Unlocking Investment Potential in Saudi Arabia's Hajj and Umrah Sector: A Focus on Indonesia and Malaysia

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Abstract

The Saudi Vision 2030 has catalyzed the transformation of Hajj and Umrah pilgrimages in the Kingdom of Saudi Arabia (KSA), presenting lucrative investment opportunities for foreign investors, particularly within the Islamic world. This research investigates potential Hajj and Umrah investment projects in Saudi Arabia with a particular emphasis on Indonesia and Malaysia due to their significant Muslim populations and potential strong economic ties with Saudi Arabia. Risk heat map analysis identifies food products and catering services as the sector with the most manageable risks for Indonesian investors. Utilizing the Trade Gravity Model, the study reveals macroeconomic indicators and trade competitiveness as key determinants of investment success. Furthermore, the research demonstrates that product complementarity is crucial in Saudi Arabia's market competition. This research primarily focuses on Indonesia and Malaysia, providing a foundation for future research to explore investment opportunities for the other ASEAN-4 countries. Findings suggest Indonesia has the potential to emerge as a leading player in the Hajj and Umrah sectors, particularly within the food and catering services domain. Beyond its economic implications, this research contributes to advancing Islamic economic studies.

Keywords: Indonesia, Hajj and Umrah Sector, Investment, Trade Competitiveness

Introduction

All Muslims dream of making a pilgrimage to Saudi Arabia to fulfill the fifth pillar of Islam. However, due to long waiting lists and strict country-based pilgrim quotas for Hajj, many Muslims instead perform Umrah—a separate, non-mandatory pilgrimage that can be done at any time of the year. Hajj and Umrah contribute to 7% of Saudi Arabia's Gross Domestic Product (GDP) (Idris, 2020; Omar, 2020). Religious tourism related to the Hajj and Umrah is considered the most critical sector in the Kingdom of Saudi Arabia. The increasing global Muslim population, technological advances in transportation, and general economic growth in Islamic countries have increased the demand for Hajj and Umrah.

Saudi Arabia is opening opportunities for foreign funds to invest in Hajj and Umrah infrastructure through the 2030 vision (Abimanyu, 2023). Saudi Vision 2030 is an ambitious vision from the KSA Government for socio-economic development, including not only Hajj and Umrah but also industrialization, infrastructure, and Islamic tourism throughout the kingdom. By 2030, Saudi Arabia aims to host 30 million Hajj, Umrah, and tourism visits and generate income of more than US$ 52 billion (Idris, 2020).

Saudi Arabia's Vision 2030 Hajj and Umrah service improvement program presents significant opportunities for foreign investors, especially from ASEAN countries, across various sectors. These include infrastructure development (hotels, accommodation, transportation), enhanced hospitality services (lodging, catering, customer service), halal-certified food and catering, digital solutions for pilgrimage management, and expanded healthcare services (medical facilities and emergency response). ASEAN member states with significant Muslim populations—particularly Indonesia and Malaysia—are critical contributors to global Hajj participation. Their growing outbound pilgrimage flows position them as key stakeholders in the evolving Hajj and Umrah ecosystem. Furthermore, ASEAN's advancing economic integration, coupled with its cultural and religious affinities with Saudi Arabia, provides a strategic platform for enhanced bilateral cooperation in pilgrimage services, infrastructure development, and religious tourism (Alalmai et al., 2020; Kouchi et al., 2018; Saripudin & Juned, 2024).

This research examines Indonesia's economic opportunities from the Hajj and Umrah service improvement programs. Investments available to investors include the Arafah-Mina upgrading Facility, hotel construction in Mecca and Madinah, food and catering services, air transportation, electric busses, Islamic tourism services, hospitality, and payment services. Risk heat map analysis is utilized to determine the priority of investment projects within the mitigated risks (Monat & Doremus, 2020). Regarding the prospects of Indonesian food products in Saudi Arabia, this study estimates factors determining food export to the Middle East and the world. The research of the Indonesian food export uses the trade gravity model (Anderson & Van Wincoop, 2003; Baier & Standaert, 2020; Bergstrand, 1989).

Indonesian Muslims Population, Pilgrims, and Hajj Fund

The largest national contingents of Hajj pilgrims typically come from Indonesia, Pakistan, India, Turkey, Egypt, Bangladesh, and Nigeria, reflecting both demographic size and quota allocations set by Saudi Arabia. Meanwhile, Indonesia, Pakistan, Egypt, and India are the countries with the largest number of Umrah pilgrims (GASTAT, 2024). Among ASEAN member countries, apart from Indonesia, there are also Hajj and Umrah pilgrims from Malaysia, Brunei, Singapore, Thailand, Vietnam, and the Philippines. Recent data indicates that around 2.5 million Muslims perform Hajj annually, while more than 19 million undertake Umrah—a figure that continues to grow in line with Saudi Arabia's Vision 2030 initiatives.

Table 1 shows that Indonesia and ASEAN-3 contribute around 250 thousand Hajj pilgrims and 2 million Umrah pilgrims to Saudi Arabia annually. Indonesia currently ranks first in the number of Hajj pilgrims and second in the number of Umrah pilgrims worldwide, excluding Saudi Arabia's population (GASTAT, 2024).

Table 1 ASEAN-4 Muslim Population, Hajj, and Umrah Pilgrims in 2023

	Country	Population	Muslim Population (percentage)	Hajj	Umrah (000)
1	Indonesia	277,43 million	266,50 million (87.2%)	221,000	1,500
2	Malaysia	33,60 million	21,17 million (63.5%)	31,600	300
3	Singapore	5,92 million	0,92 million (15.6%)	900	24,5
4	Brunei	0,44 million	0,38 million (81.7%)	1,000	60,0

Source: GASTAT (2024) and Statista (2023)

Indonesia has strong potential to mobilize substantial Hajj funds through its public financial institution, the Hajj Financial Management Agency or Badan Pengelola Keuangan Haji (BPKH). While Malaysia, Singapore, and Brunei do not send as many Hajj and Umrah pilgrims as Indonesia, they maintain well-established Hajj savings schemes or sovereign wealth funds that support pilgrimage financing and broader Islamic financial initiatives. BPKH follows in the footsteps of Tabung Haji, the Malaysian Hajj Fund, which collects initial funds from Hajj pilgrims through a waiting list registration system (BPKH, 2023). Meanwhile, GIC-Singapore is a sovereign wealth fund that invests its funds using conventional and sharia principles (GIC, 2024). Tabung Amanah Islam Brunei (TAIB) is an Soveriegn Wealth Fund (SWF) managed according to Sharia principles (TAIB, 2022). Table 2 shows ASEAN-4 Hajj Fund and SWF in 2022-2023.

Table 2 ASEAN-4 Hajj Fund and SWF 2022/2023

	Country	GDP (US$)	SWF/Hajj Fund	Investment Size	Portfolio(s)
1	Indonesia	1.2 trillion	BPKH	IDR 165 trillion (US$ 10 Bio)	Time Deposits, Sukuk, Direct Investment
2	Malaysia	410 billion	*Tabung Haji* (TH)	MYR 92 million (US$20.7 Bio)	Equity, Sukuk, Property, Money Market
3	Singapore	466 billion	GIC	US$ 769 Billion	Equity, Sukuk, Corporate Sukuk, Global Investment, Property, Infrastructure
4	Brunei	16.6 billion	TAIB	BND 1.89 Billion (US$ 1.4 Bio)	Equity, Sukuk, Property

Source: BPKH (2023), GIC (2024), LTH (2022) and TAIB (2022)

The four financial institutions are state institutions but independent and managed corporately. They have the advantage of having long-term funds that align with the long-term funding needs of public infrastructure projects (Abimanyu, 2023). However, they have limitations in selecting investment portfolios and generally have a low to moderate risk appetite. For instance, BPKH's level of risk appetite in the low to medium category is determined in the 2017-2022 and 2022-2027 Strategic Plans, which are the institution's internal documents.

Malaysian Hajj Savings Institution or *Lembaga Tabung Haji* (LTH) and Indonesian Hajj Financial Management Agency (BPKH) differ significantly in several aspects. LTH, established in the 1960s, began engaging in direct investments like plantations and industries in the 1980s, supported by the government to spur economic growth. In contrast, BPKH, founded in 2017, has yet to explore such investments, highlighting Indonesia's need for further development in this area. Additionally, LTH operates more like a bank, managing funds from a broader pool of 9 million depositors, including children, who can save for their future Hajj trips, unlike BPKH, which only accepts deposits from individuals intending to perform the Hajj. Furthermore, LTH provides subsidies for the first-time pilgrimage only, with no subsidies for subsequent Hajj trips, whereas Indonesia continues to offer subsidies for repeat pilgrims. Lastly, Malaysia's subsidy system targets economically disadvantaged individuals, ensuring that only those who cannot afford the pilgrimage receive financial support, contrasting with Indonesia's broader approach to subsidy distribution (Alfarizi, 2023).

How can Indonesia and Malaysia leverage their economic strengths and existing relationships with Saudi Arabia to capitalize on the investment opportunities presented by the Saudi Vision 2030's transformation of the Hajj and Umrah pilgrimages? The research aims to identify specific sectors (like food and catering) where these countries can gain a competitive advantage and contribute to their economic growth while also contributing to the development of Islamic economic studies.

This research is crucial as it fills a notable gap in the academic literature by examining how macroeconomic indicators, trade competitiveness, and product complementarity shape investment outcomes in the Hajj and Umrah sectors. By exploring investment opportunities, the study enriches the field of Islamic economics and provides valuable insights for policymakers and investors, particularly in ASEAN countries like Indonesia and Malaysia. These insights enable stakeholders to tap into lucrative opportunities within the Hajj and Umrah ecosystem, fostering economic growth and strengthening bilateral relations between Saudi Arabia and Muslim-majority nations. Additionally, the research highlights the strategic importance of these sectors in promoting regional cooperation and sustainable development, offering actionable strategies for enhancing economic growth through Hajj-related investments and the expansion of halal product trade. This dual focus on academic contribution and practical policymaking makes the study a vital resource for both scholars and practitioners in the field.

Literature Review

Religious tourism destinations have different goals from tourism in general (Ţală & Pădurean, 2008; Musthofa et al., 2023). Pilgrimage and religious tourism have deep historical roots, spanning from ancient times and the Middle Ages to the present day. Unlike other forms of tourism, religious tourism is not oriented toward leisure or entertainment but is instead motivated by the pursuit of spiritual fulfillment and religious devotion. Religious tourism trips are usually carried out in groups for pilgrimage or worship (Kocyigit, 2016).

According to Al-ghalayini (2019), Hajj services in Saudi Arabia are essential in improving the quality of a pilgrim's Hajj experience. KSA (the Kingdom of Saudi Arabia) has modernized its airport capacity and initiated plans to expand its third holy mosque. The transportation system network has been strengthened to facilitate access and enable pilgrims to fulfill their religious obligations comfortably. Studies by Abimanyu (2023), Ladki et al. (2020), and Ladki & Mazeh (2017) show that Islamic tourism to Saudi Arabia impacts worship services, investment, business, trade, foreign exchange, and Muslim tourism in countries that have Hajj funds, such as Indonesia and Malaysia.

Research by Dávid et al. (2024), Ivchenko et al. (2021), and Niyazbekova et al. (2020) aimed to identify and estimate the variables that have the most significant impact on inbound and outbound tourist visits to a country. In these studies, hypotheses have been tested regarding the sensitivity of visits to changes in certain macroeconomic variables and the impact of regional trade on inbound tourism. Using time series regression correlation analysis, the researchers estimated the influence of significant macroeconomic variables on tourism in several countries and the magnitude of the most influencing variables. The dynamics of the inflow and outflow of services and finance are analyzed regarding certain economic activities that are negative or positive.

Saudi Arabia's wealth comes from oil and gas, the country's primary sources of income. The increase in Hajj and Umrah activities also has a multiplier effect on the Saudi Arabian

economy. However, diversification of the economic base and sources of income from Hajj and Umrah in Saudi Arabia has not impacted the global economy, especially in Islamic countries (Abimanyu, 2023b; Ladki & Mazeh, 2017). Several studies show that religious tourism's economic and foreign exchange impacts are quite significant and are enjoyed by the Kingdom of Saudi Arabia (Alalmai et al., 2020; Bokhari, 2021).

The tourism industry worldwide is a risky activity and business. However, the religious motives of Hajj and Umrah pilgrims are never vulnerable to any circumstances (Bokhari, 2021). While Saudi Arabia, as a destination, receives a lot of capital inflows, large Islamic countries, such as Indonesia, Pakistan, Bangladesh, and Egypt, experience financial outflows. Islamic countries with Hajj funds or SWF and active trade relations with Saudi Arabia can benefit from Hajj and Umrah services. These benefits can be received through investment and trade opportunities. Increasing investment and trade from Islamic countries to Saudi Arabia will also reduce capital outflows (Abimanyu, 2023).

Few studies have been conducted regarding the potential returns and risk management of public infrastructure projects such as the Hajj and Umrah. However, Monat & Doremus (2020) have widely used the risk heat map methodology to analyze project risks at the corporate level. A risk heat map is a visual tool used to identify, assess, and prioritize risks within a project. This method helps visualize risk levels and decide where to focus resources and attention.

Comparative advantage measures the competitiveness of industries in a country. The quantitative tool for measuring industrial competitiveness in a country is Revealed Competitive Advantage (RCA). RCA can measure a country's comparative advantage in producing certain commodities and services compared to other countries (Stellian & Danna-Buitrago, 2022). Intra-Industrial Trade (IIT) occurs when a country simultaneously carries out export and import activities of goods produced by the same industry (Balassa, 1986; Bokhari, 2021).

Many researchers use the gravity model to estimate trade competitiveness. The gravity model has become one of the most successful and widely used models in international economic studies to analyze trade patterns between countries. Leibenstein (1966) demonstrate that this model was adapted from Newton’s law of gravity in physics. Newton’s law explains that the gravitational force between two objects is directly proportional to the mass of each object and inversely proportional to the square of the distance between them. This analogy is applied in the context of trade by replacing mass with a country's economic size and distance with the physical distance between two countries. According to Tinbergen, a country’s economy's size is observed from the GDP value. A larger GDP tends to have a greater capacity to produce goods and services as well as to consume goods and services from other countries. Meanwhile, the physical distance between two countries is considered an obstacle to trade, similar to how distance reduces the force of gravity in physics. The farther the distance, the smaller the trading volume.

The simple analogy of Newton's law of gravity is strengthened through the concept of the ”theoretical gravity model” introduced by Anderson (1979). Anderson’s approach

involves a general equilibrium model from international trade theory, which provides a stronger theoretical basis than just a physics analogy. More specifically, Anderson includes variables such as consumer preferences, market size, and trading costs to determine trading patterns. Bergstrand (1989), through "The Generalized Gravity Equation, Monopolistic Competition, and the Factor-Proportions Theory in International Trade", formulated the gravity equation by combining elements of monopolistic competition and factor proportion theory. The gravity equation formulated in this study includes variables such as population and income from both parties, namely exporters and importers.

The theoretical development of the gravity model in international trade was continued by Anderson (1979) and Anderson and Van Wincoop (2003) through the "multilateral resistance terms" model. This model is built based on microeconomic theory and the concept of general balance. This means that the model considers interactions between various markets, and if there is a change in one market, it will affect other markets. This model explains that the trade volume between two countries is influenced by bilateral trade costs and the global trade resistance each country faces.

Methodology and Data

This research uses three research methodologies: risk-based project prioritization, trade competitiveness measurement, and third, the trade-gravity model. First is risk heat map analysis to determine project priorities (Monat & Doremus, 2020). This method aims to draw a risk map that provides a brief overview of project risks and the severity of their consequences (impact). This map can list identified risks, rated from low, low to moderate, moderate, moderate to high, and high, and determine risk control measures depending on their severity: strong, satisfactory, fair, marginal, and unsatisfactory (see Table 3). This method will be used to analyze the inherent risks and risk control of Hajj and Umrah projects in Saudi Arabia.

Table 3 Risk Heat Map

Inherent Risk	Risk Control				
	Strong	Satisfactory	Fair	Marginal	Unsatisfactory
Low	1	1	2	3	3
Low to Moderate	1	2	2	3	4
Moderate	2	2	3	4	4
Moderate to High	2	3	4	4	5
High	3	3	4	5	5

Source: Sienkiewicz, 2022

Hajj and Umrah strategic project risk map analysis is assessed based on the probability and severity of the inherent risks. Apart from that, risk control aspects that the institutions can carry out are also implemented. From the meeting between inherent risk and risk control,

the risk profile will be known based on the risk heat map matrix. Second, if the first method is about investment priorities in Saudi Arabia, then the second method is about trade opportunities for Indonesian products in Saudi Arabia. The second method estimates the competitiveness of Indonesian halal food products exported to the Saudi Arabian market.

Intra-industry trade index (IIT) also known as the Grubel–Lloyd index (Scott, 1975). The IIT Index measures the intensity of intra-industry trade in a country. The formula for the intra-industry trade index is shown in Equation 1:

$$\text{Intra} - \text{Industry Trade Index} = 1 - \frac{X_i - M_i}{X_i + M_i} \quad (1)$$

Notes:

X represents the country's exports.

M represents the country's imports.

i is a certain type of food or product.

Revealed Comparative Advantage (RCA) was introduced by Balassa (1965). Balassa, a Hungarian-American economist, developed the RCA index to measure a country's relative export performance in specific product categories compared to the global average. The RCA index is widely used in international trade analysis to identify sectors where a country has a competitive edge (Bacsi et al., 2024; Lugo-Arias et al., 2024; Ma et al., 2024). The RCA formula (see Equation 2) is calculated from the proportion of goods and services exported in a country to the global aggregate proportion of goods and services exported by similar products (Muryani & Pratiwi, 2018).

$$RCA_{ij}^{1} = \frac{X_{ij}}{X_t} \,/\, \frac{X_{wj}}{X_{wt}} \quad (2)$$

Notes:

RCA_{ij}^{1} = Revealed Comparative Advantage for country i in product j

X_{ij} = The value of Indonesian commodity i *net*-exports to country j

X_t = Total value of commodity net-exports from all exporting countries to country j

X_{wj} = Total net-export value of all Indonesian commodities to country j

X_{wt} = Total net-export value of all commodities exported by all countries to country j

Third, the estimation of Indonesian food export products to Saudi Arabia and the world market.

The Gravity Model, introduced by Leibenstein (1966), is a foundational framework in international trade that predicts bilateral trade flows based on the economic size of countries (e.g., GDP) and the distance between them. Based on several reference sources regarding the application of the Gravity Model (Anderson & Van Wincoop, 2003; Baier & Standaert, 2020; Bergstrand, 1989), the fundamental equation of the international trade gravity model can be stated in Equation 3:

$$T_{ij} = \frac{G \cdot M_i \cdot M_j}{D_{ij}^2} \quad (3)$$

Notes:

T_{ij} = Trade in goods between country i and j

G = Empirically determined gravitational constant

M_i and M_j = Macroeconomic indicators of countries i and j

D_{ij} = Distance between country i and j

When these equations are formed into a mathematical model, usually the equations are converted into logarithmic form with the aim of making parameter estimation easier. The model is as in Equation 4.

$$\ln(T_{ij}) = \ln(G) + \alpha \ln(M_i) + \beta \ln(M_j) - \gamma \ln(D_{ij}) \quad (4)$$

The gravity model in international trade economics is a powerful and relevant analytical tool for explaining global trade patterns. With the continued development of estimation methodologies and techniques, this model remains the main choice in international trade analysis. Empirical and theoretical studies conducted by various researchers have strengthened the validity and application of this model in different economic contexts (Anderson & Van Wincoop, 2003; Bergstrand, 1989).

This research draws upon a combination of primary and secondary data sources. Primary data was collected through surveys (see Appendix 1) and interviews with 15 top executives of leading Indonesian Hajj and Umrah travel agencies. These experienced industry leaders were presented with various investment options, allowing them to prioritize their preferred choices and assess associated risks.

Secondary data encompasses diverse sources, including the annual reports of the Hajj Fund (TH) and the Indonesian Hajj and Umrah Financial Management Agency (BPKH), which provide valuable insights into their financial performance and investment strategies. Additionally, the study leverages ASEAN macroeconomic data, pilgrimage trends, and Indonesian halal product export data to 31 key trading partners from 2017 to 2023. This data, particularly concerning cooking spices and ready-to-eat food products, required careful data conversion and transformation to ensure accuracy within the Harmonized System (HS) classification. To obtain data for these specific products, the conversion and transformation of existing HS data into HS that meets that category is required. Data conversion is carried out as stated in the following Table 4 and Table 5.

The research applies a combination of qualitative and quantitative methods. Risk assessment utilize a qualitative risk matrix to categorize risks based on their probability and impact. For trade competitiveness analysis, the Grubel-Lloyd Index measured intra-industry trade in halal food products, and the Trade Gravity Model, detailed in the full paper, analyzed the determinants of Indonesian halal food exports to Saudi Arabia. Statistical software, Stata, was employed for data analysis, regression analysis, and statistical testing.

Table 4 Commodity Conversion by HS-4

No	Commodity	Commodity Conversion
1	Cooking Spices	010
2	Herbal	
	a. Non-Spice Herbs	021
	b. Seasoning Herbs	022
3	Instant Noodles	030
4	Fast Food	040
5	Cooking Oil	050
6	Processed Fish	060
7	Processed Meat	070
8	Canned Food	080
9	Raw Vegetables	090
10	Raw Meat	100
11	Raw Fish	110

Source: BPS (2023)

Table 5 Cooking Spices and Ready Meals HS Conversion

Code Conversion	HS-4 Digit	Code Conversion	HS-4 Digit
010	0904	040	0407
Cooking Spices	0905	Ready Meals	0408
	0907		2106
	0908		1704
	0909		1803
	0910		1806
	1302		1901
	1603		1904
	1702		1905
	2102		2004
	2013		2005
	2106		2006
	2209		2007
	2501		2102
			2103
			2104
			2106
			3502

Source: BPS (2023)

Results and Analysis

Investment's Asset Allocation

In this research, the hajj fund asset allocation owned by Tabung Haji (TH) and BPKH is observed. These financial institutions carry out asset allocation based on company portfolio policies, asset class criteria, risk appetite and project return expectations. In general, asset allocation can be seen Table 6.

Table 6 Asset Allocation of Hajj Fund TH and BPKH

No	Hajj Fund	Type of Asset (s)
1	TH	Fixed Income, Financing, Properties, Foreign equity
2	BPKH	Bank's deposit, government sukuk, corporate sukuk, direct investment

Source: BPKH (2023) and LTH (2022)

The majority of Tabung Haji's asset allocation consists of Fixed Income (58%), domestic financing (18%) and Property (11%)—see Figure 1. The risk tolerance of Tabung Haji is moderate, investment approach in fixed income is the right measure. Returns from Tabung Haji are given to departing Hajj pilgrims and those on the waiting list.

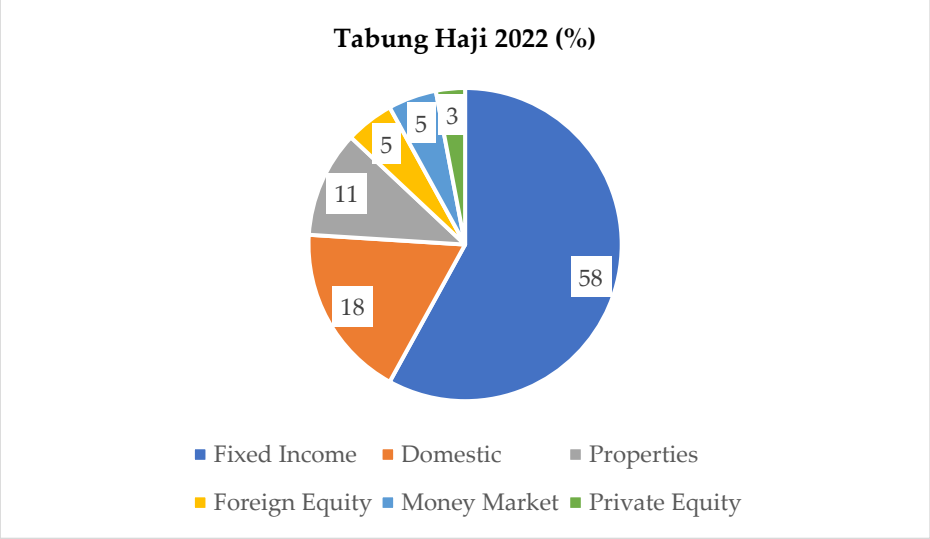

Figure 1 Tabung Haji Asset Allocation
Source: LTH (2022)

BPKH was formed in 2017 through the Indonesian Hajj Financial Management Law. Currently, with total assets of around 10 billion US dollars, it allocates 30% of its assets to deposits in Islamic banks. BPKH's risk appetite is low to moderate (BPKH, 2023). Thus, apart from deposits, BPKH invests Hajj funds in government sukuk (50%). Other allocations are corporate sukuk (6%) and investment in Bank Muamalat Indonesia (5%)—see Figure 2. Thus, BPKH's asset allocation is around 80% in safe, government guaranteed and low-risk assets.

The BPKH benefit value is used for subsidies for departing Hajj pilgrims and the Hajj waiting list.

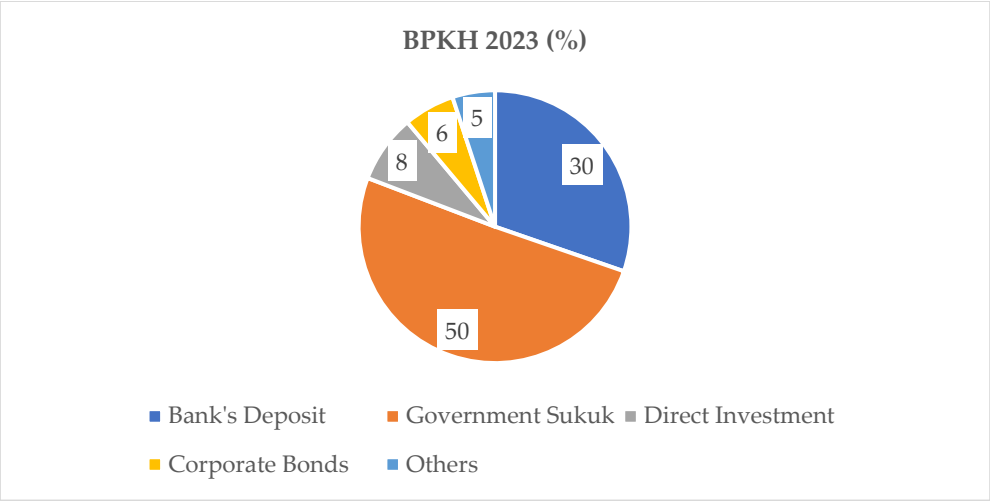

Figure 2 BPKH Asset Allocation
Source: BPKH (2023)

Saudi Arabia's Vision 2030 has set an ambitious target of accommodating 30 million pilgrims annually by 2030, a significant increase from the current numbers. This transformation presents a wide range of lucrative investment opportunities across various sectors, as highlighted during the World Hajj and Umrah Forum held in Jeddah in January 2023. One of the most critical areas of investment is the modernization of the Arafat-Mina area (see Figure 3), which includes the construction of multi-story buildings, permanent tent facilities, and the development of shuttle services using electric buses to enhance mobility (see Figure 4). These upgrades are essential to support the current 3 million Hajj pilgrims and the projected increase to 10 million by 2030, ensuring improved safety, comfort, and efficiency for pilgrims.

Figure 3 Mina, City of Tent (Jakarta Islamic Centre, 2017)

Figure 4 Saudi Arabia Electric Bus (Alshammari, 2024)

Another key area of investment is the hospitality sector, particularly in Makkah and Madinah. The Jabal Omar Development Project (see Figure 5 and Figure 6), for instance, is a mega-project featuring hotels, apartments, and condominiums located within 100 meters to 2 km of the Haram Mosque. This project, along with the rehabilitation of existing hotels and the construction of new facilities, aims to meet the growing demand for high-quality accommodation. The hospitality sector is further bolstered by the increasing number of pilgrims seeking luxury and mid-range lodging options, making it a highly attractive area for investors.

Figure 5 The Jabal Omar Development Project (Property Finder, 2022)

Figure 6 Rua Al Madinah Project (Arab News, 2022)

The catering and food services sector also offers significant investment potential. With millions of pilgrims requiring halal-certified, ready-to-eat meals, there is a growing need for catering factories that can produce pre-cooked, non-perishable meals tailored to the dietary needs of pilgrims. Additionally, the export of cooking spices and ingredients to ensure meals meet the cultural preferences of pilgrims from diverse regions presents another lucrative opportunity. This sector is particularly appealing due to the high demand for healthy, convenient, and culturally appropriate food options during the pilgrimage.

The financial and digital services sector is another area ripe for investment. The growing number of pilgrims has created a demand for digital financial services, including non-cash payment systems, travel and health insurance, and currency exchange services. With 1.5 million Indonesian pilgrims and 500,000 from other ASEAN countries visiting Saudi Arabia annually, this sector offers significant growth potential. Digital platforms that facilitate seamless financial transactions and provide tailored insurance products are particularly attractive to investors.

Urban development projects in Jeddah and Dammam also present compelling investment opportunities. Jeddah is being transformed into a modern Muslim tourist destination to rival Dubai, while Riyadh is being developed as a global financial hub. Key projects include property development in Jeddah, such as commercial and residential complexes, and the modernization of Dammam Airport to serve as a new gateway for pilgrims traveling to Jeddah and Madinah. These initiatives aim to enhance the overall infrastructure and appeal of Saudi Arabia as a destination for religious tourism and business.

Finally, the travel and tourism sector is undergoing significant transformation, with global travel agencies such as Agoda and Airbnb partnering with Saudi Arabia to dominate the online booking market for Hajj and Umrah packages. Investment opportunities in this sector include integration with Saudi Arabia's Global Distribution System (GDS), a centralized platform for travel bookings, and the development of inbound and outbound

travel services to streamline the pilgrimage experience. These partnerships highlight the growing importance of digital platforms in the Hajj and Umrah ecosystem.

Investment Selection

Based on the findings from surveys and interviews conducted with executives of Hajj and Umrah travel agencies, Table 7 presents a compilation of nine potential investment opportunities, ranging from partial to complete involvement. Among these projects, some are currently open for investment, while others have restrictions related to land or property ownership, particularly in the regions of Mecca and Medina.

Table 7 Project Identification by Investors

No	Sector(s)/Project	Project Identification(s)
1	Arafah-Mina	Three story of Mina, building of Arafah and Mudzdalifah areas, improve Mina Toilet, Modern Tends and provide shuttle electric busses
2	Hotel Makkah	Investment in Hotels, Electric Busses, Meal services, City-tour, and Hospitality
3	Hotel Madinah	Long-lease renting Hotels, Electric Busses, Meal Services, City-Tour, and Hospitality
4	Catering Services	Kitchen, Ready Meals, Catering Services, Coffee Services, Cooking-Spices exports to KSA
5	Financial Services	Local Currency, Inbound-Outbound Tourism online, Hospitality, Travel Agency, Hospital Services and Health Insurance Services
6	Flight Services	Invest in Hajj or Umrah Flight to KSA and Flight Charter from to KSA
7	Property Jeddah	Buy or Rent Property or apartment in the central city of Jeddah
8	Land Transportation	Electric Busses, Private Cars, *Ziarah*, Inter-city, and City Tours
9	Islamic Tourism	Joint-investment in Islamic tourist destination in Saudi Arabia and an Integrated Islamic tourism in the Middle east

Source: Primary Survey to 15 Executives, author analysist

Investor priority selection is also based on worship categories; the five most important are Arafah Mina (22%), Mecca Hotel (18%), Catering Services (15%), Medina Hotel (12%) and Financial Services (13%) — see Figure 3. Meanwhile, from the financial side, the 5 (five) choices of investors are catering services (17%), Makkah Hotels (17%), Finance (13%), Aviation Services and Madinah Hotels, 12% each (see Figure 7 and Figure 8).

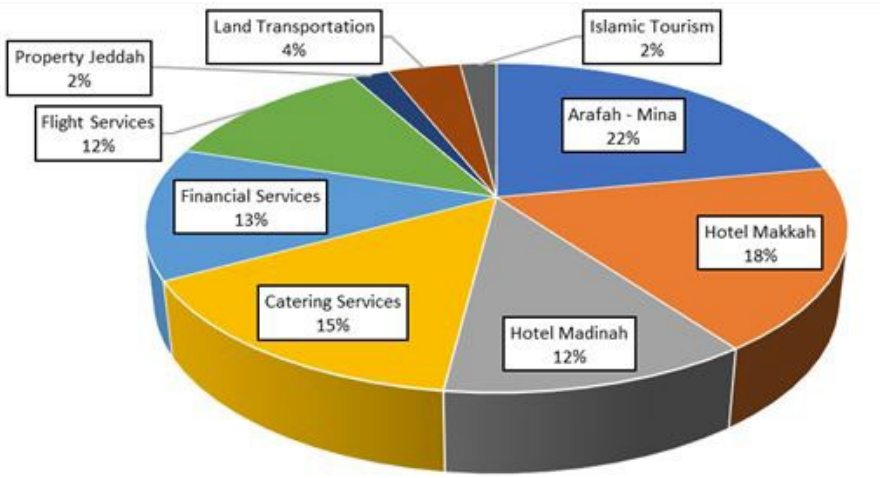

Figure 7 Worship/Service Priority

Source: Primary Survey to 15 Executives, author analysis

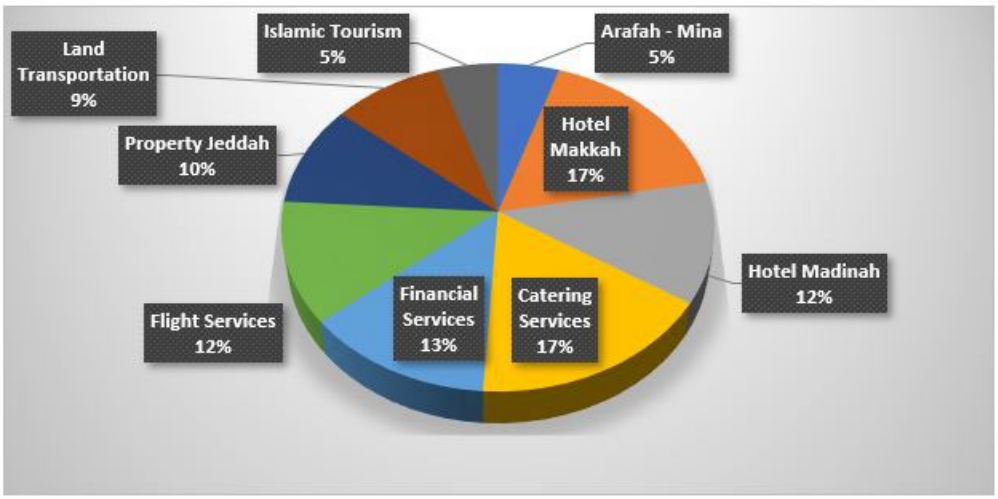

Figure 8 Financial Perspectives

Source: Primary Survey to 15 Executives, author analysis

Travel companies' executives are asked what projects were most important for Hajj and Umrah pilgrims and which investments had the highest benefit value for the company's investment.

A summary of the answers from respondents is as follows (see Table 8);

1. The project to improve the Arafah and Mina worship areas is the highest priority because it is the Hajj's top mandatory and main religious activity. Currently, the Arafah and Mina areas are woefully inadequate and uncomfortable for accommodating over 3 million people at once. From an investment perspective, there are already attractive investment policies in place. The rental costs for these areas have been determined to be quite competitive for investors. However, the problem is that there has been no clarity regarding regulations on land and building ownership if construction is to take place.

2. The strategic importance of hotel investment or long-term rental in Mecca cannot be overstated. Given the extended stays of pilgrims (20 days for regular Hajj, 10 days for VIP Hajj, and five days for Umrah), hotels in close proximity that offer exceptional services are highly sought after. The increasing demand for hotel accommodations, coupled with the anticipated rise in Hajj quotas and Umrah pilgrims, underscores the promising investment potential in this sector. While property ownership in holy cities like Mecca and Medina was previously restricted, recent reforms have introduced usufructuary rights for a 99-year period. Although certain conditions apply, these rights present a unique opportunity for both spiritual fulfillment and financial gain.
3. Ready-to-eat food catering for Hajj and Umrah pilgrims presents a unique opportunity. Catering services must accommodate the diverse tastes of pilgrims from various countries while also considering the physically demanding nature of these pilgrimages. The wide range of ages and backgrounds among pilgrims necessitates offering delicious, appropriate, and healthy food options. This project's appeal lies in its broad market, encompassing Hajj, Umrah, schools, industries, and general consumers. Moreover, the specific catering requirements in the Arafah and Mina areas, such as the need for ready-to-eat food with a long shelf life, make this venture particularly promising. Additionally, the factory's location outside the sacred or forbidden areas eliminates stringent restrictions.
4. Financial and Fintech services for booking Hajj and Umrah packages, obtaining visas, and other services through digitalization are a fundamental need to facilitate and speed up services for Hajj and Umrah pilgrims. With GDS systems and travel giants like Agoda and Airbnb, travel investments can join their networks. This project is relatively simple, does not require complicated technology, and does not have to be in a specific location; the risks are classified as moderate. However, projects in this field are capital-intensive, with thin profit margins and heavy regulations.

Table 8 Priority Projects Based on Market Demand dan Expected Return

No	Project	Area (s)	Investment	Market	Priority	Return
1	Armina	Three Floor Mina, Shuttle Busses, Transit Hotel, Modern Tends	Very High	Hajj Mission, Private Hajj	High	Low/ Uncertain
2	Jabal Omar	Hotels, Electric Shuttle Busses, Meals, Hospitality	High	Hajj Mission, Private Hajj, Umrah	Medium	Moderate to High
3	Ready Meals	Kitchen factory, Ready Meals, Catering Services, Coffee Services, Cooking Spices	High	Hajj Mission, Private Hajj, Umrah, General Consumers	Medium	High
4	FintechS	Local Currency, Inbound-Outbound Tourism Application, VIP Hospitality, Travel Agency, Hospital Services and Health Insurance Services	Medium	Limited Hajj Mission, Private Hajj, Umrah, Inbound Tourism	Low	Low to Moderate

Source: Primary Survey to 15 Executives, author analysis

Estimating Risk Heat Map

A risk heat map is a visual tool used in risk management to represent the severity and likelihood of various risks. It helps investors identify and prioritize risks by plotting them on a matrix with two dimensions: the likelihood of occurrence and the impact on the project if the risk materializes (Monat & Doremus, 2020).

The risk heat map is used to identify and prioritize Hajj and Umrah projects based on investors' perspectives. The expansion of the risk heat map includes inherent risk, which refers to the level of risk that exists in the absence of any controls or mitigating actions. Second, risk control involves implementing measures to reduce the likelihood and impact of risks that can affect an organization. It is a vital part of risk management and helps to protect assets, ensure operational continuity, and achieve business objectives. Third, a risk profile comprehensively evaluates a firm or system's risk exposure. It includes identifying, assessing, and prioritizing risks, along with the strategies to manage or mitigate them. A risk profile helps in understanding the risk appetite and tolerance levels and aids in making informed decisions.

Sequencing Risk Heat Map Analysis

The risk heat map analysis begins by determining the inherent risk, which involves assessing the likelihood and potential impact of various risks, including credit, market, liquidity, operational, legal, strategic, and reputation risks. These risks are rated on a scale such as low (1), low-to-moderate (2), moderate (3), moderate-to-high (4), and high (5). Next, existing and planned risk control actions—such as policies, procedures, human resources, information technology, and innovation—are evaluated. The effectiveness of these controls is rated on a scale: strong (1), satisfactory (2), fair (3), marginal (4), and unsatisfactory (5). A Risk Profile Matrix is then created by plotting inherent risks based on their impact, likelihood, and the effectiveness of risk controls. This visual tool helps identify which risks require greater attention.

Based on surveys and interviews with respondents, a risk profile is derived using the risk heat map and compared to the organization's risk appetite, which reflects its willingness to accept risk. This comparison forms the basis for recommendations. Using this methodology, the project analysis concludes that the Armina project is not recommended, while the Jabal Omar project is recommended with stronger risk controls. The Ready Meals Catering project and the Financial/Digital Services project are recommended with stronger risk controls (see Table 9).

Table 9 Risk Analysis of Priority Projects

No	Project	Inherent Risk	Risk Control	Risk Profile	Risk Appetite	Conclusion
1	Armina	High (5)	Marginal (4)	High (5)	Moderate (3)	Not-Recommended
2	Jabal Omar	High (5)	Satisfactory (2)	Moderate (3)	Moderate (3)	Recommended with Stronger Risk Control
3	Ready Meals	Moderate to High (4)	Strong (1)	Low to Moderate (2)	Moderate (3)	Recommended
4	FintechS	Moderate (4)	Fair (3)	Moderate (3)	Moderate (3)	Recommended with Stronger Risk Control

Source: Primary Survey to 15 Executives, author analysis

The risk analysis evaluates four key projects: Armina, Jabal Omar, Ready Meals, and FintechS. The Armina project is deemed not recommended due to its high inherent risk, marginal risk controls, and high-risk profile, which exceed the organization's moderate risk appetite. In contrast, the Jabal Omar project is recommended, as its high inherent risk is partially mitigated by satisfactory risk controls, resulting in a moderate risk profile. The Ready Meals project is recommended, with strong risk controls effectively reducing its moderate-to-high inherent risk to a low-to-moderate risk profile, aligning well with the organization's risk appetite. Similarly, the FintechS project is recommended but requires enhanced risk controls to address its moderate inherent risk and risk profile.

Investors have also provided feedback regarding the ranking of investment returns for Hajj and Umrah projects. The risk profile and investment return analysis revealed that the Armina project was perceived as having low and uncertain returns, coupled with high to very high risk. On the other hand, financial service projects, such as fintech, are characterized by low risk and low-to-moderate returns. Projects considered to have moderate-to-high returns and measurable risks include ready-meals catering projects (low to moderate risk) and the Jabal Omar project or hotels in Mecca (moderate to high risk), both of which require stronger risk controls (see Table 10)

Table 10 Risk Profile and Investment Return of Project

Investment Return	Risk Profile				
	Low	Low to Moderate	Moderate	Moderate to High	High
Low (1)					Armina
Low to Moderate (2)	FintechS				
Moderate (3)					
Moderate to High (4)		Catering		Jabal Omar	
High (5)					

Source: Primary Survey to 15 Executives, author analysis

Trade Competitiveness Estimation

The analysis of Indonesian food trade to Saudi Arabia consists of two estimates: a description of the trade flow and product competitiveness. The first outcome of the trade flow analysis is an assessment of the competitiveness of Indonesian food products in Saudi Arabia. The growth of Indonesia's halal food exports to the world had been increasing until the onset of COVID-19, but subsequently declined and is now experiencing a slow recovery. Meanwhile, food exports to Saudi Arabia were corrected in 2022, but overall, they have shown consistent positive growth, averaging 20% over the past five years (see Figure 9).

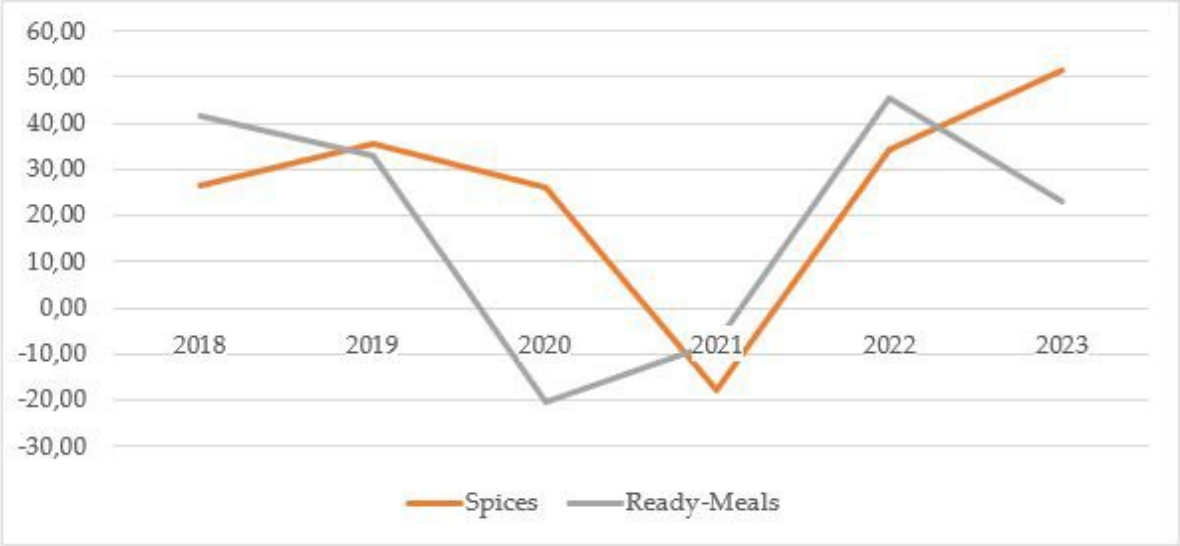

Figure 9 Export Growth of Halal Food Products Indonesia

Source: BPS (2023) and IMF (2023), calculated by author

Indonesia's share of halal food exports has followed a similar trend. Exports to the Middle East have generally increased since 2017, despite a temporary decline during the COVID-19 pandemic in 2021 and 2022, but it indicates an overall upward trend in the medium term. In contrast, Indonesia's global halal food export share has fluctuated, starting at a high ratio in 2017, declining in 2018, rising until 2021, falling during the COVID-19 pandemic, and recovering in 2023 (see Figure 10).

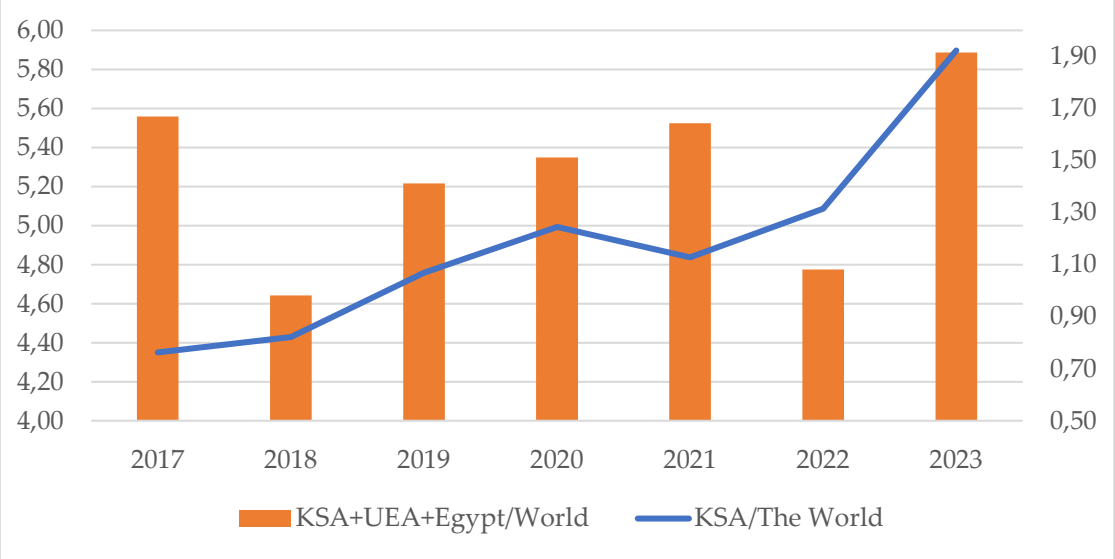

Figure 10 Share of Halal Food Export to the Middle East

Source: BPS (2023); IMF (2023), calculated by author

Meanwhile, export growth for ready-meal foods and cooking spices fluctuated during the COVID-19, declining initially but rebounding in 2021. The recovery for was more robust cooking spices, while ready meals slowed again in 2023 (see Figure 11).

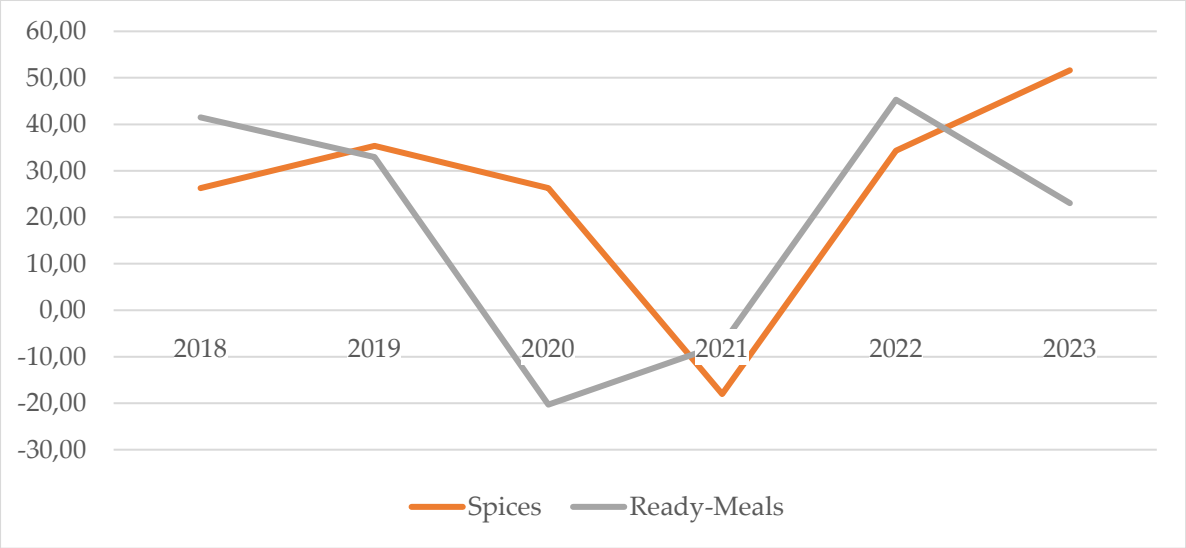

Figure 11 Export Growth of Ready Meals and Cooking Spices to Saudi Arabia

Source: BPS (2023) and IMF (2023), calculated by author

The RCA calculation for cooking spices among food products is illustrated in Figure 8, both with and without cooking oil included. Cooking oil is Indonesia's most significant export of food or ingredients to Saudi Arabia and is Indonesia's most competitive commodity. When cooking spices are analyzed within the context of Indonesian food product exports to Saudi Arabia, their RCA is relatively low, falling below 1. However, when cooking oil is excluded

from the calculation, the RCA of cooking spices rises above 1. The similarity in the calculation methods indicates fluctuations in competitiveness during the COVID-19 pandemic, with notable increases in early 2022 and 2023 (see Figure 12).

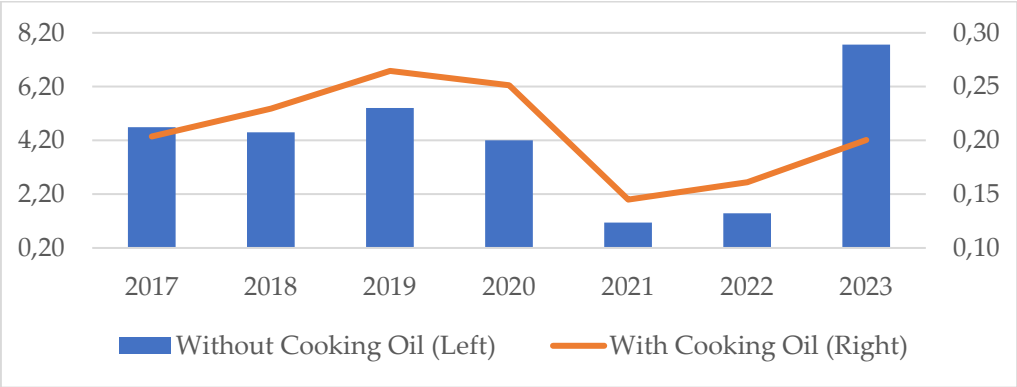

Figure 12 RCA Cooking Spices, 2017-2023

Source: BPS (2023) and IMF (2023), calculated by author

Meanwhile, the competitiveness of cooking spices, as seen from IIT calculations, increased until 2019, then decreased during the COVID-19 period, and increased again after 2020 to 2023. A similar trend occurred in IIT Cooking Spices from Indonesia to Saudi Arabia or Indonesia to the world (see Figure 13).

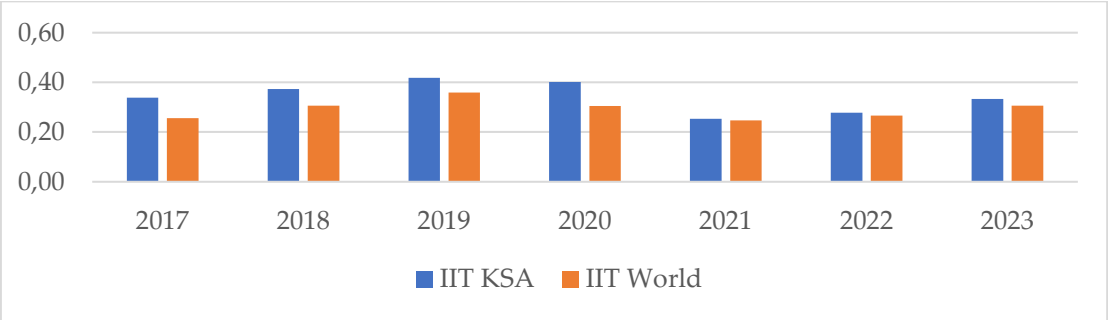

Figure 13 Trade Competitiveness; IIT KSA-World

Source: BPS, (2023) and IMF (2023), calculated by author

Competitiveness Estimation Analysis with Trade Gravity Model

This section discusses estimating the competitiveness of Indonesian food exports using the trade gravity model and using multiple regression equations. The regression equation model for cooking spice exports using the Indonesian Gravity Trade Model is shown in Equation 5.

$$\log(Export-010) = \beta_0 + \beta_1 \log(Export-040) + \beta_2 Distance + \beta_3 \log(GDP) + \beta_4 Inflation + \beta_5 RCA-010 + \beta_6 Dummy + \in \quad (5)$$

Notes:

a. Dependent Variable: Export-010 = Export of cooking spices from Indonesia to 31 destination countries.
b. The Independent Variables are:
    1. Export-040 = Export of Indonesian Ready-Meal Food Products to 31 destination countries
    2. Distance = geographical distance from Jakarta to the capital cities of 31 destination countries
    3. GDP = nominal GDP of 31 destination countries
    4. Inflation = Inflation Rate of 31 destination countries
    5. Dummy = dummy for Islamic export destination countries (=1)
c. The cross-country economic data is 2023.

Table 11 Correlation Coefficient(s)

		Log_EXPORT_010	Log_EXPORT_040	Distance	Log_GDP	INFLATION	DUMMY	RCA010
Log_EXPORT_010	Pearson Correlation	1	0.597**	0.109	0.622**	-0.196	0.025	0.209
	Sig. (2-tailed)		0.000	0.559	0.000	0.290	0.893	0.260
	N	31	31	31	31	31	31	31

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 11 shows the Correlation Coefficient results. The correlation analysis results between the dependent variable, cooking spice exports, and the independent variables reveal a strong and statistically significant correlation between ready-meal food exports and GDP. However, there is a weak positive correlation between cooking spice exports and both distance factors and competitiveness (as measured by RCA). These latter correlations are not statistically significant.

Calculations Regression uses the OLS method, more specifically, Multiple Linear Regression. Table 12 shows the following results.

Table 12 Regression Analysis of Indonesian Cooking Spices Exports to the trading Countries in the World

No	Independent Variables	Coeficient	t-Value	p-Value (Significant 95%)
1	Constant	-1.880	-1.253	0.222
2	Export of Ready Meals (40)	0.781	3.552	0.002*
3	Geographic Distance	0.002	0.054	0.957
4	Log GDP	0.845	3.371	0.003*
5	Inflation	-0.001	-0.080	0.937
6	Dummy-Islamic Countries	0.673	2.414	0.024*
7	RCA Cooking Spices (10)	0.135	2.318	0.029*

The regression analysis shows several factors significantly impact the export of Indonesian cooking spices. The export of ready meals (coefficient: 0.781, p-value: 0.002), log GDP (coefficient: 0.845, p-value: 0.003), being an Islamic country (coefficient: 0.673, p-value: 0.024), and the RCA of cooking spices (coefficient: 0.135, p-value: 0.029) are all positively associated with higher exports. Specifically, a unit increase in the export of ready meals leads to an increase of 0.781 in cooking spice exports, and higher GDP correlates with an increase of 0.845 in exports. Islamic countries and a higher RCA for cooking spices contribute to better export performance. However, geographic distance (coefficient: 0.002, p-value: 0.957) and inflation (coefficient: -0.001, p-value: 0.937) do not have a significant effect, indicating that these factors are not influential in Indonesian spice exports. The results align with Anggrasari and Mulyo (2019) and Sukarniati and Rahmi (2024).

Overall, the findings suggest that economic strength (GDP), cultural factors (Islamic countries), and related product performance (ready meals) are crucial determinants of Indonesia's cooking spice export success, whereas geographic factors and inflation are not significant. This information can help policymakers and exporters focus on the most impactful areas to boost exports.

Conclusions

This research examines which investments are prioritized in the Hajj and Umrah sector. Indonesia has the largest Muslim population, thus making it a great investment opportunity. Saudi Arabia's Vision 2030 allows for potential cooperation and investment in Arafah, Mina, Mecca, Medina, and more, covering key sectors from infrastructure to financial services. The research identifies two main types of investment. First, infrastructure investment includes the worship facility, transportation, and accommodation. Second, service investment includes travel agents, health insurance, and related packages. Moreover, this research applies mixed methods, including risk heat map analysis, trade competitiveness analysis, and trade gravity model. The research reveals that Indonesia and ASEAN-4 countries can be strategic investors in Saudi Arabia thanks to their monetary capability, equivalent investment objective,

and strong economic relationship. Indonesia is expected to gain significantly due to its large number of pilgrims, lower currency outflow, and longer stay duration in Saudi Arabia.

The risk heat map analysis provides a low-risk factory-ready meals project investment with great demand for healthy food and flexibility of factory locations. This perfectly fits Indonesia's strength in supplying spices, cooking oils, and food ingredients. Even though food product competitiveness dropped during the COVID-19 pandemic, Indonesian exports to Saudi Arabia are experiencing a robust rebound as the Hajj and Umrah pilgrimages reopened fully in 2022. The gravity model further underscores the importance of economic factors, product complementarity, and halal-based exports in driving Indonesia's food trade with Islamic countries, with distance playing a lesser role.

This research contributes to the growing of Islamic economic studies by combining micro-level project risk analysis with macro-level trade flow assessments, offering a novel methodological approach. The findings provide actionable recommendations for Indonesian investment and trade policies in Saudi Arabia, positioning Hajj and Umrah services as a potential driver of economic growth for Indonesia and the broader ASEAN region. Future studies could expand this framework to explore investment opportunities for other ASEAN-4 countries, further enriching the discourse on Islamic economics and cross-border collaboration.

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Appendix 1

List of the questions used in the interview

1. Who are your main customers or potential Travel Pilgrims? (Select up to 3)

- Individual
- Family/Colleagues
- Ministries/Institutions/Companies/Local Governments/Similar
- Islamic Education Council/Recitation Group
- References from the Association
- Other: _____

2. What are your main travel activities? (Choose up to 3)

- Hajj
- Umrah
- Tour
- Trade
- Ticketing
- Other: _____

3. What are your most important travel paths, facilities, or media channels? (Choose up to 3)

- Network/Contacts
- Social Media
- Promotion
- Package Diversity
- Mentor/Companion Reputation
- Other: _____

4. What are your primary travel purposes? (Choose up to 3)

- Profit
- Expanding Cooperation
- Social/Religious Goals
- Adding Customers/Prospective Pilgrims
- Entering the Saudi Market

- Other: _____

5. What are the main reasons customers/pilgrims choose your services? (Choose up to 3)

- On-demand services/packages
- History/Emotional Bonding
- Gain Mutual Benefits
- Recommendations from Muslim Scholars/Community Leaders
- Price/Cost is Relatively Cheap
- Other: _____

6. Where do you interact with the most prospective pilgrims? (Select up to 3)

- Social Media
- Exhibition
- Studies/Religious Leaders
- CSOs/Associations
- Personal
- Other: _____

7. What is the age range of most of your pilgrims? (Select up to 3)

- Under 30 years
- 31-40 years old
- 41-50 years old
- 51-60 years old
- Over 61 years

8. What are the biggest costs associated with your Hajj/Umrah travel services? (Select up to 3)

- Promotion
- Booking/Tickets and Services Advance Payment in Saudi Arabia
- Officer/Companion
- Operational
- Other Services

- Other: _____

9. What are the main sources of income for your travel agency? (Select up to 3)

- Ticketing
- Hotel and/or Catering
- Service/Hospitality
- Interest/Profit Sharing from Travel Fund Banks
- Other Income
- Other: _____

10. What factors determine the progress of your travel business? (Choose up to 3)

- Regulatory Certainty from the Government of Indonesia
- Sufficient Availability of Capital/Funds for the Company/Travel Business
- Regulatory Certainty from the Government of Saudi Arabia
- Cooperation with the Ministry in Saudi Arabia
- The Purchasing Power of the Indonesian People
- Other: _____

11. How intense is the competition from new travel agents? (Choose one)

- High
- Enough
- Medium
- Low

12. How intense is the competition from existing travel agents? (Choose one)

- High
- Enough
- Medium
- Low

13. How intense is the competition from online travel agents? (Choose one)

- High

- Enough
- Medium
- Low

14. How difficult is it to acquire new customers? (Choose one)
- High
- Enough
- Medium
- Low

15. How difficult is it to secure flight tickets, hotels, and Hajj/Umrah catering services? (Choose one)
- High
- Enough
- Medium
- Low

16. Ranks your hajj project investment appetite, market, expected return and risk profile (1 to 5, 1 = lowest, 5 = highest)

No	Project	Area (s)	Investment Appetite	Market/Off Taker	Return	Risk
1	Armina	Three floors Mina, Shuttle Busses, Transit Hotel, Modern Tends				
2	Jabal Omar	Hotels, Electric Shuttle Busses, Meals, Hospitality				
3	Ready Meals	Kitchen factory, Ready Meals, Catering Services, Coffee Services, Cooking Spices				
4	FintechS	Local Currency, Inbound-Outbound Tourism Application, VIP Hospitality, Travel Agency, Hospital Services and Health Insurance Services				