SUMMARY

RIADI FIKRI. Analysis of Islamic Hedging for Hajj Funds in Islamic Banking. Supervised by IRFAN SYAUQI BEIK dan RIFKI ISMAL.

The demand for SAR Saudi Arabian Real for hajj which is very high especially during the hajj season. Rupiah exchange rate trends (Rp) against SAR and USD which continue to weaken potentially increase the risk of exchange rate while the hajj pilgrims do not hedge sharia so that it can affect the pilgrimage fund managed by Hajj Financial Management Agency (BPKH). Alternative islamic hedging can be implemented with various durations, pricing and the value of hajj funds, however research and simulation have not been design to address the most optimal design. Meanwhile, there is an understanding that it would not be profitable to do islamic hedging. This study aims: (i) to analyze islamic hedging transactions for sharia-based pilgrim funds through a static simulation, (ii) to identify the amount of cost savings gained, optimal time and pricing as well as the exact time and amount of hajj funds for islamic hedging, (iii) to provide recommendations to BPKH.

This study uses static simulation with Islamic hedging scheme using a simple forward contract (‘Aqd al Tahawwuth al-Basih) and comparative analysis methods on the data of 25% of pilgrim funds in Bank Syariah Commercial Bank (BUS) during 2003-2016. The simulation involves a BUS conducting a contract of sale and purchase of USD with a conventional commercial bank (BUK), then BUK entered into a SAR selling agreement with a foreign bank (BA). The calculation of premium uses financial indicators as a reference, among others, Sharia Interbank Money Market (PUAS), Interbank Money Night (PUAB) and Saudi Arabia Interbank Offer Night (SAIBON) rate.

Based on the simulation of islamic hedging finds that: (i) the optimal time period is 12 months due to the longer the period of islamic hedging, the greater the cost savings, (ii) the ideal time for islamic hedging is when the IDR weakens against USD about 20%-30% and 40%-50%, (iii) the worst time for islamic hedging is when IDR increase 10%-20% to SAR, (iv) the amount of hajj funds could earn the maximum cost savings if islamic hedging was conducted with the amount of Rp 2.4 trillion up to Rp 2.7 trillion and Rp 5.2 trillion up to Rp 8.5 trillion.

Based on the result, this research propose to BPKH are:(i) BPKH is recommended to undertake shariah hedging with consideration of the right time and the optimal amount of hajj fund and the potential cost savings that can be obtained,(ii) the ideal time for islamic hedging is when the IDR weakens against USD and SAR, while the IDR increase against USD and SAR is not recommended, (iii) the amount of hajj funds could earn the maximum cost savings is Rp 2.4 trillion up to Rp 2.7 trillion and Rp 5.2 trillion up to Rp 8.5 trillion, (iv) the optimal time period is 12 months. Therefore, BPKH needs to monitor the rupiah fluctuation against SAR and USD as well as the yield of money market instruments prior to sharia hedging.

Key words: hajj funds, islamic hedging, rupiah exchange rate