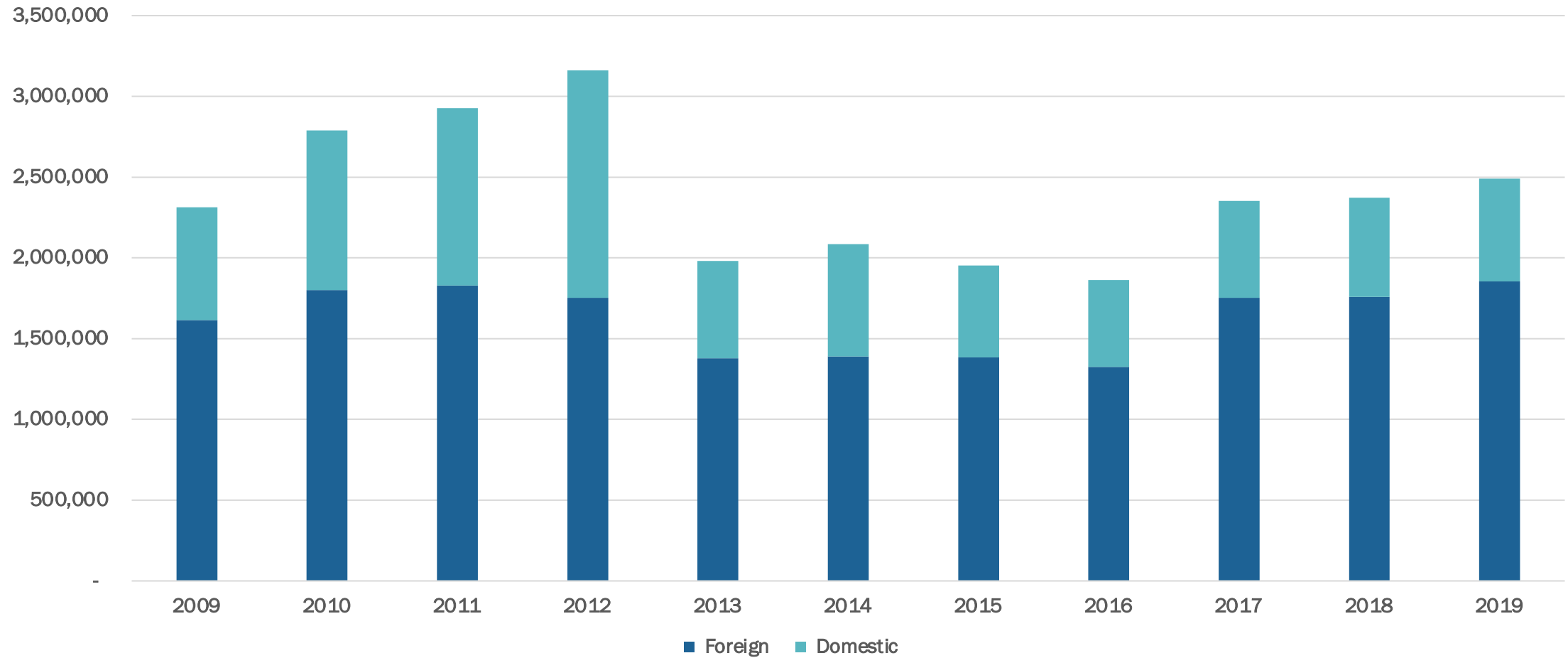
Due to Covid-19 a limited number of individuals (1,000) were allowed to perform Hajj



The largest recorded figure was 3.2 million in 2012 and in the following years, the number of pilgrims were reduced due to expansion works in Makkah

The total number of pilgrims stood at 2.5 million individuals

Number of Hajj Pilgrims



(Source: General Authority for Statistics, KSA)

		Cost of Hajj (2019) (estimate)		
	Number of Pilgrims	US\$1,000	US\$5,000	US\$10,000
Foreign	1,855,027	1,855,027,000	9,275,135,000	18,550,270,000
Domestic	634,379	634,379,000	3,171,895,000	6,343,790,000
Total	2,489,406	2,489,406,000	12,447,030,000	24,894,060,000

Minimum spending on Hajj for 2019 can be as low as US\$2.5 bil to a high of US\$25 bil

Country	Number of Pilgrims	Total Amount Spent on Hajj at US\$5000
Cameroon	10,000	50,000,000
Lebanon	10,000	50,000,000
Thailand	10,400	52,000,000
China	11,500	57,500,000
Senegal	12,860	64,300,000
Nigeria	13,000	65,000,000
Kuwait	14,000	70,000,000
Oman	14,000	70,000,000
Syria	22,500	112,500,000
Russia	25,000	125,000,000
Yemen	25,000	125,000,000
Afghanistan	30,000	150,000,000
Malaysia	31,600	158,000,000
Morocco	32,000	160,000,000
Sudan	35,000	175,000,000
Algeria	36,000	180,000,000
Iraq	50,000	250,000,000
Egypt	80,000	400,000,000
Turkey	83,430	417,150,000
Iran	87,550	437,750,000
Nigeria	95,000	475,000,000
Bangladesh	137,000	685,000,000
India	200,000	1,000,000,000
Pakistan	200,000	1,000,000,000
Indonesia	231,000	1,155,000,000

Costs of Performing Hajj

- Flight
- Ground transportation
- Accommodation
- Food
- Health
- Others

Financial

Pilgrims save and pay for their own expenses to perform Haj and Umrah

Costs to perform Haj and Umrah has increased every year (in excess of 5%)

In some cases, individuals sell their assets such as land, property, animals to pay for their Haj making them financially worse off after returning from Haj

There are also cases where would-be pilgrims were cheated of their funds by Haj or Umrah Operators

In cases where individuals save money for Haj and Umrah, they do not have any choice except to put their money in Riba-based institutions

Recommendation

- Given a huge amount of money spent every year for hajj, countries with significant pilgrims should consider setting up a Hajj Fund body to manage Haj funds
 - Benefits of having Hajj Fund Corporation
 - Pool hajj savings can be invested into Shariah compliant assets, thereby increasing the proportion of Shariah compliant assets in the country
 - Finance the development of Waqf assets
 - Development of Islamic/halal economy especially in Hajj related goods and services
 - Creation of end to end Halal Value Chain (from savings to performing Hajj)

- Models to consider:
 - Tabung Haji Malaysia – manages hajj fund and hajj services
 - BPKH Indonesia – manages hajj fund only
 - Maldives Haj Corporation – manages hajj funds and hajj services (50% of pilgrims)
 - Brunei TAIB (a NBFI)– manages hajj fund only

Conclusion

- Countries with a large number of Hajj pilgrims experience a significant financial outflow every year
- Costs of performing Hajj increase every year (in excess of 5%)
- Creation of a Hajj Fund Corporation will enable Hajj savings to be mobilised and invested in a Shariah compliant way
- This creation will enhance the development of Islamic/Halal economy in the country and globally



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