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Comparison of Hajj Fund Investment Policies Between Indonesia and Malaysia: Analysis Study of Management, Governance, and Global Challenges

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ABSTRACT

The Hajj pilgrimage has a high spiritual value and is obligatory for Muslims who are physically and financially able. The implementation of the Hajj pilgrimage requires significant costs, both for departure and services in the holy land, so the management of Hajj funds is a crucial aspect to ensure the sustainability and efficiency of services. In Indonesia, Hajj funds are managed by the Hajj Financial Management Agency (BPKH), which uses sharia-based investment instruments to optimize investment returns and support the financing of the Hajj pilgrimage. In contrast, Malaysia through the Hajj Savings Institution (TH) manages Hajj funds with a more integrated approach, which includes not only investment, but also savings and subsidies for Hajj pilgrims. The management and investment of Hajj funds in Indonesia focus on investment diversification in sharia capital market instruments, while Malaysia emphasizes real asset-based management such as property and agribusiness. These differences reflect differences in the economic context, regulations, and institutional capacity of each country. Good governance plays an important role in building public trust in the management of Hajj funds. This study aims to examine the differences in hajj fund management and investment policies between Indonesia and Malaysia, the role of good governance in building public trust, and the opportunities and challenges in aligning the hajj fund investment policies of the two countries to face global challenges. The method used in this study is a literature study. The results of the study are expected to contribute to the development of transparent, accountable, and sharia-compliant hajj fund investment policies.

Keywords: *Hajj fund, Indonesia, Malaysia, investment policy, good governance, global challenges*

Introduction

Islam lays down basic values in the aspects of divinity and humanity through the Shari'a, in order to find various solutions to the various problems that develop in society. Likewise, in the practice of the Hajj pilgrimage, each country has a policy in managing it as a solution for the smooth running of the Hajj pilgrimage (Maskuroh, Widyanty, Nurhidajat, Wardhana, & Fahlevi, 2023). Hajj fund management is a crucial element to ensure the sustainability and effectiveness of hajj services for Muslims. In Indonesia, the Hajj Financial Management Agency (BPKH) plays a central role in managing hajj funds by using investment instruments that comply with sharia principles. BPKH is responsible for ensuring that the collected hajj funds are used wisely and provide optimal investment returns. The instruments used, such as sukuk (sharia bonds) and sharia mutual funds, allow the funds to grow in compliance with sharia law. The main objective of managing these hajj funds is to support the financing of the hajj pilgrimage and provide wider benefits for Muslims. (Harefa, 2024).

Meanwhile, in Malaysia, Lembaga Tabungan Haji (TH) has a different approach, integrating savings, investment and subsidies for hajj pilgrims. TH focuses more on real asset-based management, such as property and other strategic sectors, aimed at creating long-term stability. This reflects the differences in economic context, regulation and institutional capacity between the two countries.

Although the two countries have different approaches to managing hajj funds, both are committed to following good governance principles, such as transparency and accountability. However, Indonesia still faces challenges in increasing public trust, especially in terms of transparency of financial reports and investment risk management.

Global economic dynamics, including exchange rate fluctuations and geopolitical uncertainty, further add to the complexity of managing hajj funds. Therefore, both countries need to adopt innovative approaches to address these challenges. Strategic collaboration between Indonesia and Malaysia can be an opportunity to align their hajj fund investment policies, thereby strengthening the competitiveness of the Islamic economy globally (Rahadi, 2023).

Overall, although both countries have different policies and approaches in managing Hajj funds, they share the same goal of ensuring the sustainability and benefits of Hajj services for Muslims around the world, while remaining based on sharia principles and good governance. Thus, this research is expected to provide a significant contribution to the development of transparent, accountable, and sharia-compliant hajj fund investment policies.

Literature review

Good *Governance* Theory

Governance is a process carried out by an organization or society to overcome problems that occur. Another definition of governance *is* the use of institutions, authority structures and even collaboration to allocate data sources and coordinate or control activities in society or the economy (HM & Abdillah, 2011)*)* .

Bintoro Tjokromidjojo views Good Governance as a form of development management also called development administration, which places the role of the central government as an agent of change for a developing society in a developing country. The government acts as a regulator and market player to create a conducive climate and make infrastructure investments that support the business world (Kamaluddin, 2019, p. 223).

In the Indonesian administrative system, the application of good governance as in the understanding developed by the United Nations Development Program. Based on the UNDP policy document on governance towards sustainable human development, January 1997, quoted from the information bulletin of the Partnership for Good Governance Reform in Indonesia, governance is the use of economic, political, and administrative authority to manage state affairs at every level.

The concept of good governance itself in recent years has been widely discussed in various contexts and has become a prominent issue in government management. This is because part of the overflow of old patterns in the implementation of government is no longer in accordance with the changing social order or in other words the government is increasingly ineffective in addition to the increasing quality of democracy, human rights and public participation in policy making. Several experts and administrative theorists argue that the role of government should focus on efforts to improve services to the community in addition to empowerment and development. Government is run based on agreements formed through discussions that take place in the public space.

Along with the desire to realize good governance, the regional government administration system in the current era of autonomy should pay attention to the principles of democracy, empowerment, service, responsiveness, transparency, accountability, participation, partnership, decentralization, consistency of policy and legal certainty.

The theory of Good Governance *emphasizes* the principles of transparency, accountability, participation, and fairness in the management of an organization or entity, including in the management of public funds. In the context of managing hajj funds in Indonesia and Malaysia, the application of good governance principles is crucial to ensure that the funds managed are used effectively and efficiently, provide maximum benefits to Muslims, and maintain public trust.

1. Transparency and Accountability: In Indonesia, the management of hajj funds is carried out by the Hajj Financial Management Agency (BPKH), which is responsible for managing hajj funds through sharia-based investment instruments, such as sukuk and sharia mutual funds. In this case, transparency of financial reports and accountability in investment management are very important to maintain public trust in BPKH. Unfortunately, Indonesia still faces challenges in terms of transparency and better management of investment risks, which has the potential to reduce public trust in the management of hajj funds. Meanwhile, in Malaysia, the Tabung Haji (TH) Institution has been more successful in implementing good governance principles, by integrating savings, investments, and subsidies for hajj pilgrims. TH consistently strives to maintain transparency in financial reports and fund management, which contributes to the high level of public trust in this Institution. Transparency in the management of these funds is one form of implementation of good governance theory in practice.
2. Public Participation: Good governance theory also emphasizes the importance of public participation in the decision-making process. In the context of managing hajj funds, the two countries have different ways of involving the public. In Malaysia, the public is given the opportunity to save in Tabung Haji, which not only functions as a fund management institution but also as an instrument to increase the participation of the community in Sharia-based economic activities. Meanwhile, in Indonesia, although public participation in saving for hajj is also quite high, the main challenge lies in the limitations in involving the public in decision-making related to hajj fund management policies by BPKH.
3. Decisions Based on Justice and the Benefit of the Community: The theory of good governance also emphasizes the importance of making decisions that are fair and beneficial to all parties involved. In the context of the Hajj fund, this is reflected in how investment policies in both countries are taken to ensure that the Hajj fund is managed in a way that is not only financially profitable, but can also provide more benefits to Muslims, either in the

form of subsidy costs or in the form of long-term investment returns that can be utilized by the community.
4. Global Challenges and Adaptation: Global economic dynamics, including exchange rate fluctuations, inflation, and geopolitical uncertainty, add to the challenges in managing hajj funds. In this case, the application of good governance principles also includes adaptation to changing global conditions and innovation in managing hajj funds. Collaboration between Indonesia and Malaysia, for example, can strengthen the management of hajj funds by sharing best practices and investment policies that are more adaptive to global challenges. This is an example of the application of good governance principles in an international context.

Overall, the application of Good Governance theory in the management of hajj funds in Indonesia and Malaysia is closely related to efforts to ensure that the funds collected are used with transparency, accountability, and fairness that benefit Muslims. The application of these principles is essential to building public trust and improving the sustainability of the hajj service system in both countries.

Modern Portfolio Theory

Modern portfolio theory (MPT) is a practical method for selecting investments to maximize overall returns for an acceptable level of risk. This mathematical framework is used to construct investment portfolios that maximize the expected return for a given level of collective risk (Investopedia, 2023). Harry Markowitz pioneered the theory in his paper "Portfolio Selection," published in the Journal of Finance in 1952 (Markowitz, 1952, pp. 77–91).

A key component of MPT theory is diversification. Most investments are either high risk and high return or low risk and low return. Markowitz argued that investors can achieve the best results by choosing an optimal mix of the two based on an assessment of their individual tolerance for risk.

Modern portfolio theory holds that the risk and return characteristics of any investment should not be viewed in isolation, but should be evaluated based on how they affect the risk and return of the portfolio as a whole.

Alternatively, starting with an expected rate of return, an investor can construct a portfolio with the lowest possible risk that is capable of generating that return.

MPT is a useful tool for investors trying to build a diversified portfolio. In fact, the growth of exchange-traded funds (ETFs) has made MPT more relevant by giving investors easier access to a variety of asset classes.

In the context of managing hajj funds in Indonesia and Malaysia, the application of MPT is very relevant, especially in terms of managing large investment funds with long-term coverage, such as hajj funds. Both countries use investment instruments that comply with sharia principles to manage their hajj funds, but there are differences in the application of their investment strategies, which can be analyzed through this theory.

a. Asset Diversification in Hajj Fund Management

Modern Portfolio Theory emphasizes the importance of diversification to reduce risk. In managing hajj funds, both Indonesia through the Hajj Financial Management Agency (BPKH) and Malaysia through the Hajj Savings Institution (TH) use various investment instruments to diversify their portfolios.

1) Indonesia (BPKH): BPKH manages hajj funds with diversified investments, including in sharia instruments such as sukuk and sharia mutual funds. The use of these instruments provides an opportunity to reduce investment risk by allocating funds to various assets,

both domestic and international. This diversification also takes into account exchange rate stability and global market fluctuations, which affect investment results.

2) Malaysia (Tabung Haji): TH, on the other hand, focuses more on managing real assets such as property and other strategic sectors that are stable and provide long-term returns. In this case, TH utilizes the principle of diversification by combining savings, investments, and subsidies to maintain its financial stability. These physical assets and strategic sectors serve as diversification that reduces the risk of high market volatility.

Both countries apply the basic principles of modern portfolio theory in their Hajj fund management, by diversifying assets to optimize returns while reducing risk.

b. Optimizing Return and Risk in Hajj Fund Management

Modern Portfolio Theory also focuses on achieving a balance between risk and expected return. In the context of hajj funds, the main objective is to maximize the return from investments to support the financing of the hajj, but taking into account the risks associated with global market fluctuations, inflation, and exchange rates.

1) Indonesia: BPKH needs to ensure that the investments made can generate maximum profits while maintaining a low level of risk. This is done by selecting investment instruments that are in accordance with sharia principles, but must still take into account external factors that can affect investment results.
2) Malaysia: On the other hand, TH focuses on more stable long-term investments through real sectors, such as property, which provide more predictable returns and reduce exposure to market volatility. This allows TH to achieve stable returns, but with more controlled risks in the long term.

In both cases, the application of modern portfolio theory leads to strategies to maximize the returns generated by the hajj funds while minimizing risks through appropriate and diversified asset selection.

c. Global Challenges and Risk Management

Modern Portfolio Theory also considers the importance of risk management, especially in the face of global economic uncertainty. Exchange rate fluctuations, economic crises, and geopolitical uncertainty are major challenges that must be faced by hajj fund managers in both countries.

1) Indonesia: BPKH faces challenges in dealing with exchange rate fluctuations and global uncertainty that can affect investment results, especially in international instruments. Therefore, it is important for BPKH to continue to monitor global market conditions and make adjustments to their portfolios to remain in line with the MPT principles.
2) Malaysia: Meanwhile, TH is more focused on managing assets that are more stable and more resilient to global economic turmoil, such as the property and infrastructure sectors that are more resilient to international market fluctuations. However, TH still needs to assess the risks associated with reliance on these sectors, which although more stable, are still affected by local and global market conditions.

d. Collaboration for Investment Policy Alignment

One of the great opportunities that can be analyzed through modern portfolio theory is the collaboration between Indonesia and Malaysia in aligning their hajj fund investment policies. By combining different investment strategies, both can create a more diversified portfolio that is resistant to global economic fluctuations, while maximizing the results obtained from the managed hajj funds.

Overall, the application of Modern Portfolio Theory in the management of hajj funds in Indonesia and Malaysia provides insight into how these two countries can manage risk and return in their hajj fund investments. Diversification, return optimization, and risk management are key aspects of this theory that are applied by BPKH and Tabung Haji in the management of their hajj funds.

1) Implementation and Allocation of Hajj Fund Management for Investment at the Hajj Financial Management Agency (BPKH)

Placing financial investments for hajj funds is the first step in implementing the management of hajj funds. This process includes various stages, starting from investment design, evaluation, to approval and determination of investment decisions. Hajj fund administration is divided into two main segments: the first is allocating hajj funds to sharia-based banks, and the second is implementing sharia investments in a series of previously determined instruments. The Hajj Financial Management Agency (BPKH) is responsible for supervising four main investment platforms: SBSN, gold, direct investment, and various other investments. All of these platforms are supervised in an open and structured manner. BPKH manages and invests the initial hajj deposit funds by following strict sharia principles, such as the principles of prudence, utilization, non-profit, transparency, accountability, and integrity.

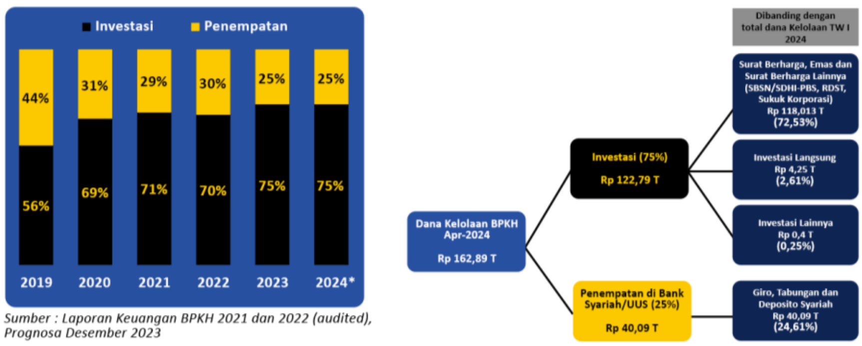

Figure 2.1 Allocation of Hajj Fund Management for Investment in BPKH

Method

This paper adopts the literature study method as a mechanism for collecting information that requires familiarity with scientific writing materials and their ideas. This process involves identifying appropriate materials, compiling references, setting a schedule for research, and reading or taking notes from the materials being studied. Through this strategy, information gathering is carried out by accessing various sources, including books, scientific journals, and previously conducted research, while emphasizing the utilization, instruments, and investment of hajj funds. (Adlini, Dinda, Yulinda, Chotimah, & Merliyana, 2022). In using the literature study method, researchers must carefully select credible and relevant literature sources to the topic being studied, and be able to compile and analyze the information obtained critically and systematically. Therefore, the findings of this study can provide a robust theoretical basis and make an important contribution to scientific progress in the relevant field of study. (Beridze, Kordzaia, Diasamidze, & Beridze, 2020)

Results and Discussion
Results

Differences in Hajj Fund Management and Investment Policies Between Indonesia and Malaysia

The management of hajj funds in Indonesia and Malaysia has the same goal, namely to ensure the sustainability of the hajj pilgrimage and increase its benefits. However, there are several significant differences in the management and investment policies of the hajj funds of these two countries (Nurhadi, 2023). Here are some comparisons:

a. Management Institution
   1) Indonesia: The Hajj Financial Management Agency (BPKH) is an institution responsible for managing hajj funds in Indonesia. BPKH is an independent state institution ((BPKH), n.d.).
   2) Malaysia: Tabung Haji is an institution that manages hajj funds in Malaysia. Tabung Haji is a sharia financial institution owned by the Malaysian government (Dzulfaroh & Hardiyanto, 2023).

b. Investment Instruments
   1) Indonesia: Hajj fund investment in Indonesia is more concentrated on safe instruments such as Sharia Government Securities (SBSN) and sharia banking deposits. This is done to maintain the security of hajj funds.
   2) Malaysia: Tabung Haji has a more diverse investment portfolio, not only limited to safe instruments. Tabung Haji also invests in real sectors such as property, infrastructure, and other productive sectors.

c. Investment Objectives
   1) Indonesia: The main objective of investing hajj funds in Indonesia is to obtain a stable rate of return and low risk. In addition, investment is also directed to support national economic development based on sharia.
   2) Malaysia: In addition to the goal of making a profit, Tabung Haji also has a social goal, namely to provide benefits to the wider community through various community programs.

d. Transparency Level
   1) Indonesia: BPKH has attempted to improve transparency in the management of hajj funds through the publication of financial reports and other information. However, there are still several aspects that need to be improved.
   2) Malaysia: Tabung Haji has a better track record in terms of transparency. Tabung Haji regularly publishes financial reports and other information to the public.

e. Impact on Hajj Organization Costs
   1) Indonesia: In Indonesia, the investment proceeds of the Hajj fund are used to help finance the Hajj Pilgrimage Organization Costs (BPIH). Thus, the investment proceeds can ease the burden of costs that must be borne by the Hajj pilgrims. (Butar, 2024).
   2) Malaysia: In Malaysia, the investment proceeds from the hajj fund are also used to help finance the costs of organizing the hajj. In addition, the investment proceeds are also used to provide benefits to the wider community through various community programs.

The management of hajj funds in Indonesia and Malaysia has the same goal, namely to ensure the smooth running of the hajj pilgrimage and provide maximum benefits for pilgrims. However, there are some significant differences in the management and investment policies of hajj funds between the two countries.

In Indonesia, hajj funds are managed by the Hajj Financial Management Agency (BPKH), which is an independent state institution that is fully responsible for managing hajj pilgrims' funds. BPKH focuses on safe and stable investment instruments, such as Sharia Government Securities (SBSN) and sharia deposits, to maintain the security of hajj funds. Its main goal is to obtain a stable rate of return with low risk, while also supporting sharia-based national economic development. BPKH also seeks to increase transparency in the management of hajj funds, although there is still room for improvement.

Meanwhile, in Malaysia, the management of hajj funds is carried out by Tabung Haji, a sharia financial institution owned by the Malaysian government. Tabung Haji has a more diverse investment portfolio, which is not only limited to safe instruments, but also involves real sectors such as property and infrastructure. In addition to making a profit, Tabung Haji also has a greater social goal, namely to provide benefits to the community through various community programs. In terms of transparency, Tabung Haji has a better track record, routinely publishing financial reports and related information to the public.

Another difference lies in the effect of investment returns on the cost of organizing the hajj. In Indonesia, investment returns are used to help finance the Hajj Pilgrimage Management Costs (BPIH), which can ease the burden of costs borne by hajj pilgrims. In Malaysia, in addition to financing the cost of the hajj, investment returns are also used for programs that provide social benefits to the wider community.

Overall, although both countries have the same goals in managing hajj funds, the policies and approaches implemented show differences in the structure of the management institutions, investment instruments, social objectives, and transparency that impact the management of funds and the benefits obtained by hajj pilgrims.

The Role of Good Governance *in* Building Public Trust in the Management of Hajj Funds Between Indonesia and Malaysia

This study examines the role of good governance *in shaping public trust in the management of hajj funds in Indonesia and Malaysia. Based on the analysis, it can be concluded that the implementation of good governance* principles , including transparency, accountability, participation, and fairness, plays a very important role in ensuring that hajj funds are managed in a trustworthy manner and provide maximum benefits to the people.

a. Transparency

   Transparency in the management of hajj funds means openness of information to the public regarding all activities related to the funds. This includes the publication of financial reports, performance reports, and decision-making mechanisms. (Mukri, Qolbiyah, Mahdi, Ulya, & Alvinanto, 2024, pp. 142–157).

b. Accountability

   Accountability means that the hajj fund manager must be ready to explain and be responsible for every decision and use of the funds. This principle involves the implementation of independent internal and external audits and law enforcement in the event of misuse of funds. This aims to ensure that the hajj funds are used in accordance with the intended purpose and to increase public trust in the hajj fund management institution. In Malaysia, Tabung Haji is known to have strong oversight and is equipped with regular audits by third parties that ensure compliance with the principle of accountability.

c. Participation

   Public participation in the management of hajj funds can improve the quality of policies taken and provide a sense of ownership to hajj pilgrims. Hajj fund managers need to provide open communication channels and encourage public involvement in various decisions, for example through consultation forums or public surveys. In Indonesia, although BPKH has made some efforts to involve the public, broader participation of hajj pilgrims in decision-making is still needed to increase public trust.

d. Justice

The principle of fairness in the management of hajj funds ensures that all parties are treated equally. In the context of hajj fund management, this includes the equitable distribution of benefits to all hajj pilgrims, without discrimination based on economic factors or social status. In Malaysia, Tabung Haji focuses on empowering the community's economy through social programs that support hajj pilgrims and the community in general, such as funding for education and health. Meanwhile, in Indonesia, the implementation of this principle in BPKH still focuses on the equitable distribution of hajj costs, but several challenges related to the equitable distribution of benefits are still faced.

In the comparison of hajj fund investment policies between Indonesia and Malaysia, good governance *plays* an important role in building public trust in the management of hajj funds. Principles such as transparency, accountability, participation, and fairness are key to ensuring that hajj funds are managed in a trustworthy manner and provide maximum benefits to the people.

Overall, although Indonesia and Malaysia have adopted good governance principles in managing hajj funds, there are still a number of challenges that need to be addressed, especially in terms of transparency, accountability, participation, and fairness. Improvement efforts in these aspects will lead to more optimal management of hajj funds and can provide greater benefits for hajj pilgrims and the wider community.

Opportunities and Challenges in Aligning Indonesia and Malaysia's Hajj Fund Investment Policies to Face Global Challenges

Hajj fund management in Indonesia and Malaysia has great potential to be optimized through investment policies that are aligned and mutually supportive. Both countries, as countries with the largest number of hajj pilgrims, face similar global challenges in managing hajj funds effectively. However, there are opportunities and challenges in aligning hajj fund investment policies between Indonesia and Malaysia, especially in facing global economic dynamics.

Opportunities in Aligning Investment Policies:

a. Stronger Investment Collaboration One of the main opportunities is to increase collaboration between Indonesia and Malaysia in terms of hajj fund investment. Through bilateral or multilateral cooperation, both countries can access global markets and wider investment opportunities. By sharing experiences and strategies, for example through joint investment mechanisms or information sharing platforms, both countries can strengthen their hajj fund management.
b. Diversifying Global Investments Global challenges, such as economic uncertainty, financial market fluctuations, and climate change, drive the importance of diversifying investment portfolios. Indonesia and Malaysia can capitalize on this opportunity by investing in broader global sectors, such as technology, renewable energy, and emerging markets, to increase hajj fund returns and support long-term sustainability.
c. Increasing Social and Economic Sustainability Both countries can leverage the Hajj fund investment policy to support broader social and economic projects, such as infrastructure development, education, and health, that benefit society as a whole. This will increase the positive impact of Hajj fund investment, not only for pilgrims, but also for the wider community.
d. Adoption of Financial Technology In facing global challenges, financial technology (fintech) can be an effective tool to increase transparency, efficiency, and accessibility in managing hajj funds. This technology allows hajj fund managers in Indonesia and Malaysia

to monitor and manage investment portfolios in real-time, and allows hajj pilgrims to access information and services easily.

The challenges in aligning investment policies:

a. Differences in Management and Regulation Systems One of the main challenges in aligning the investment policies of Indonesian and Malaysian hajj funds is the differences in the management and regulation systems. Although both countries have the same goal in managing hajj funds, differences in investment policies, market regulations, and management standards can complicate integration between the two countries. Alignment of investment policies involving hajj fund management institutions in each country will require in-depth negotiations and adjustments.
b. Global Economic Fluctuations Global economic uncertainties, such as currency exchange rate fluctuations, geopolitical tensions, and global recession, can affect the performance of hajj fund investments. Both Indonesia and Malaysia must face these risks with a careful approach in selecting investment sectors and conducting sufficient diversification. These risks also require effective mitigation strategies, such as the use of safe and long-term investment instruments.
c. Social and Ethical Risk Management Given that hajj funds come from Muslims, there are challenges in ensuring that investments are made ethically and in accordance with sharia principles. This requires hajj fund managers to choose investments that are not only profitable but also in accordance with Islamic values. Differences in views on the interpretation of sharia principles between Indonesia and Malaysia can add to the complexity of aligning hajj fund investment policies.
d. Resource and Infrastructure Constraints Both countries may face resource constraints, both in terms of fund management expertise and technological infrastructure, to be able to collaborate optimally in managing hajj fund investments. Improved managerial capacity and better infrastructure are needed to support joint initiatives, especially in terms of information exchange and integrated portfolio management.

The opportunities and challenges in aligning the investment policies of hajj funds between Indonesia and Malaysia to face global challenges are enormous. Despite differences in regulations and management systems, opportunities for stronger collaboration, investment diversification, and adoption of financial technology can pave the way for more efficient and sustainable hajj fund management. However, challenges related to global economic fluctuations, differences in sharia principles, and resource constraints still require serious attention. Therefore, hajj fund managers in both countries need to continue to adapt to global dynamics, and strengthen cooperation mechanisms to ensure optimal management of hajj funds and provide maximum benefits to hajj pilgrims and the wider community.

Conclusion

This study found that there are significant differences in the management and investment policies of hajj funds between Indonesia and Malaysia. In Indonesia, hajj funds are managed by the Hajj Financial Management Agency (BPKH) with a focus on diversifying domestic and international sharia-based investment portfolios. Meanwhile, Malaysia through the Tabung Haji (TH) emphasizes a more integrated approach to hajj services, including investment, savings, and pilgrim subsidies. These differences reflect differences in strategy, regulation, and approach to meeting the needs of Muslims in the two countries.

Good governance is a key factor in building public trust in the management of hajj funds in both countries. In Malaysia, transparency, accountability, and consistent risk management in the management of Tabung Haji have succeeded in increasing public trust. In contrast, Indonesia still faces challenges in increasing the transparency and accountability of BPKH, despite efforts to improve. The results of the study show that public trust is influenced by the extent to which the hajj fund management institution practices the principles of good governance.

This study identified that opportunities for collaboration between Indonesia and Malaysia in managing hajj funds can support the strengthening of the Islamic economy at the global level. Policy alignment can be done through sharing best practices in investment diversification, technological innovation, and the application of sharia principles. However, major challenges include differences in regulations, dynamics of global financial markets, and potential risks in managing funds involving international investment instruments. Strategic collaboration can help both countries face global challenges while increasing the efficiency and sustainability of hajj funds.

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