

SUMMARY

ARIANI DIAN PRATIWI. Optimal Hajj Funds Management by BPS-BPIH : Risk Return Portfolio Analysis. Supervised by IDQAN FAHMI and RIFKI ISMAL.

The management of hajj funds in Indonesia is crucial by considering the amount that has reached Rp 112.35 trillion in December 2018. The Hajj Financial Management Board (BPKH) as the authority of hajj fund management can place hajj funds on Islamic bank deposit. BPKH has appointed 31 Sharia Commercial Banks (BUS) and Business Units Sharia (UUS) as the Bank for Receiving Hajj Operational Deposit (BPS-BPIH) to managing hajj funds. The placement of hajj funds on Islamic bank deposits will transfer the risk of managing hajj funds from BPKH to BPS-BPIH. Therefore, BPS-BPIH must be able to choose the appropriate strategy to meet BPKH's expectations.

The purpose of this study is to find the optimal portfolio of Hajj fund by Islamic banks in Indonesia. Islamic banks can manage hajj funds in a portfolio that consists of Islamic financing and Islamic financial market instruments. Islamic banks are faced with a trade-off because the intention to get higher returns is constrained by the increased level of risk and vice versa. This study uses the mean-variance portfolio optimization theory to construct such an optimal portfolio. Furthermore, the optimal portfolio will be selected based on the risk behavior of Islamic banks as risk-lover, risk-averse, or risk-neutral.

The results of the study show that : (1) Islamic financing instruments and Islamic financial markets have different characteristics, in which each instrument as individually cannot meet the BPKH's expectations of the risk and return. Therefore, Islamic banks need portfolio formation in hajj funds management to meet BPKH's expectation. (2) Technically, portfolios are constructed by the two scenarios, namely a portfolio of two instruments and a portfolio of three instruments with a total portfolio formed of 21 portfolios. Finally, this study recommends murabahah financing, SBIS, and SBSN to BPS-BPIH as the optimal portfolio selection and (3) the combination of an efficient portfolio that have been formed can not be fully employed because of the expectation limit of BPKH. However, Islamic banks can still select the optimal portfolio combination according to their risk preference as a risk-averse, risk-neutral or risk lovers

For BPS-BPIH, the results of this study are expected to be a consideration to choose murabahah financing, SBIS and SBSN in establishing the hajj fund portfolio. Islamic banks can maintain murabahah financing since it is able to provide competitive returns with low risk in each study period. For BPKH, it is expected to increase the level of risk acceptance so that BPS-BPIH is more flexible in managing the hajj funds to obtain maximum returns. For the government, the study is expected to obtain an overview of the management of Hajj funds by Islamic banks so that it is useful for the determination of Hajj fund management policies.

Keywords : hajj fund, Islamic bank, optimal portfolio