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Strengthening Policies for The Development of The Hajj and Umrah Economic Ecosystem by Increasing Inward Spending

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Abstract

The implementation of Hajj and Umrah has transformed from a religious ritual into a strategic economic ecosystem; however, Indonesia has not yet fully captured its economic potential due to fragmented policies. This paper evaluates strategic options for optimizing Indonesia's Hajj economic ecosystem. Using a mixed-method approach that combined secondary data analysis with a mini-survey of key decision-makers, three strategic options were evaluated: strengthening inward spending, increasing workforce participation, and optimizing the benefit value of managed Hajj funds. The survey findings revealed that strengthening inward spending was the highest priority for immediate implementation. This finding highlights the necessity of prioritizing inward spending to prevent capital outflows and maximize national economic growth. By strengthening trade logistics, expanding direct investment, and integrating domestic MSMEs into Saudi Arabia's global supply chain, Indonesia can develop a resilient economic model that generates sustainable national value. Consequently, this option serves as a primary leverage point for capturing greater economic value, minimizing capital outflows, and enhancing the national multiplier effect.

INTRODUCTION

The implementation of Hajj and Umrah is no longer merely a religious ritual but has transformed into a strategic economic ecosystem, often referred to as the pilgrimage economy. Given the large number of pilgrims and the substantial flow of funds abroad (outward spending/capital outflow), policies for developing the Hajj and Umrah economic ecosystem require fundamental reorientation. Policy breakthroughs are directed toward increasing the retention of economic value within the country (inward spending/value capture/capital inflow). Through the optimization of local supply chains, integration of industries and Micro, Small, and Medium Enterprises (MSMEs), and progressive governance of Hajj funds, this policy reorientation aims to transform spiritual potential into an inclusive and sustainable national economic driver.

The growth of the global Muslim population, which is projected to reach 2.76 billion people or 29.7% of the global population by 2050 (Hall & Prayag, 2020), has direct implications for the increasing number of pilgrims visiting the holy sites. Indonesia, as one of the countries with the largest Muslim populations in the world, represents a major force in the pilgrimage economy through two complementary market segments. First, the Hajj economy provides a captive and stable market with an official quota of approximately 221,000 pilgrims per year. This quota limitation contributes to a waiting period of up to 26 years, which subsequently strengthens the second segment, namely the Umrah economy, as a more flexible and adaptive market. Driven by visa accessibility and the expansion of domestic travel agencies, the number of Umrah pilgrims increased by nearly 70% to reach 1.71 million pilgrims by 2025 (Dit AKPO, 2026). The integration of these two segments creates substantial opportunities for diversifying national economic services.

This large economic dimension forms an integrated global value chain ecosystem involving multiple stakeholders across countries (Sopyan et al., 2023). Operational integration covering visas, transportation, accommodation, catering, and Islamic financial services has generated a significant multiplier effect. The market value of Indonesia's Hajj and Umrah ecosystem is projected to reach IDR 74.47 trillion by 2025 (Dit AKPO, 2026). This estimate represents the economic potential of operational costs and official service packages and does not yet include pilgrims' additional personal expenditures.

The growth potential of this sector is expected to accelerate further alongside Saudi Arabia's policy transformation through Saudi Vision 2030 (Antonio, 2025). The potential circulation of funds within Indonesia's Hajj and Umrah ecosystem is estimated to increase substantially from IDR 65 trillion in 2023 to IDR 194 trillion in 2030 (Liman, 2024). Regarding domestic financial instruments, the Hajj Financial Management Agency (BPKH) had managed funds totaling IDR 180.7 trillion by 2025, generating a benefit value of IDR 12.1 trillion (BPKH, 2026). This substantial liquidity positions managed Hajj funds as a strategic instrument for supporting long-term pilgrimage financing and national economic development.

However, the substantial economic potential and liquidity have not yet been fully converted into domestic added value. Indonesia's Hajj and Umrah economic ecosystem exhibits a critical capital imbalance, retaining only 20% of economic value domestically while approximately 80% flows to Saudi Arabia due to limited supply chain investment (Coordinating Ministry for the Economy, 2026). Furthermore, the absence of integrated policies and macroeconomic indicators within national planning frameworks has created regulatory and policy gaps that restrict capital inflows and weaken the economic multiplier effect. To capitalize on the momentum of Saudi Vision 2030 and the significant potential of the pilgrimage economy, strategic policies are required to ensure that financial flows do not primarily become capital outflows. Strengthening governance and integrating local business actors into the global Hajj and Umrah supply chain are crucial steps to secure domestic multiplier effects, stimulate the real sector, and contribute significantly to national economic growth.

This policy paper aims to systematically formulate evidence-based policy alternatives to address regulatory fragmentation, optimize the vast potential of the pilgrimage economy, and catalyze national economic growth. By employing a mixed-method approach to capture stakeholder perspectives, this study identifies critical strategic and operational gaps among market opportunities, institutional capacity, and systemic challenges within the Hajj and Umrah ecosystem. Scientifically and practically, this paper contributes a prioritized policy framework that bridges theoretical literature on the pilgrimage economy with actionable governance solutions. Furthermore, it provides an empirical roadmap for decision-makers to minimize capital outflows, enhance domestic workforce participation, and strategically reposition Indonesia from a passive consumer market into an active and competitive global economic actor.

METHOD

Following a mixed-methods approach (Creswell & Creswell, 2018), this policy paper combined qualitative literature analysis and secondary data analysis with a stakeholder mini-survey to capture the perspectives of key actors. Policy analysis was conducted based on seven essential criteria, including identifying specific issues, exploring policy alternatives, formulating policies, determining target actors, establishing issue orientation, projecting implementation timelines, and applying political approaches to problem resolution (Patton, Sawicki, & Clark, 2013). The research process was systematically organized into three continuous stages: (a) Qualitative Issue Analysis (Early Stage), which descriptively mapped problems based on secondary data and thematic discussions; (b) Identification of Policy Alternatives (Formulation Stage), which integrated initial findings to formulate strategic policy options; and (c) Assessment and Priority Selection (Validation Stage), which produced feasible and strategic recommendations. Priority determination at the final stage was conducted through focused discussions and a mini-survey involving ministry and institutional stakeholders. Each option was assessed based on four criteria: legality, political acceptability, improvement potential, and administrative feasibility (Bardach, 2012). Although the research was conducted systematically, this study had several limitations, particularly regarding the number of respondents involved. Nevertheless, this study is expected to serve as a foundation for future research, particularly studies focusing on the development and advancement of Hajj and Umrah economic ecosystem issues.

RESULTS AND DISCUSSION

Policy & Regulation Review

The urgency of developing Indonesia's Hajj and Umrah economic ecosystem now has a strong legal foundation through Law Number 14 of 2025 concerning the Third Amendment to Law Number 8 of 2019 regarding the Implementation of Hajj and Umrah. This regulation explicitly emphasizes that one of the fundamental goals of the implementation of Hajj and Umrah is to create and develop an economic ecosystem that can generate a significant *multiplier effect* for the national economy. The existence of this statutory mandate shifts the paradigm of the development of the Hajj and Umrah economic ecosystem, from a mainly religious sectoral agenda to a national strategic agenda that demands a policy direction, formal governance, and cross-sector regulatory framework.

From a macro development perspective, the Hajj and Umrah ecosystem occupies a strategic position to accelerate the national economic transformation agenda. This strategy is accommodated through strengthening domestic value-added as well as optimizing inter-sectoral linkages in the country, such as the food, transportation, logistics, and accommodation sectors. In line with this orientation, the National Medium-Term Development Plan (RPJMN) 2025–2029 has set a policy direction that places the transformation of the implementation of Hajj and Umrah as an integral part of strengthening transparent and accountable governance of religious services (Bappenas, 2025).

In the National Development Planning Documents (RPJPN, RPJMN, and RKP), the policy direction for the development of the Hajj and Umrah economic ecosystem is not explicitly stated and remains fragmented between sharia economic policies and the transformation of Hajj and Umrah services. However, the policy of developing the economic ecosystem of Hajj and Umrah in a substantive manner has been stated in the Ministry of Hajj and Umrah (KHU) Strategic Plan, focussing on sustainable, inclusive development, and has a direct impact on social empowerment and improving the welfare of the people (KHU, 2025). To realize this vision in a concrete way, a development strategy is launched through the facilitation of cross-sectoral partnerships involving ministries, institutions, and business actors. This strategy is expected to be integrated through solid infrastructure development, empowerment of local business actors, and the establishment service standards in all lines of the Hajj and Umrah economic ecosystem.

Despite having regulatory urgency and a strong position within the national strategic agenda, the implementation of Hajj and Umrah economic ecosystem policies still faces fundamental challenges at the level of performance evaluation and empirical standardization. Currently, the achievement indicators contained in the RPJMN 2025–2029 are still limited to the growth rate of the benefits value from the managed Hajj funds. In fact, the Hajj Economic Ecosystem Empowerment Index, which is projected to be the main performance indicator, is still in the early development stage. Thus, there is a significant gap in accurately measuring the real economic impact, so making the refinement of performance indicators is a crucial prerequisite to ensure the effectiveness and sustainability of policies.

Problem and Challenge Analysis

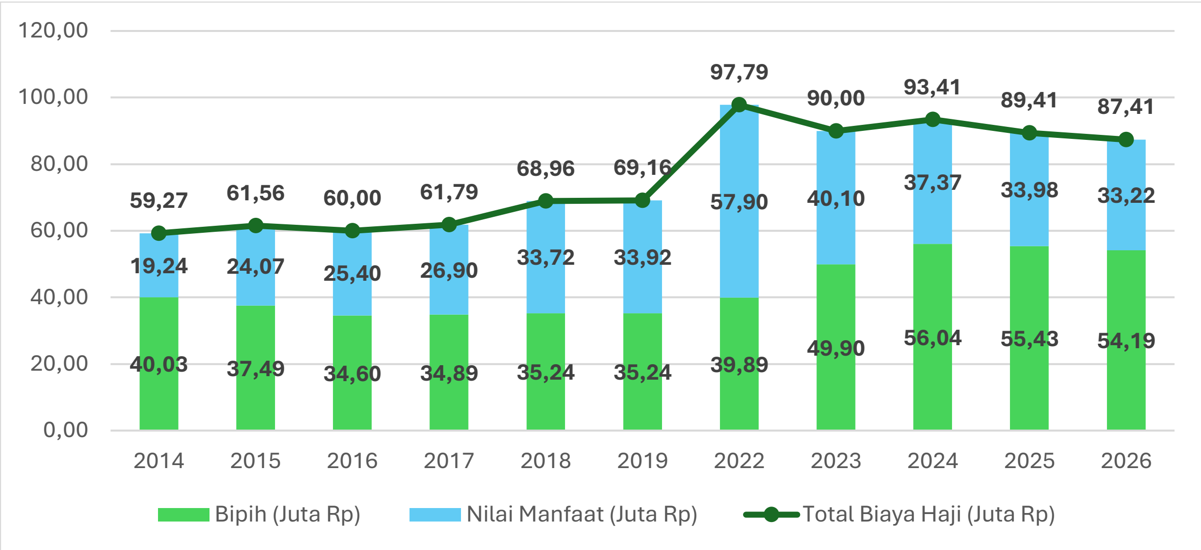
The development of Indonesia's Hajj and Umrah ecosystem create critical momentum for bureaucratic integration and inter-agency role clarity. Integrated policies are needed to optimize industrial development programs, MSME empowerment, and halal certification on one solid footing. At the same time, the consolidation of the financial sector and the Islamic payment system paves the way for the creation of more transparent, efficient, and inclusive transactions. Through the formulation of a grand design as a single reference, the barriers to data interoperability between institutions can be elegantly overcome. This transformative step enables complete data synergy, speeds up the development of evidence-based policies, and creates a resilient, accountable, and adaptive Hajj and Umrah ecosystem capable of responding to global dynamics.

Looking further into the national industrial map, the involvement of domestic business actors in the global supply chain of Hajj and Umrah is still limited and has not been integrated into a comprehensive policy framework. Indonesia has a large socio-economic capital driven by MSME actors. By the end of 2025, there are 59.55 million MSMEs, of which the number of non-agricultural MSMEs is about 30.21 million units employing around 45.3 million people (KADIN, 2025; Kementerian UMKM, 2025). This sector holds great potential to actively contribute to the provision of products and services, ranging from equipment, halal products, processed food, logistics needs, to the provision of health services for pilgrims. However, without structured policy design and interventions, golden opportunities to increase the added value of the domestic economy and expand the participation of local business actors in the global value chain are difficult to seize.

Aside from domestic obstacles, the principal challenge comes from Saudi Arabia's highly dynamic policies, which fall outside Indonesia's regulatory reach. Indonesia's position is increasingly complicated because market penetration has not been maximized due to weak economic diplomacy. At the same time, Saudi Arabia continues to spur the transformation of its services to become increasingly digitized and corporatized. This massive and progressive step on the Saudi side directly requires Indonesia to immediately adjust its strategy in a systematic, adaptive, and measurable manner so as not to lose momentum and be left behind in the ever-growing global ecosystem.

On the other hand, the sustainability of the Hajj and Umrah economic ecosystem is also greatly influenced by domestic and global cost components which are highly volatile. This financial uncertainty is caused by several main factors, ranging from negotiated rates for accommodation prices, consumption, and Masyair (Armuzna) services, global avtur (ATF) price movements, the rupiah exchange rate against the riyal (SAR), to the local inflation rate in Saudi Arabia.

In line with these dynamics, the trend of the Hajj Implementation Fee (BPIH) shows a favourable downward trend in the last two years amid the weakening of the rupiah exchange rate. However, this positive trend is not in line with the percentage of benefit value that fluctuated throughout the period 2014-2026, even recording a sharp decline from 59.2% in 2022 to only 38.0% in 2026.



gureFi 1. Hajj Cost Trends, 2014-2026

Source: processed from KHU and BPKH data, 2014-2026

This significant decline requires much more efficient and sustainable fund management to maintain long-term capital resilience. Therefore, the benefits value is crucial to cover the gap between BPIH and Hajj Travel Expenses (Bipih) so that the pilgrims' payment burden remains affordable at the time of departure. Conversely, from a macroeconomic perspective, meeting operational Hajj requirements results in a capital outflow of trillions of rupiahs in pilgrims' funds to pay for various services from foreign parties. This further emphasizes the importance of the strategy of *value capture* to re-optimize the circulation of funds for domestic economy (Sabilurrasad, 2026).

These various domestic and global challenges confirm that transformation in the implementation of Hajj and Umrah should no longer be viewed as a routine religious ritual. Instead, this agenda must be positioned as a strategic step toward governance reform. Through a solid ecosystem arrangement, this transformation will serve as the main driver in strengthening the halal industry, advancing the sharia economy, and ultimately maintaining national economic resilience in a sustainable manner.

Analysis of Opportunities and Potential for Policy Strengthening

The pilgrimage economy has evolved from high-risk historical caravan journeys into a structured, highly lucrative global economic ecosystem (Chiffoleau, 2017). This shift integrates every worship stage into a comprehensive value chain, driving investment and sustainable growth without eroding spiritual sanctity (Sopyan et al., 2023). Advancements in transport and communication have transformed Hajj and Umrah into efficient spiritual tourism with massive macroeconomic impact (Graburn, 2024). Thus, synthesizing ancient devotion with modern strategy establishes a strong foundation for a sustainable global pilgrimage economy.

As one of the countries with the largest Muslim population in the world, Indonesia has annual hajj quota ranges from 221,000 to 241,000 pilgrims and consistently realizes stable departures at a psychological figure of around 200,000 pilgrims per year. The high religious enthusiasm of the community clashes directly with the limitations of the hajj quota triggering massive queues. As a result, the average waiting period for regular hajj now reaches 26 years with variations in duration between provinces, depending on the number of local registrants.

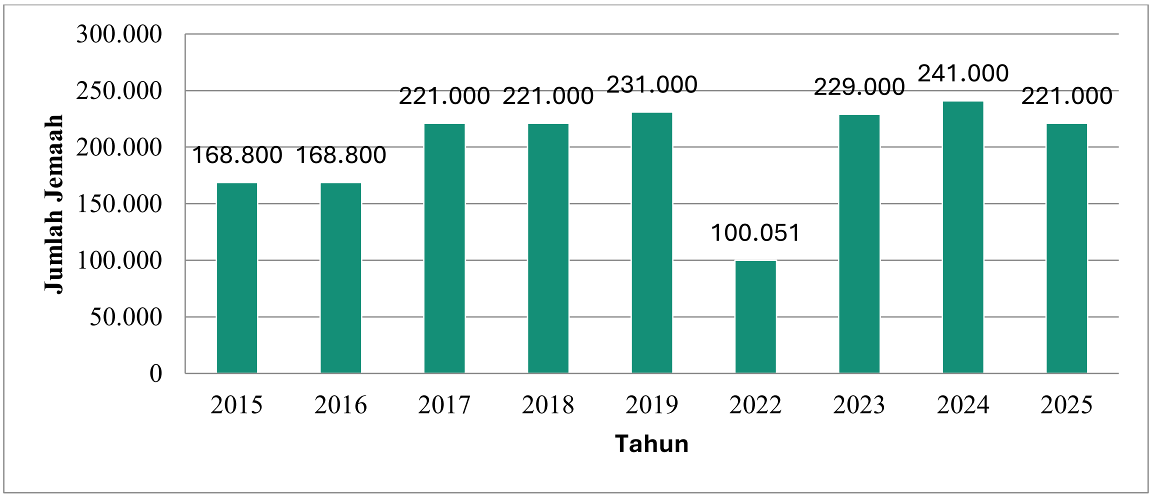


Figure 2. Indonesian Hajj Pilgrim Quota, 2015-2025

Source: processed from KHU data, 2015-2025

*) *2020-2021 Covid-19 Period; 2022 First Hajj Post-Covid-19*

Given the characteristics of the captive market, the challenge related to the Hajj economy is no longer an increase in participants/consumers, but an improvement in service quality. The Indonesian Hajj Pilgrim Satisfaction Index (IKJHI) for the period 2010 to 2025 has consistently maintained a stable trend of performance in the "satisfactory" category and finally at a score of 88.46. This performance affirms the effectiveness as well as the commitment to sustainability in improving service governance.

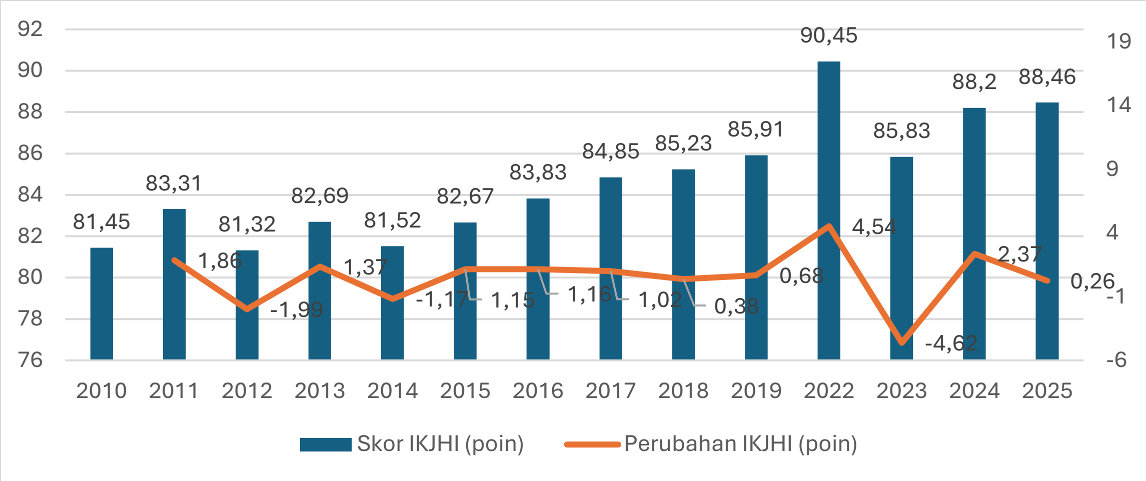


Figure 3. IKJHI Train, 2010-2025

Source: processed from KHU data, 2010-2025

On the other hand, the trend of Umrah has now increased significantly in recent years. The number of Umrah pilgrims surged by nearly 70 percent in three years, rising sharply from 1,010,525 people in 2022 to 1,718,891 people in 2025 (Dit AKPO, 2026). The high number of Umrah is triggered, among other things, by the relatively long Hajj queue (Ridwan, 2018), even though the government has reduced it from 40 years to approximately 26 years. Meanwhile, the cost of special hajj is still relatively high for most people. This is the main catalyst for the community, especially the lower middle socio-economic segment and especially the elderly, to choose Umrah as a more accessible spiritual alternative. The escalation of this trend is further strengthened by the restructuring of the Saudi Arabian Government's policy that facilitates access for pilgrims through simplification of procedures, expansion of visa options, and digitalization via the Nusuk platform (Kingdom of Saudi Arabia, 2026). This convenience has prompted travel agencies to expand their business capacity to meet the rising demand for Umrah travel.

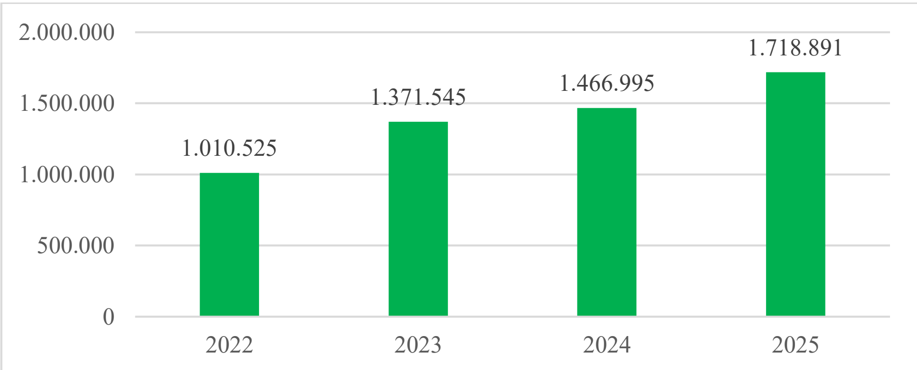


Figure 4. Indonesian Umrah Pilgrims, 2022-2025

Source: processed from KHU data, Dit. AKPO, 2022-2025

In the future, economic opportunities from the Hajj and Umrah sectors are projected to grow more massively in line with the transformation of global policies. Under Saudi Vision 2030, Saudi Arabia is diversifying its economy beyond oil and gas toward the service and industrial sectors by expanding Hajj and Umrah infrastructure, aiming to host 30 million pilgrims and generate an estimated USD 52 billion by 2030 (Saripudin & Juned, 2024; Budayri & Hafez, 2023). Meanwhile, Indonesia's annual Umrah hajj economic turnover is estimated to reach IDR 74.47 trillion by 2025. The economic potential figure is calculated only from operational costs and official service packages for regular hajj, special hajj, and umrah.

Table 1. Proportion of Hajj and Umrah Cost Components, 2025

Components	% Total	Cost Value (trillion)	% Regular Hajj	% Special Hajj	% Umrah
Total Economic Value		IDR74,47 T	24,4%	6,4%	69,2%
Penerbangan	46,2%	IDR34,41 T	19,9%	5,2%	74,9%
Accommodation	32,5%	IDR24,23 T	20,2%	5,3%	74,5%
Masyair Services	5,4%	IDR4,02 T	79,3%	20,7%	0,0%
Konsumsi	5,6%	IDR 4,16 T	30,2%	7,9%	61,9%
Transportation	4,9%	IDR 3,62 T	22,9%	6,0%	71,1%
Cost of Living/ Allowance	1,2%	IDR 0,87 T	79,3%	20,7%	0,0%
Visa & Insurance	2,5%	IDR 1,83 T	12,1%	3,2%	84,7%
Others	1,8%	IDR 1,33 T	17,8%	4,6%	77,6%

Source: processed from KHU data; This AKPO, 2026

The total overall cost allocation reached around Rp74.47 trillion, with the largest absorption of funds dominated by two main components, namely flight costs of 46.2% (Rp34.41 trillion) and accommodation of 32.5% (Rp24.23 trillion). Furthermore, the distribution of the budget was followed sequentially by the consumption sector with a portion of 5.6% (IDR 4.16 trillion), Masyair services by 5.4% (IDR 4.02 trillion), and transportation needs which accounted for 4.9% (IDR 3.62 trillion) of the total funds. Meanwhile, financing for visas and insurance took up a portion of 2.5% (IDR 1.83 trillion), followed by expenditure in other categories of 1.8% (IDR 1.33 trillion), and finally, the smallest allocation was allocated for living expenses or allowances with a percentage of only 1.2% or equivalent to IDR 0.87 trillion.

The economic potential of Hajj and Umrah will be even higher, if it is possible to identify the calculation of out-of-pocket which is issued independently by the pilgrims during the entire process of Hajj and Umrah. Moreover, sociologically, the process of Hajj and Umrah for the Indonesian people has an individual regiligius meaning as well as a social one. The tradition surrounding Hajj departure and return (*Walimatul Safar*) contributes significantly to domestic economic growth through a multiplier effect for MSMEs in the fashion, culinary, transportation, and accommodation sectors, while creating jobs and supporting community development (Nurdian *et al*., 2026)

The realization of the economic potential of Hajj has been seen from the provisional transaction data report as of June 2026 (Anwar, 2026). Provisional data shows an accumulated income of IDR 193,375,824,000, of which the largest contribution is supported by the food and worship logistics sector. *Ready to Eat* (RTE) food sales recorded the highest volume of 841,920 pax worth IDR 51,988,650,000, which was strengthened by the supply of Makkah Pasta Seasoning weighing 126,446 kg (SAR 4,839,481 / IDR 22,907,537,410) and Medina Pasta Seasoning weighing 82,050 kg (SAR 2,824,462 / IDR 13,416,194,500). In addition to consumption needs, the fulfillment of DAM obligations (outside of Adahi and fasting) has a significant financial value of IDR 147,141,500,000 from a total of 53,506 slaughtered animals, followed by the income of the tenant sector which contributes income worth SAR 970,890 or equivalent to IDR 4,611,727,500. Nevertheless, this total accumulation is still dynamic and has the potential to increase considering that the current status of the expedition service sector and telecommunication providers is still not recorded in the official bookkeeping. Moreover, the economic potential from rice provision—a staple menu item for Indonesian pilgrims—remains uncalculated and unrealized due to geopolitical tensions in the Strait of Hormuz in 2026.

Towards the Saudi Vision 2030, the potential accumulation of total economic value in the Indonesian Hajj Umrah ecosystem is even estimated to jump sharply to reach IDR 194 trillion, a massive jump from the IDR 65 trillion database in 2023 (Liman, 2024). This growth acceleration is further strengthened by the potential for optimizing hajj funds managed by BPKH, which as of 2025 has touched IDR 180.7 trillion with an operational benefit value of IDR 12.1 trillion (BPKH, 2026). Large liquidity not only ensures the sustainability of worship cost subsidies for pilgrims but also becomes a strategic investment instrument in strengthening the national sharia economic structure.

In addition, the formation of new institutions through the Ministry of Hajj and Umrah (KHU) in accordance with the mandate of Law 14/2025 is expected to be a catalyst for optimizing the economic potential of Hajj and Umrah much more massive and structured. Moreover, the institutional structure is strengthened by the presence of the Directorate General of Economic Ecosystem Development (PEE) of Hajj and Umrah, which is tactically supported by three technical directorates with mutually continuous functions. In its operations, the Directorate of Hajj Operational Cost Management will ensure the efficiency and transparency of financial governance, while the Directorate of Partnership Facilitation for the Development of Hajj and Umrah Economic Ecosystem is actively engaged in building multi-stakeholder synergy with business actors. The collaboration was then accelerated by the Directorate of Standardization and Facilitation of Hajj and Umrah Economic Ecosystem Empowerment which is tasked with setting quality benchmarks while empowering local industry players, so that the integration of all these lines not only improves the quality of worship services but is also able to move the wheels of the domestic economy in a sustainable manner.

Policy Alternatives

As a strategic foundation in formulating a new direction, the alternative policy is specifically designed to optimize the great potential of Hajj and Umrah as a sustainable national economic driving force. The suite of policy alternatives not only maps intervention options that are responsive to global market dynamics and regulations but is also accompanied by outcome indicators to ensure the effectiveness of implementation on the ground. Through an integrative approach, all policy options lead to one universal goal, which is to transform religious ritual activities into an economic ecosystem that is sovereign, competitive, inclusive, integrative, and able to provide multiplied added value for national economic growth.

Three policy alternatives are recommended for the development of the Hajj and Umrah economic ecosystem. *First*, strengthening *inward spending* or *value capture* on all Hajj and Umrah costs incurred by pilgrims in the implementation of Hajj and Umrah. *Inward*

Spending is expected to be one of the main components of Sharia GDP. *Second*, increasing the participation of Indonesian workers in all aspects of Hajj and Umrah services, across Indonesian, Saudi Arabian, and multinational companies. *Finally*, the third alternative is to increase the value of the benefits of the hajj fund as part of efforts to reduce the cost of the Hajj travel paid by pilgrims (Bipih)

The first policy alternative, namely increasing *inward spending*, is a strategic effort to withdraw the turnover of money from travel activities paid by pilgrims so that it flows back into the domestic economy through the use of local products, such as for catering, transportation, accommodation, clothing, equipment, health services, and souvenirs for pilgrims. This intervention step is important to implement considering that the development of Indonesia's Hajj and Umrah economic ecosystem is currently still hampered by high capital outflow and low domestic value capture (Sabilurrasad, 2026). Most of the pilgrims' expenditure around 80 percent flows abroad as *outward spending,* due to the lack of ownership participation or strategic investment from the Indonesian side in the accommodation, transportation, and logistics supply chain in Saudi Arabia (Dit AKPO, 2026). On the other hand, the *inward spending* that has been successfully absorbed and returned to the domestic economy is very limited, which is only around 20 percent. This inequality shows that the economic potential of the large number of pilgrims has not been optimally manifested to drive the wheels of the national economy. Therefore, through investment strategies and shifting the flow of funds, expenses that were previously lost can be converted into productive assets. Recommended outcome indicators include the Domestic Component Level (TKDN) of pilgrim logistics and halal product exports volume to Saudi Arabia. Ultimately, increasing inward spending serves as a key driver of Sharia-compliant GDP, reinforcing the strategic economic value of Indonesia's Hajj and Umrah.

Meanwhile, the second policy alternative focuses on increasing the participation of Indonesian workers through a tactical strategy that places professional and skilled domestic workers along the Hajj and Umrah service value chain. The success of this policy is measured through outcome indicators in the form of the percentage of absorption of Indonesian labour in crucial sectors such as hospitality, catering, transportation, and medical personnel during the Hajj and Umrah seasons. This policy is based on the absorption of workers in the domestic sector and the optimization of the quota of Indonesian workers in the government of Saudi Arabia's employment system. Conceptually, this policy can adopt a turnkey project model—like China's Outward Foreign Direct Investment in Indonesia, which integrates investment with an integrated labor supply from upper management to field workers (Octavia & Badaruddin, 2017). Through this comprehensive approach, strengthening participation not only targets the downstream sector in Saudi Arabia, but also simultaneously drives the domestic ecosystem in the country that is directly related to the implementation of Hajj and Umrah, ranging from accommodation, travel agencies, textile industry, culinary and souvenirs, to the tourism and financial services sectors.

The last policy alternative relies on increasing the value of benefits on managed Hajj funds through the optimization of safe, liquid, and sharia-based investments to generate higher returns (*Yield*). This policy is part of a strategic effort to reduce the cost of Hajj travel paid directly by pilgrims (Bipih). In line with the 2025-2029 RPJMN target, the policy outcome indicator is measured from the growth rate of the value of benefits distributed for the efficiency of the cost of hajj (Bipih) and long-term fiscal sustainability. In its implementation, BPKH applies the sharia governance framework and principles *Maqasid al-Shariah* (*Hifz Al-Mal*) to prioritize fund allocation and risk mitigation amid market volatility (Antonio, 2025). Through a diversified portfolio strategy, this management can maintain the efficiency, justice, and sustainability of the Hajj economy while supporting the fulfillment of quotas and pilgrim financing for the benefit of the people.

To sort out policy priorities, the three policy alternatives above were assessed through *a mini survey*, involving 21 officials from various ministries and institutions directly related to the implementation of the policy. Several respondents were officials at the Echelon II level, including (1) Director of Religion, Culture, Youth and Sports-Bappenas; (2) Head of the KHU Planning Bureau; (3) Director of Partnership Facilitation for PEE Hajj and Umrah; and (4) Head of the Strategic Planning Division of BPKH. Other respondents were officials at the Echelon III level, including (1) the Head of the Sub-Directorate for Facilitation of Hajj and Umrah Economic Empowerment-KHU; (2) Head of Performance Management, Programs and Budget of KHU; (3) Head of the Organization and Facilitation of Bureaucratic Reform Section of KHU; (4) Team Leader in Dit. Sharia Economics and SOEs-Bappenas; (5) Head of Subdivision of the Directorate of Hajj Operational Cost Management; and (6) Head of the Sub-Directorate for Facilitation of Hajj and Umrah Economic Ecosystem Partnerships. The remaining respondents were 12 technical officials who are directly relevant in the development of the Hajj and Umrah economic ecosystem.

The process of assessing alternative policies was carried out systematically by providing scores based on 4 (four) main criteria in policy formulation (Bardach, 2012). First, *Legality,* to ensure that the policy does not contradict the current regulations. Second, *Political Acceptability,* to measure the potential for support from various stakeholders. Third, *Improvability,* to assess the solidity of policies so that they can be implemented and developed to achieve the main objectives. Fourth, *Administrative Implementation,* to measure whether the implementation of the policy can run in an organized, structured, and measurable manner. Each criterion was assessed using a weight scale of 1 to 6, where a value of 1 indicates a very low priority for implementation, while a value of 6 indicates that the policy has the highest priority to be implemented. Weighting was also adjusted based on the respondent's position, where the closer to the position of the decision-maker, the higher the weight of the assessment.

Based on the results of the consolidated assessment of alternative policies (table 2), the first policy alternative that focuses on strengthening *inward spending* or *value capture* on the cost of Hajj and Umrah occupied the highest priority with a total score of 900. The first policy alternative consistently excels in almost all aspects, especially in the indicators of *political acceptability* of 238 and *legality* of 224. In second position, the policy of increasing the participation of Indonesian workers in all Umrah hajj services obtained a total score of 865, where the aspects of *improvability* and *political acceptability* are the main supports with a score of 220 each.

Table 2. Recap of Policy Alternative Assessment Results

	Policy Alternatives	Assessment Criteria				
		Legality	***Political Acceptability***	***Improvability***	***Administrative Implementation***	***Total***
1	Strengthening *inward spending* or *value capture* of all Hajj and Umrah costs incurred by pilgrims in the implementation of Hajj and Umrah. *Inward Spending* is expected to be one of the main components of Sharia GDP	224	238	226	212	900
2	Increasing the participation of Indonesian workers in all aspects of Hajj and Umrah services, both in Indonesian, Saudi Arabian, and multinational companies	217	220	220	208	865
3	Increasing the value of hajj fund benefits as part of efforts to reduce the cost of hajj travel paid by pilgrims (Bipih)	209	222	216	210	857

Source: independently processed from the results of the mini survey

The third option, which is oriented towards increasing the value of hajj benefits to suppress Bipih is in the last position with a total score of 857. While recording the lowest score in the *legality* aspect (209), it demonstrates competitive *administrative implementation* performance at 210. Overall, the results of the assessment show that strengthening *inward spending* (policy 1) is considered the most strategic, regulative, politically acceptable, and most feasible option to implement.

The implementation of policies to strengthen *inward spending* in the Hajj and Umrah ecosystem can be accelerated through initial steps that focus on strengthening the domestic sector and international trade. The first strategy is realized through increasing the percentage of pilgrim logistics TKDN, which is accompanied by efforts to boost the volume of direct halal product exports to Saudi Arabia. By ensuring that the basic needs of pilgrims are supplied domestically, Indonesia not only secures potential markets but also strengthens the standardization of local products to be able to compete in the global arena.

The next tactical step is oriented towards capital expansion in Saudi Arabia. Danantara, BPKH Limited, and Indonesian companies play a vital role through direct investment in the Hajj and Umrah sectors. This strategy can be carried out through the acceleration of Hajj Villages and the expansion of business networks. The presence of such physical infrastructure serves as a pressing anchor to *outward spending*. Capital placement in the property and hospitality sector can effectively cut operational costs, so that pilgrims get local facilities and culinary at more affordable prices (Saripudin & Juned, 2024). This asset can also remain productive serving global pilgrims throughout the year.

So far, the allocation of Hajj Travel Costs (BPIH) has been dominated by foreign services without optimal retention (Sabilurrasad, 2026). Therefore, the conversion of investment patterns is very necessary as a stimulus for national service exports. This scheme integrates domestic catering and transportation business actors into the global supply chain. Across these sectors, it forms an independent and profitable hajj business ecosystem. Thus, capital outflow can turn into sustainable profitability for national companies.

The last strategy focuses on strengthening the role of MSMEs in the Hajj and Umrah ecosystem through domestic market expansion and direct export initiatives of local products as an effort to penetrate the Saudi Arabian market. This action is critical to capitalizing on Indonesia's trade potential and penetrating the Saudi market, which reached USD 2.02 billion in 2022 (Saripudin & Juned, 2024). This strategic step is implemented through the acceleration of quality standardization and capacity building for exports, utilization of smart apps (one stop services) as well as facilitating expos of local products, to the development of Hajj dormitories as a hub and economic ecosystem marketing centers. By integrating domestic business actors into the global hajj supply chain, this initiative is not only an important catalyst in boosting the volume of national exports but also drives various domestic economic sectors in a sustainable manner to create a resilient economic structure and contribute significantly to national economic growth.

Increasing *inward spending* from the Hajj and Umrah economic value chains has the potential to become the main pillar of the formation of *Sharia Gross Domestic Product* (GDP) through the massive absorption of capital inflows. The flow of funds from pilgrims' expenditures directly drives various real supporting sectors in the country, including domestic flights, logistics, pilgrim equipment, Islamic banking services, and the halal culinary industry. This transaction capitalization has gradually strengthened the sharia-based financial liquidity structure and expanded the accumulation of domestic economic added value. Strengthening ecosystem integration ultimately encourages a multiplier effect for national income growth, job creation, and a systematic increase in the income scale of the sharia sector.

Although effective in restoring economic value to the country, the policy of strengthening *inward spending* is still limited because calculations tend to be based only on the official operational costs of the pilgrims, formal investments, and recorded financial transactions. The limitations of this formal baseline make the real potential of the ecosystem not fully mapped. Thus, future policies need to be fundamentally expanded by integrating the calculation of out-of-pocket spending incurred independently by pilgrims, such as retail shopping, fashion clothes, culinary products, and extra logistics. By including these self-expenditure variables, policymakers can formulate more precise supply chain interventions, maximize capital retention returning to Indonesia, and create a more massive multiplier effect on gross domestic product.

CONCLUSION

Indonesia’s massive Hajj and Umrah ecosystem—supported by an annual turnover of IDR 74.47 trillion in 2025, a projected value of IDR 194 trillion by 2030, and managed funds totaling IDR 180.7 trillion—represents a significant economic opportunity. To fully capture this potential, Indonesia must prioritize inward spending strategies, strengthen trade logistics, and integrate domestic MSMEs into Saudi Arabia’s supply chain to reduce capital outflows and maximize domestic economic growth. By strengthening trade logistics, expanding direct international investment, and integrating domestic MSMEs into Saudi Arabia's global supply chain, Indonesia can develop a resilient economic model that generates sustainable national value. Building upon these findings, future empirical research should pursue three key areas: evaluating the risk-adjusted returns and optimization of off-peak yields from overseas assets, mapping bilateral regulatory frameworks to reduce non-tariff barriers to exports, and conducting longitudinal microeconomic studies to quantify how local supply chain integration contributes to sustainable domestic employment.

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