

**ECONOMIC ANALYSIS OF THE PROSPECTS OF HAJJ SAVINGS SCHEME IN
NIGERIA: LESSONS FROM MALAYSIA**

ISIAKA AHMED HALIDU

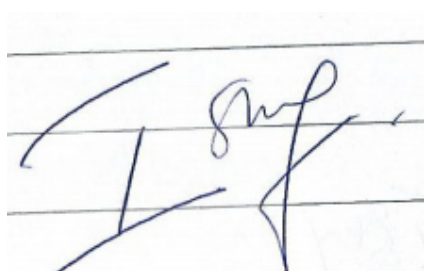
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**A DISSERTATION SUBMITTED TO THE INTERNATIONAL INSTITUTE OF
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MASTER OF SCIENCE (M.Sc.) DEGREE IN ISLAMIC BANKING AND FINANCE**

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DECLARATION

I hereby declare that this work is the product of my research efforts undertaken under the supervision of Professor Binta Tijjani Jibril and has not been presented anywhere for the award of a degree or certificate. All sources have been duly acknowledged.

A handwritten signature in blue ink on lined paper. The signature is stylized and appears to read 'Isiaka Ahmed Halidu'.

Isiaka Ahmed Halidu

Date

CERTIFICATION

This is to certify that the research work for this dissertation and the subsequent write up by Isiaka Ahmed Halidu(SPS/15/MIF/00006) were carried out under my supervision.

Professor Binta Tijjani Jibril
Supervisor

Date

Professor Binta Tijjani Jibril
Director, IIBF

Date

APPROVAL PAGE

This dissertation has been examined and approved for the award of Master of Science (M.Sc.) in Islamic Banking and Finance.

Professor Sulaiman Abdullahi Karwai
External Examiner

Date

Professor Amina Ismail Date
Internal Examiner

Professor Binta Tijjani Jibril Date
Supervisor

Professor Binta Tijjani Jibril Date
Director (IIBF)

Postgraduate Coordinator

Date

Dean Postgraduate school

Date

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EDICATION

This research is dedicated to my mum who is my biggest inspiration and support, after Allah, to pursue an M.Sc degree. May Allah reward her with good.

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Abstract

This study explored the economic prospects of Hajj savings Scheme in Nigeria, while taking a cue from Malaysia. Multiple techniques of analysis-correlation, regression, and simulation-are used to achieve the objectives of the study. The results of our analyses showed that Hajj savings can be associated with higher growth, higher employment, better per capita income and standard of living and can improve the country's investment position. More specifically, the results revealed a more than 90% association between Hajj savings and the variables. Furthermore, in the estimation of the cost of not having a Hajj savings scheme in Nigeria and the likely benefits of Hajj savings to Nigeria's economic growth, the results of the estimation revealed that the Nigerian economy could have been 114% better in 2017 if it had established a Hajj savings scheme in 2006 maintaining a Hajj savings growth rate similar to Malaysia. This loss could be up to 280% after making adjustments for savings habit and population difference between both countries on the Hajj savings growth rate. The findings of the study also revealed that, in a worst case scenario, Nigeria has the opportunity to grow her economy by 61% in 2029 if it establishes a Hajj savings scheme. The benefits to be gained can be up to 281% in a best case scenario. Thus, the study recommends that in the establishment of Hajj Savings Scheme leveraging on the act that established the National Hajj Commission of Nigeria (NAHCON), the country should make as a priority the investment of the Hajj savings on the local economy.

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Nigeria has the potential to tap from the benefits in the use of Hajj savings to grow and develop her economy. Especially because evidence points to the fact that the country has excessive absorptive capacity for private domestic savings (Amo, Eboime, Adamu, & Belonwu, 2017). Hajj is a religious obligation and the fifth pillar of Islam. However, although it is a pillar of Islam, its obligation is conditional upon a person's ability to sponsor himself comfortably. Hajj requires that a person journey to Makkah to perform its rites. Making this journey attracts huge monetary cost, which in most cases exceed the financial strength of many Muslims to defray at a go. For instance, it may be difficult for a person with an average monthly income of N50, 000 to afford Hajj expense of over N1.5m within the next 5 years with such income, also given his other life expenses. Except if the person is to seek for other financing options leading to incurring debt or selling existing properties. Adopting such means, in most cases, leaves the pilgrim in pitiful economic state upon return from Hajj. A basis for which Nguvugher (nd) described such pilgrimage going as economic recklessness and waste.

However, a viable alternative and antithesis to the conception of Nguvugher (nd) is that people can save from their income in a collective scheme that pool pilgrims' savings for investment while providing convenience for affording Hajj and assisting the growth of an economy. It is important to note that savings, generally, is documented in economic literature as an important variable for growing an economy. Savings is the postponement of current consumption for future consumption or obligation(s). The importance of savings for economic growth is through its role as an investible resource. When savings are accrued, it

can be invested and such investment creates employment and hence increases output. Savings can be mobilized either domestically or externally. Hajj savings is one important means for mobilizing domestic savings. Since individuals can gradually save from their income over a period to afford Hajj, the time between when they start saving and when they intend to perform Hajj can be explored by pooling these savings for investment in a collective scheme, while also guaranteeing their savings to perform Hajj.

The use of Hajj savings as investment resources for economic growth and development is being tapped into by a few countries. Notably are Muslim majority countries like Malaysia and Indonesia. In Malaysia, the experience dates back to over 50 years ago. The institution solely responsible for mobilizing the savings is called *Tabung Haji*. *Tabung Haji* is one of the most successful Islamic financial institutions in the world. It mobilizes, in a national scheme, intending Muslim pilgrims' savings for investment on the Islamic principle of *Wadi'ah Yad Dhaman* (savings with guarantee). For Indonesia, \$7.46 billion has been recently accrued in a national Hajj savings scheme and the government is planning to invest this fund for national infrastructural development (Possumah, 2017). However, despite the success of these schemes, most Muslim majority countries have not yet taken the advantage of Hajj as an important means for mobilizing domestic savings for propelling the growth and development of their economies. Nigeria, a developing country with a Muslim population of over 95 million persons (CIA Fact book, 2017) and in need of private domestic savings to grow her economy, is in the list of these many countries. Poised by this, this study aims at examining the economic prospect of a Hajj savings scheme in Nigeria.

1.2 STATEMENT OF THE RESEARCH PROBLEM

The use of Hajj savings for economic growth and development dates back to over five decades ago, yet there is reluctance in the replication of this model by Muslim majority countries (Rahman, 2000), despite numerous calls for replication (IRTI, 1996). Nigeria is the fifth largest market for Hajj in the world (Thomson Reuters & Dinar Standard, 2017) and has the state legal backing to establish a Hajj savings scheme (National Hajj Commission of Nigeria-NAHCON-Act, 2006) but has not put it into implementation. Although there are recent moves for establishment as evidenced by the recent stakeholders conference of the NAHCON (NAHCON, 2017), the scheme is yet to be established.

The lack of adoption of a scheme that nationally pools Hajj savings by most Muslim majority countries like Nigeria may be, perhaps, from the lack of understanding of its economic benefits. One reason for such a gap in knowledge could be the non-availability of sufficient scientific studies showing the economic importance of Hajj savings. Studies that have been conducted on Hajj savings are mostly qualitative researches (Buyu, 2017; Jazuli, 2017; Yahaya, Abdulmajid, Talaat, Zulkifli, & Talaat, 2016; Ishak, 2011; Rahman, 2000; IRTI, 1996) with a few empirical ones (Fikri, Ismal & Beik, 2018). The existence of these mentioned studies does not however close the current gap on an analysis of the economic importance of Hajj savings. This is particularly with consideration to key macroeconomic variables. This study intends to fill this gap.

1.3 RESEARCH QUESTIONS

Against the background, the following research questions will guide this study.

- i. What is the link between Hajj savings, GDP, investment and employment?

- ii. What is the cost of not having a Hajj savings scheme in Nigeria in terms of missed contribution to GDP?
- iii. What is the benefit to be gained if Nigeria establishes a Hajj savings scheme?

1.4 OBJECTIVES OF THE RESEARCH

This study aimed at examining the economic prospects of Hajj savings in Nigeria when collectively pooled in a scheme. The specific objects are.

- i. To examine the prospect of Hajj savings on economic growth.
- ii. To examine the prospect of Hajj savings on employment.
- iii. To examine the prospect of Hajj savings on investment.
- iv. To estimate the economic benefit on growth of having a Hajj savings scheme in Nigeria.

1.5 SIGNIFICANCE OF THE STUDY

Nigeria is open to seeking alternatives that are relevant for the growth and development of her economy. Efforts of the present government in diversifying the economy away from oil as her mainstay are indicative in her struggle for alternative revenue sources to build the economy. Efforts have been made in agricultural production expansion, especially in the case of rice production, review in tax reforms, corruption fighting to block revenue leakages, and even exploring Islamic finance at the national level, for the first time, in financing capital project (the 2018 and 2019 Nigeria sovereign *Sukuk*). While these and many more are in place, there are areas yet to be tapped from. Pooling Hajj savings for investment is one such areas. The pooling of Hajj savings for both religious and national economic development is validated by the case of the Malaysian *Tabung Haji* and the recent move by Indonesia in the use of its Hajj savings for national infrastructural development. These serve as antithesis to the proposition that pilgrimage going is one of economic recklessness and waste.

The significance of this study is two folds. First, the study will be an essential contribution to the literature on Hajj savings. Studies on Hajj savings are generally scarce. Where they are available, they have not made sufficient attempt, at least to the best of our knowledge, to correlate or measure their effect on macroeconomic variable like GDP. This study, to the best of our knowledge, is the first to link Hajj savings with growth variables and what effect it can have on such variables.

Second, the findings of this research are essential for Nigeria policy makers and researchers who are concerned about growing the Nigerian economy. More specifically, the data from the research will be useful for organisation like NAHCON with the legal mandate for establishing a Hajj savings scheme for the nation and who is making moves for the establishment of one. It will serve as a tool for highlighting, not just to the government but also the public, what importance or relevance a Hajj savings scheme can have for the economy.

1.6 SCOPE AND LIMITATION OF THE STUDY

This study is generally concerned with examining the effect of Hajj savings on an economy. More specifically, it estimated by way of simulation the cost of not having a Hajj savings on the Nigeria economy for the period 2006-2017 and the benefits to be gained in terms of economic growth in 2029 if Nigeria establishes a Hajj savings scheme that pools Hajj savings nationally.

The major limitation of this study is dearth of data. There are less available data for Hajj savings globally to allow for estimation of many Hajj-savings growth coefficient country wise and the determination of a convergent coefficient. Thus in producing a coefficient for Hajj savings-growth relationship to produce simulation estimates for Nigeria, we relied majorly on data from a single country that is available.

1.7 ORGANISATION OF THE STUDY

The study is organised in five chapters. Chapter one provides a general background of the study looking at statement of the research problem, research questions and objectives, significance of the study, scope and delimitation of the study. Chapter two is on review of Literature. The chapter documents concepts of Hajj, Hajj savings, Hajj savings Scheme and the historical experience and challenges of Hajj management in Nigeria. It also provides empirical literature on savings-growth nexus generally and what gap exist on the literature for Hajj savings. The theoretical framework for the study is also provided in the chapter. In chapter three, the study documents the methodology for answering the research questions of the study. Chapter four is on the presentation, analysis and interpretation of data. Summary, conclusion and recommendation followed in chapter five. References appeared at the end.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definition of Hajj and Hajj Savings

The literal meaning of Hajj is pilgrimage, and it is technically defined as journeying to Makkah to perform specific rites that can only be done in the Holy Land at certain time (Busayree, 2008). These rites or acts are observed in places in and around the sacred city of Makkah and in the specific Islamic month of *Zhul-Haj* (Hanga, 1999).

Hajj is religiously sanctioned in Islam. It is the fifth pillar of Islam in the ordering list of declaration of faith, praying five times a day, fasting in the month of Ramadan and paying *Zakat* (alms). Evidence for Hajj can be traced to three basic sources of Islamic law, Qur'an, *Sunnah* and *Ijma* (consensus of the scholars). Qur'an (2:196-203, 3:96-97, 22:26-30) provides the Qur'anic proofs of Hajj. Various Hadith detailing Hajj in the chapters of Hajj in *Sahih Bukhari* and Muslim provides the *Sunnah* proof. For example, the Prophet in a hadith narrated by Abu Huraira classified Hajj as the best deed after mentioning believe in Allah and Jihad in Allah's cause (Book of Hajj, *Sahih Bukhari*, 594)

The performance of Hajj is obligatory to a Muslim who fulfils all requirements only once in a lifetime. All other times that a person performs, after the first, is supererogatory. Another supererogatory act of journeying to perform religious acts similar to Hajj is called *Umrah*.

Unlike Hajj, a Muslim can do this at any time of the year. For the sake of this research, both acts (Hajj and Umrah), are classified as Hajj.

Hajj has basic requirements. The requirements for Hajj are that the intending pilgrim must be a Muslim (faith), must be sane, must be matured, must have sound health and economic provision (*al-istita'*, capability) and free (Yusuf, 2009; Oloyode, 2009). By implication, a person who cannot afford the expenses of Hajj is excused from it (see Qur'an 3:97). Chapter 3:97 of the Qur'an also emphasizes Hajj as a duty to the Creator. Thus every Muslim is poised to fulfil this duty in the most convenient and acceptable means. One way to do this, when current income cannot fulfil the need, is to postpone current consumption and gradually save until the required amount needed to defray the cost of going for Hajj is accumulated. Alternatively, the intending pilgrim may decide to sell his/her properties to secure money for Hajj. However, saving is with advantage as it creates ease and convenience and one does not necessarily have to lose an asset that may place financial burden on him after Hajj. In addition, given this idea of saving gradually for Hajj, a country can harness the potential that lies in a pooled Hajj savings for investment through a Hajj savings scheme. A Hajj saving scheme is a scheme that pools Hajj savings from individuals for investing such savings without denying participants their need of performing Hajj.

2.1.1 Hajj Savings Scheme: Review of Existing Structures

In order to understand how Hajj savings can be mobilized for economic gain, it is necessary to provide some insights on how Hajj savings schemes are organised around the globe. From a search in the literature, Hajj savings arrangements can be categorized into two: a) nationally organised Hajj savings scheme; and b) Hajj savings scheme organised on a private or individual level. Countries in category "a" are Malaysia and Indonesia. For category "b", any

country can fall in but there are documented ones in the literature. The focus of this study is more on the structures of category “a” classification.

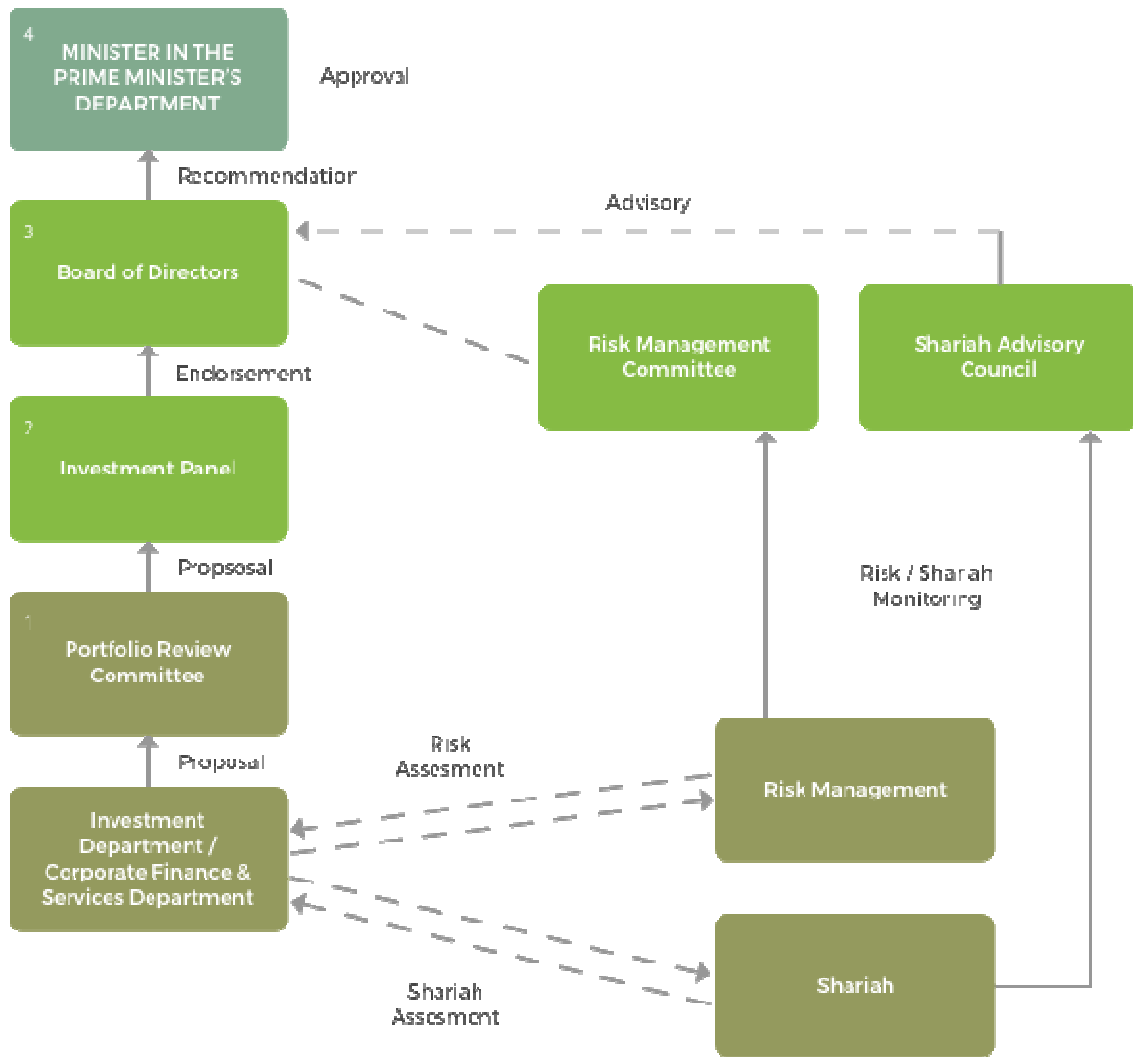
Malaysia Hajj Savings Scheme

Hajj savings in Malaysia is mobilized through the Malaysian Pilgrims Management and Fund Board. An institution popularly known as *Tabung Haji* (TH). It was incorporated in 1962 but commenced operation in 1963 from the need of Muslims to save for Hajj without interest and to attract rural savings for purposeful investment in the economy (IRTI, 1995). *Tabung Haji* is established by an act of parliament that confers her with two broad functions. First is the power to collect and invest pilgrims’ deposits (which forms part of a fund to be managed by TH). Second is the power “to administer all matters concerning the welfare of Pilgrims and formulate policies therewith” (Laws of Malaysia-Act 535, 2006, p10). Such combination of both powers on TH give her a better management right and removes issues of conflict of interest that may arise from segregation of the function to different establishments.

In mobilizing pilgrims’ savings, *Tabung Haji* follows the Islamic principle of *Wadi’ah yad dhamanah*, that is, savings with guarantee. In this principle, *Tabung Haji* acts as custodian of intending pilgrims’ fund (savings) with the permission from the savers to use the savings for investment but at her own risk. In the event of a loss during the investment of these savings, *Tabung Haji* is to bear all the risks. Consequently, all profits are legally to *Tabung Haji* and extra returns on depositors’ savings is at the absolute discretion of *Tabung Haji* in the form of a gift (*Hibah*). Malaysia government provides extra guarantee to depositors savings in the event that *Tabung Haji* is unable to meet withdrawal obligation. The amount is charged to the consolidated fund as debt obligation on TH with a first charge on her assets and reserve fund (*Tabung Haji* Act, 1995). The provision of extra guarantees is important for sustaining TH. Not meeting withdrawal obligation could result in a run as a money deposit institution.

When savings are mobilized, *Tabung Haji* invest them in *Shari'ah* compliant investments and avoid all elements of prohibited acts in Islamic investing. It adopts Islamic modes of financing in making investments. Such modes include *Musharakah* (partnership in labour and capital), *Bai' Bithaman Ajil* (deferred sale), *Mudharabah* (partnership in profit), *Murabaha* (cost plus mark-up sale), *Qardhul Hasan* (benevolent loan), and *Ijarah* (lease contract) (IRTI, 1995). TH makes Investment decisions after thorough research and evaluation process with prospective investment having to go through various screening stages with a final stage of approval at the Minister's level (see figure 2.1 below for the screening stages). The essentiality of this is an avoidance of the depletion of potential Pilgrims savings. This has the ability to instil confidence in depositors to increase their deposits with TH.

Figure 2.1: *Tabung Haji* Investment Framework

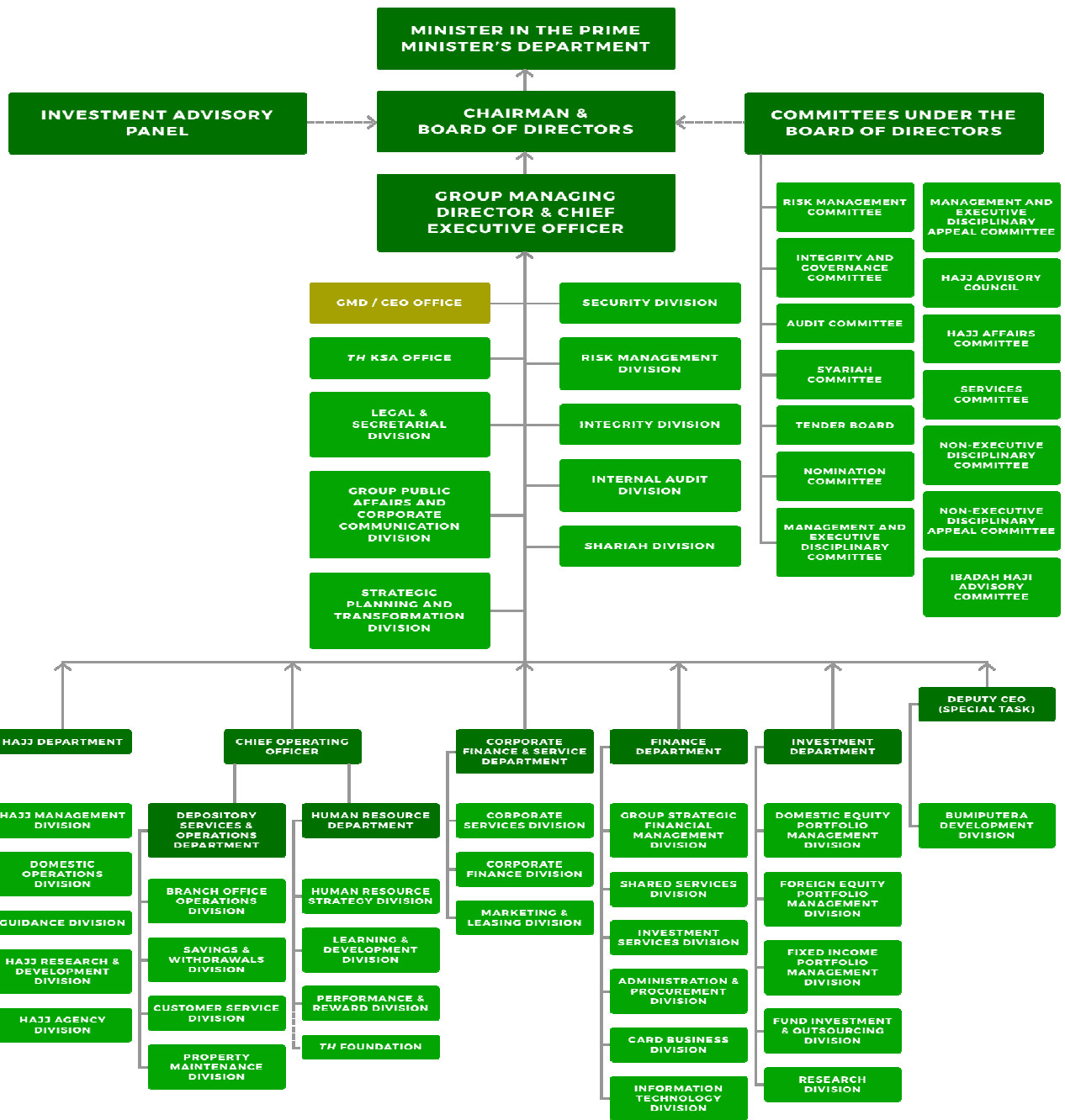


Source: <https://www.tabunghaji.gov.my/en/investment/general-?><info/investment.....Retrieved 16/02/18>

To achieve her objectives, TH leads a system of roles and responsibilities dissemination. Primarily, it is a quasi-governmental organisation under the Malaysian prime minister's department with a Board of Directors (BOD) reporting to it. Corporate management authority rest with the BOD in its highest form. Several committees assist the BOD in her functions. Their duties are according to periodically reviewed terms. Some of these committees are the *Shari'ah* Advisory Council, the Hajj affairs committee and the Risk management committee. The *Shari'ah* Advisory Council advises and represents the board on all matters relating to

Shari'ah and ensures that its activities comply with the *Shari'ah*. The Hajj Affairs Committee is responsible for the welfare and wellbeing of pilgrims and for the administration of the pilgrims' fund. The Hajj Advisory Council on the other hand, advises the minister on matters of Hajj and pilgrims welfare, among other functions. While the risk management committee provides primary advice on risk management issues through reviews, recommendations and approval. Apart from these committees, the BOD is also assisted in its function by an investment advisory panel (see figure 2.2 below).

Figure 2.2: Organisational Structure of *Tabung Haji*



Source: <https://www.tabunghaji.gov.my/en/corporate/organization-structure/th-management-team>.....Retrieved 16/02/18

Figure 2.2 also illustrates that in managing TH operations, the office of Chief Executive Officer (CEO) delegates its functions into six departments. These are the Hajj department, the depository services and operations department, human resource department, corporate finance and service department, finance department, and investment department. They are all responsible for achieving TH corporate objectives through planning, organisation and monitoring of all members of the organisation (See <https://www.tabunghaji.gov.my/en/corporate/organization-structure/th-management-team>, Yahaya, et al (2016)).

Indonesia Hajj Savings

In Indonesia, the Hajj savings scheme is called *Tabungan Haji* and it is under the country's Ministry of religious affairs (Jazuli, 2017). In 2014, the government of Indonesia established a Hajj financial management agency known as *Badan Pengelola Keuangan Haji* (BPKH) for the management of Pilgrims Hajj fund under the principle of *Wakalah* (Jumali, 2018).

The Indonesia Hajj savings scheme allows intending pilgrims to make an initial deposit of IDR25 million (representing over 72% of the total valued amount required for Hajj-Possumah, 2017) to appointed banks by the government with completion of the fair taking up to 12-17 years. The allocation of Hajj sits upon completion of the required payment for Hajj depends on the availability of slots for Hajj, as Pilgrims are allotted slots on the basis of how early one registers for Hajj and completes his Hajj fair payment. When the initial deposit is made, intending pilgrims register themselves with the ministry in charge of Hajj and the fund is transferred to a National Hajj Fund under the control of the government (see Jazuli, 2017).

As at June 2017, the total Hajj fund accrued is valued at \$7.46b (Possumah, 2017). This is projected to reach \$8.96b in 2020. Accrued pilgrims fund is then invested in *Sharia'ah* compliant activities. By July 2017, according to the report by Possumah, the government

using the Hajj Fund Management Agency or BadanPengelola Keuangan Haji (BPKH) decided to mobilize all Hajj funds for the country's national infrastructural development.

The accumulation of the fund is hitherto not with any arrangements for the government using it for investing in national infrastructure. This has raised some concerns on the path of the pilgrims. Although they believe that the investment of this fund will be *Sharia'ah* compliant, their concern is that it may not fully benefit the Muslim community (ibid). This concern may perhaps be from a non-understanding of the ripple economic effect an increased infrastructural development could have for the country. Since Indonesia is a Muslim majority country, the Muslim community would benefit from this either directly or indirectly. It could result in increased employment for construction, existence of better infrastructure would also drive businesses owned by Muslims

Bangladesh and Al-Barakah Multipurpose Corporative of Mauritania Hajj Savings

In Bangladesh, premium bank operates a *Mudarabah* (cost plus mark-up sale) savings account. The scheme allows intending pilgrims to save for Hajj for a period of 1-20 years (<http://premiumbankltd.com/pbl/mudaraba-Hajj-savings-scheme-mhss/>). Investments comply with *Shari'ah* and profits from investments are calculated on a daily closing balance. On the principle of *Mudaraba*, intending pilgrims' act as the contributor of investment capital (*Rabul Mal*), while the bank acts as Manager of the said fund (*Mudarib*). Although such an arrangement allows intending pilgrims to have legal right in the share of profits, it is with the disadvantage that the pilgrims fund can be depleted. This is in the case of a loss not arising from the negligence of the bank. Thus a pilgrim who put in his life savings with the basic purpose of performing Hajj may one day be deprived of this by an investment loss that completely depletes his Hajj savings.

A similar Hajj savings scheme on the principle of *Mudarabah* is undertaken by Al-Barakah Multipurpose Corporative of Mauritania. The scheme allows for different tenure of savings with an initial deposit of Rs.3, 000. Subsequent deposits are allowed monthly or anytime in the multiple of Rs.500. As to withdrawal, it is restricted to at least 6 months after first deposit. Notwithstanding the allowance for a monthly contribution, a person who wishes to perform his pilgrimage early may complete and withdraw the Hajj fair to make the journey.

Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP)

The Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP) also operates Hajj savings scheme. The scheme was launched in February 2014 and it is called “Pilgrimage Savings Plan (PSP)” (<http://www.amanahbank.gov.ph/recent-events/7-ppsp-signing>). Unlike those of Bangladesh and Mauritania, it is operated on the Islamic principle of *Wadi'ah Yad Dhamanah* (similar to *Tabung Haji* of Malaysia). This principle is same principle as Malaysia Hajj savings Scheme. It allows, as explained earlier, intending pilgrims to save with their savings guaranteed. However, the bank can use the savings for investment at its own risk. All profits thus are legal to the bank. The bank can only at her discretion pay bonus to intending pilgrims. Such a scheme has the advantage that it guarantees pilgrims fund without the risk of depletion. The AAIIBP-PSP allows for a saving period of 1, 5, 10 or 15 years. It is organised based on an initial deposit of p100, 000 with subsequent deposit of p10, 000, depending on the projected financial strength of the intending pilgrim. A point of note here is that the bank is a government bank and thus attracts government support. This can help shore up more savings.

The conclusion arising from the discussion of Hajj savings scheme is that there are a few Hajj savings scheme around the globe. Except for Malaysia and Indonesia, these schemes are not nationally organised as Hajj savings institution in itself with direct government regulation.

Even the Indonesia case, compared to the Malaysian scheme, is still in its nascent stage with less or no facts available as to how it has contributed to the country's economy. It is only recently, as noted by Possumah (2017), that the government, seeing the amount of the fund and the benefits it can generate for her economy, is planning to invest it in infrastructure.

On the other hand, the Malaysia *Tabung Haji* is well structured as an institution for Hajj savings on its own. This is why whenever Hajj savings is mentioned in the world, the first reference to be made is Malaysia *Tabung Haji*. *Tabung Haji*, as have been acknowledged by many authors (Yahaya, Abdulmajid, Talaat, Zulkifli, & Talaat, 2016; Ishak, 2011; Rahman, 2000); IRTI, 1996), shows a clear model of the importance of Hajj savings for an economy and how such savings can be mobilized. The motivation of this study is from such a model and why Nigeria should tap from its potentials, given that she has a large Muslim population with a history that values Hajj going.

2.2 HAJJ IN NIGERIA: HISTORICAL EXPERIENCE AND CHALLENGES

Towards understanding Hajj landscape in Nigeria, discussion on the challenges and historical experience of Hajj becomes relevant. It gives a clear view and the relevance of Hajj in Nigeria, judging from the efforts invested both at the individual and government levels.

Historical documentation on Hajj has it that the first Hajj trip in sub-Saharan Africa was made in the 11th century. According to Hanga (1999), the earliest recorded journey is traced to that made by the Kanem Bornu, Mai Dunama bin Umme of the Sayfawa dynasty. Mai Dunama bin Umme is said to have successfully made the journey twice between 1098 and 1150, and died while making a third attempt. However, there are indications that his father, Mai Umme bin Abdel-Jalil (1058-1097) may have embarked on pilgrimage before him (Kyari, 2016). Records also have it that in the 14th century, the entourages of Mansa Musa

(1394-5) and Askia Mahmud of Songhai (1496-7) embarked on the exercise. The 20th century saw notables in northern Nigeria like Muhammadu Dikko (1920 and 1936)-Emir of Katsina, the Emir of Kano, Alhaji Abdullahi Bayero, along with about 40 family members (1937) and merchants like Alhaji Muhammadu Nagoda, Alhaji Mahmud Kassim, Alhaji Mahmud Dantata and Alhaji Ibrahim Musa Gashash in 1948 taking the journey to the holy land (Muhammed, 2018; & Hanga, 1999). Hajj journey within this period were organised by individuals concerned as a group (Hardawa, 2007). Kyari (2016) noted that, in their travel, pilgrims were usually organised in group of twenty to sixty and above with the journey taking one, two or more years for completion. During this process, some of the Pilgrims do not complete the journey due to shortage in their supplies and end up establishing settlement on the route, some even lost in slavery (ibid).

2.2.1 Organised Hajj: Pre-Colonial and Colonial Era

Colonial Nigeria began in 1861 with the annexation of Lagos and total annexation is traced to 1906 with the occupation of Northern Nigeria by the colonial masters (https://en.wikipedia.org/wiki/Lagos_Treaty_of_Cession). Prior to the colonization of Nigeria, during the early 19th century, Hajj was organised by individuals or group without direct government involvement. Kano was a hub for intending pilgrims from different locations, like Oyo and Ilorin, to congregate for the Hajj journey. Caravans were headed by a scholar, merchant or notable person with the name Madugu (the Amirul Hajj) and the journey usually made on foot and /or using animals (Hardawa, 2007; Hanga, 1999).

With the colonization of northern Nigeria in 1906, the British placed strict monitoring and regulations on Hajj. This came from the seeming threat Hajj posed to their colonial rule. Hajj was seen as a solidarity front that brought Muslim communities from the Sudan and other areas together (Hanga 1999; Tangban, 1991). They introduced travel policies like

immigration control, passport requirement, health control policies and deposit payment for services in Saudi Arabia. These were in a bid to discourage contact and movement of people (Kyari, 2016). Not completely a disadvantage, the British policy also saw to easy travel means with quick trip by buses, Lorries and air (Hanga 1999; Tangban, 1991).

The colonialist with time also formed better ties with the northern traditional rulers that Hajj became a better reward for compensation of the leaders' loyalty. This coupled with British innovation of quick transportation that left the leaders not too long from their duty when journeying to Hajj, provided the impetus for government involvement in Hajj (Tangban, 1991).

2.2.2 Government Involvement in Hajj: Pre and Post Independent Experience

Direct and decisive government involvement in Hajj dates back to 1953 with the motion by Alhaji Abubakar Imam during a budget session for the establishment of Nigeria office in Jeddah to cater for the welfare of Nigeria pilgrims during Hajj (see Hardawa, 2007; Hanga 1999 and Bugaje, 1996). Abubakar Imam's motion received adoption with the mandate to produce recommendations. Upon making Pilgrimage to Hajj that same year, he made recommendation for establishment of a Pilgrim commissioner to accompany pilgrims yearly, the necessity for dispensary attendant, issues on accommodation, control of indiscriminate fee and charges on pilgrims; royalties and foreign exchange procedures (Bugaje, 1996; Hanga, 1999). By 1958 the western region established the first Pilgrims Board. This was followed by the establishment of the first northern Pilgrims Welfare Board in 1965 and more states followed suit with the creation of 12 states in 1967 and the ministry of external affairs was also created at the centre to serve as the link amongst the boards (Hanga, 1999).

From the middle 50s to the early 70s, government and private individuals worked hand in hand in the management of Hajj affairs. The government was basically responsible for policy

formulation, administrative and technical support, while the private sector grew more in travel agencies (ibid). Economically, this arrangement is expected to produce better outcome. Favourable competition between private agents should result in better market outcome that will promote good Hajj and expand employment with government providing enabling institutions. The appointment of the Sardauna of Sokoto, Sir Ahmadu Bello in 1954 as Pilgrim Commissioner saw a better outcome in Hajj as characterised by sound and good management. However with his death in 1966, Bugaje (1996) argued, the institution of Hajj went down the drain as it lost its “unique leadership, concern and selflessness of the Sardauna”. Private agents were increasingly fraudulent, extortive, inefficient, and marked with absurd competition with the ever-increasing number of Pilgrims (Bugaje, 1996; Hanga, 1999). The government also shared the blame for the lack of clear and comprehensive policy and on technical support (Hanga, 1999). This problem precipitated the government to establish the Nigeria Pilgrims Board (NPB) in 1975

2.2.3 Nigeria Pilgrims Board (NPB) 1975-1989

The establishment of the Pilgrims Board in 1975 abolished the private agents. The board was given the “sole power” of organising and addressing all issues related to Hajj (Bugaje, 1996). The board took over activities that were previously provided by private agencies like the Northern Regional Travel Agency Licensing Board (Tangban, 1991). The board was hitherto responsible for licensing private agencies that were concerned with transporting pilgrims using buses or air lifting pilgrims to the holy land. Some of the private agencies responsible for this role from the late 40s and prior to 1975 are; the West African Pilgrims Association (WAPA), 1948, Pilgrims Aid Society (PAS), and Alharamaini Limited (Hanga, 1999). With time however, the efficiency of the body began to wane and became crippled in the second republic with political interference (Bugaje, 1996). It was taken by corruption, wastage, inefficiency, and unable to cope with the growing number of pilgrims (ibid). The growing

number of Pilgrims also forced the federal government to impose quota on Hajj for the first time in 1978. The reason advanced by the government was to reduce the suffering of pilgrims and save the drain in the country's foreign exchange reserve (Hanga, 1999). This action according to Hanga(1999) fuelled more "bribery, corruption, favouritism and black maketeering in the allocation of Hajj seats in the NPB". Hanga (1999) further argued that the inefficiency in the board was also due to her lack of autonomy, as the board was under the Ministry of external affairs (now foreign affairs).

2.2.4 Nigeria Pilgrims Commission (NPC) 1989-1991 and the Call for Hajj Savings Scheme

In 1989, the federal government promulgated decree no. 6 establishing the Nigeria Pilgrims Commission. The effort was to remove government interference and grant autonomous powers to a body in the management of pilgrimage affairs. The NPC was empowered to charter aircraft to air lift pilgrims at her own discretion and employ staff of her own. Most importantly, the Commission was granted the power to initiate and establish a Hajj savings scheme to be managed under a fund and to serve as a forerunner to interest free banking (Hanga, 1999; Bugaje, 1996). The idea, Bugaje (1996), opined was borrowed from the Malaysian *Tabung Haji*. Even with the powers granted the Commission by the decree; her autonomy was circumscribed, as there was still interference by big government functionaries in the air lifting of pilgrims (Hanga, 1999). The consequence of this and others was the dissolution of the commission in 1991 and the establishment of the Directorate of pilgrims Affairs (DPA) in that same year (see Hanga, 1999; Bugaje, 1996). This was under the ministry of foreign affairs. By 1995, the functions were transferred to a task force defined as "ill fated" by Hanga (1999). Her officials were revealed corrupt, resulting in its dissolution in 1996. The whole process of the failure of the NPC and the task force Bugaje (1996) described

it as the lack of firmness and consistency presenting itself in the absence of proper autonomy, lack of probity and the lack of continuity in government policies.

2.2.5 National Hajj Commission and the Second Call for a Hajj Savings Scheme

The year after the dissolution of the ill-fated task force saw the federal government use of ad-hoc committees in the management of Hajj affairs. It was not until 2006 that an act was enacted for the establishment of the National Hajj Commission of Nigeria (NAHCON). The Act repealed the NPC Act. It conferred NAHCON the responsibility of “licensing, regulating, performing over-sight, and undertaking supervisory functions over agencies and other bodies; and for related matters” (NAHCON ACT, 2006, p1). The act granted autonomy to the Commission and for the second time called for the establishment of a Hajj savings scheme. In specific terms, item 7(1) of the act states that “The Commission shall establish, supervise and regulate a system of Hajj Savings Schemes to be operated by the Pilgrims Welfare Board of each state and the Federal Capital Territory (FCT) for interested intending pilgrims” (p.5). However, 29 years after the first call and about 12 years after the second call, the establishment of a Hajj savings scheme in Nigeria has not seen practical implementation. Recently, in 2017, the commission reiterated her commitment to establishing a Hajj savings scheme (See [Http://Www.NigeriaHajj.com.Gov.Ng/Content/10-Years-Nahcon-Gains-Controversies-And-Challenges](http://www.NigeriaHajj.com.Gov.Ng/Content/10-Years-Nahcon-Gains-Controversies-And-Challenges)).

2.2.6 Potential for Hajj Savings Scheme in Nigeria

The potential for a Hajj savings scheme abound in Nigeria. From the perspective of an increasing demand for Hajj, the coast is clear. For instance, total expenditure on Hajj has been projected to reach \$44.3b by 2021 away from \$21.5b in 2015 (Thomson Reuters & DinarStandard, 2017). This source also has it that in the phase of this growth, Nigeria is the

5th largest market for Hajj in the world as at 2016 with 76,000 Pilgrims. Pilgrims outflow to Makkah have shown remarkable increase since independence. For instance, from only 1,243 pilgrims in 1956, the number grew astronomically to 77,000 pilgrims in 1977 (Hanga, 1999). Hajj allocation has stayed not less than 60,000 pilgrims in Nigeria from 2000 with 82,026 actual pilgrim lift to Makkah in 2017 (NAHCON, 2018). All these are pointers to the potentials that lies in mobilizing Hajj savings.

Furthermore, from earlier documentation in the study, the historical trend shows government support for pilgrimage going in general, and specifically it has made provision for the establishment of a Hajj savings scheme. The repealed NPC act and NAHCON Act 2006 supports the establishment of a Hajj savings scheme. What is required thus is the commitment for the establishment of the scheme.

2.3 REVIEW OF EMPIRICAL STUDIES: SAVINGS-GROWTH NEXUS

A number of empirical studies exist on the nexus between savings and economic growth with uneven findings. Such findings follow the line of the classical Keynesian argument on the relationship between savings and growth. Classical economists believe that savings cause economic growth. Keynes (1936) on the other end saw savings caused by growth. Some of the empirical findings are given below. The review is in three folds; first, a review of empirical findings on savings-growth nexus in different parts of the world and cross sectional studies. Second, is a glimpse of this relationship in south East Asia with popular national Hajj savings scheme (Malaysia and Indonesia). Finally, we review the literature to understand the savings growth relationship in Nigeria.

Adam, Musah and Ibrahim (2017) carried out a study on 10 Sub-Saharan African countries. Apart from using the normal Granger causality test, they compared the results with the Toda-

Yamamoto approach to test causality. Their findings are that, using the granger approach, a unidirectional causality runs from domestic savings to economic growth in Benin but a bidirectional result is found using the Toda-Yamamoto. For Gambia, the granger causality revealed no causality. However, a unidirectional causality is found from savings to economic growth in the Toda-Yamamoto. In Burkina Faso, Ghana and Senegal, the findings of the granger causality test showed one way causality from growth to domestic savings but the Toda-Yamamoto rejects the existence of causality in these countries. A case of homogeneity is however found in Mali and South Africa where the results showed that savings causes growth and not vice versa. A contrary homogeneity case is found for Kenya Madagascar and Mali. The results showed independence of savings and investment. Lastly, the study also checked for an impulse –response in the variables. It found that in Benin, Mali, and South Africa instantaneous uni-directional causality runs from domestic savings to economic growth. No case of this response was found for the other countries.

Moyo and Roux (2018) examined the long run impact of interest rates reforms on economic growth through savings and investment in Southern African Development Countries (SADC). The study follows the classical postulates that savings and investment equality is determined by the interest rate. Employing the Pooled Mean Group (PMG) estimation technique and the ARDL bound tests for Cointegration, they found the existence of a long run relationship between investment, credit to private sector, FDI real lending rates and savings. In addition, a long run relationship is found to exist between savings, real lending rate, age dependency and economic growth. Furthermore, the results of the ADRL confirm the hypothesis that interest rate reforms have a positive effect on economic growth through savings and investment.

There are also empirical results in Malaysia and other East Asia countries with mixed results. For instance, adopting non-parametric techniques, Tang and Chua (2009) argued that policies

that enhances savings be implemented in Malaysia to stimulate growth. Using quarterly data from March 1991 to September 2006, their dynamic OLS technique revealed a positive relationship between savings and economic growth, while the result of their multiple rank F-test showed a bi-directional relationship between savings and economic growth. The basic conclusion from the study was that savings is important for capital formation and hence economic growth.

The findings from Tang and Chua (2012) is further confirmed in a related study by Tang and Chua (2012) using parametric techniques. They employed the bound testing approach to Cointegration, while causality was tested using Toda and Yamamoto and the TYDL Granger causality test. Sample size for this study was greater, 1971 quarter 1 to 2008 quarter 4.

A recent study by Hassan, Othman and Mohaideen (2018) investigated the effect of Employment Provident Fund (EPF) on Malaysia economic growth. The EPF is a retirement savings scheme in Malaysia. Using Jonhasen Cointegration and granger causality within VECM for the period 1970-2014, the study confirmed the hypothesis that savings enhances growth through investment. The finding is not surprising. The EPL is the largest private saving scheme in Malaysia and along with other schemes like the Hajj savings scheme are major enabler of her growth (see Mansur, Mamalakis & Idris, 2011)

In a cross sectional study, Tang and Ch'ng (2012) found Cointegration and causality between savings and growth for five founding ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) using Jonhansen Cointegration test and the MWALD Causality test. For a period of 41 years (1970-2010), the study revealed bidirectional causality between savings and economic growth. Thus, the study recommended for policies that will enhance savings to achieve more growths by countries.

Misztal (2011) empirically investigated the savings-growth nexus in both developing and developed economy using Cointegration models and Granger causality test. The results of the study revealed that the relationship between savings and economic growth is positive and uni-directional. Savings granger cause economic growth for the period 1980 to 2010 in both developed and developing economies

In Nigeria, Eigbiremolen (2014) used Forecast Error Variance Decomposition (FEVD) to examine the transmission of shocks among private savings mobilization, private investment and economic growth in Nigeria for the period 1970-2012. The findings of their study showed the existence of a long run relationship between private savings, investment and economic growth. The variance decomposition results showed that a contribution of private savings shock to real GDP and investment is significant and the highest for a five year review period. GDP contribution to private savings variability is indirect and not substantial, while private investment shock is modest in explaining the variations of private savings and real gross domestic savings.

Olowefeso, Adeleke and Udoji (2015) using quarterly data-2001:Q1 to 2015: Q4 investigated the impact of private savings on economic growth. The study employed the Gregory and Hansen (1996) Cointegration test to account for problems of structural breaks and endogeneity. A Fully Modified OLS (FMOLS) was employed in estimating the model coefficients. The ECM showed that private credits affect economic growth positively and significantly in Nigeria. High interest rate is a limiting factor to this effect.

Similarly, Amo, Eboime, Adamu, and Belonwu (2017) examined the impact of private sector credit on economic growth for the period 1993Q1-2013Q4. The Authors conducted the study based on specific objectives in mind. First was to determine the local conditions and policy environment that influences the absorptive capacity of private sector credit in Nigeria.

Second was to determine if a saturation point exists for private sector credit in Nigeria. Using a fully modified OLS, they found that, after controlling for policy environment and local conditions, private sector savings impacted positively and significantly on economic growth in favourable economic condition. In addition, their results revealed that the impact exist even when domestic investments are at a sub-optimal level, monetary policy is tight, and trade openness is low. Private sector is able to absolve domestic sector credit at 29% of GDP in 2013. The policy implication of the study is that Nigeria should improve on policies that will enhance private savings for assisting her economic growth. One such opportunity available to Nigeria in mobilizing private savings is the establishment of a Hajj savings scheme.

Furthermore, Egoro and Obah (2017) using OLS studied the impact of National Savings (NS) on Gross Domestic Product in Nigeria. The sample period for the study was 1990-2015. The study found that NS accounts for 95.6% variation in GDP. More specifically, the estimate of the regression showed that a 1.0 unit rise in NS raises GDP by 7.88 units. Although this study help establishes the relationship between savings and economic growth, it does not tell it is savings that causes growth or the reverse

Odionye, Emerole, & Ugwuegbe, (2016) found that a positive long run relationship between savings and economic growth in Nigeria for the period 1980-2013. The results of their Granger causality test revealed a unidirectional relationship running from savings to GDP.

Contrary to the study byOdionye, Emerole, & Ugwuegbe (2016), Nwanne (2014) found no long run relationship between savings, investment and economic growth. They adopted the Vector Autoregressive Approach (VAR) to examine the dynamic interaction between savings, investment and economic growth in Nigeria for the sample period 1981-2014. They found a unidirectional causality running from Gross Domestic Product (GDP) to Gross

Domestic Savings (GDS). Their variance decomposition results revealed that GDP (23.83%) account more for the variation in GDS than Gross Domestic Investment (GDI) (7.04%), GDS (34.77%) account more for the variation in GDI than GDP (29.01%), and GDS (24.30%) account more for the variation in GDP than GDI (7.37%). The findings of this study are more in line with the Keynesian argument that income causes savings and not the reverse.

2.3.1 Empirical Studies on Hajj Savings and Gap in the literature

The review of literature in section 2 documents studies on savings generally with no specific studies on Hajj savings. The essence is to establish empirically the relationship between savings and growth in economic literature. Specific to Hajj savings, empirical studies are scarce. When conducted, it is mostly non-empirical and on Malaysia and Indonesia Hajj savings. For instance, a few studies have qualitatively described the importance of the Malaysian Hajj savings scheme for economic development and the need for adoption of such a scheme (see Yahaya, Abdulmajid, Talaat, Zulkifli, & Talaat, 2016; Ishak, 2011; Rahman, 2000; IRTI, 1996).

In Indonesia, Hajj savings is gaining notice with the establishment of a Hajj Fund Management Agency by the government and the intention to use accrued Hajj funds for national infrastructural development. Hence, there have been descriptive writings on the benefits of such initiative by the government, the concerns of Hajj depositors and descriptive analysis of the institutional arrangements (see Bayu, 2017; Jazuli, 2017). Beyond this descriptive analysis however, Fikri, Ismal & Beik (2018) used simulation to estimate the amount that can be saved if Hajj funds in Indonesia banks are hedged using Islamic hedging principles. The period for the study is December 2011 to December 2017 and it considered fluctuations in two basic currencies, USD and SAR, as against the IDR. Results of the

simulation revealed that when Islamic hedging are carried out on Hajj funds in a period of less stable condition, 2013-2015, the pay-offs are favourable. In this period, IDR weakens against the USD by about 20%-30% and 40% -50%. Contrary to this, if the funds are hedged in a period (2016-2017) when the IDR strengthens against SAR (at about 10%-20%), the outcomes are unfavourable. Thus, the study concludes that the best period for hedging of Hajj funds in Malaysia is when the IDR weakens against the USD and SAR.

Apart from the study by Riadi, Rifki and Irfan (2018), we do not find, at least to the best of our knowledge, any study that has empirically analysed Hajj savings. This is especially with reference to how it affect macroeconomic variable like GDP.

2.4 THEORETICAL FRAMEWORK

The research framework is adapted from the theoretical underpinnings of classical economics that savings stimulates growth and the principle of opportunity cost. Theoretical postulations on the savings-growth nexus establish the importance of savings for growth. Consequently, the principle of opportunity cost provides the basis for an argument on the cost of a Hajj savings scheme on the Nigerian economy.

On the savings-growth nexus, the research adapts the theoretical postulates of Solow (1956). Solow theory of economic growth maintains all assumptions of the Harrod-Domar model except for the assumption of fixed proportions (Solow, 1956). Assuming constant returns to scale, Solow opines that savings is important for growth through its determination of the process of the time path of capital when all resources are employed in their variable form. That is, the net investment in an economy is a function of a constant rate of savings from income. This net investment is what determines the growth path of an economy when all available resources are applied, given constant returns to scale. In Solow's view, the capital stock is equal to the total output in that community. This output has two uses;

consumed or saved. The saved part is a constant (sY) and equal to net investment (NI). Solow expressed his conception in the below mathematical forms.

$$\text{Thus, } \dot{K} = sY - \delta K \quad (1)$$

Where K = Stock of capital

$$\dot{K} = sY \quad (1)$$

Y is output and is produced with the help of two factors of production, $K(t)$ and $L(t)$

$$\text{Therefore, } Y = F(K, L) \quad (2)$$

Equation (2) supposes constant returns to scale thus it is homogeneous of the degree one.

$$\text{Inserting (2) in (1), } \dot{K} = sF(K, L) \quad (3)$$

But $L(t) = L_0 \cdot e^{nt}$, given exogenous population with constant relative growth rate in the labour force, n

$$\text{Thus, } \dot{K} = sF(K, L_0 \cdot e^{nt}) \quad (5)$$

According to Solow (1956), equation 5 determines the time path of capital accumulation when all resources are applied. This is also responsible in the growth pattern an economy can take. Such a growth pattern he argued is one with no unemployment nor excess capacity. By implication, an equilibrium state exists with flexible interest (consistent with capital) and wage rates (in the employment of labour) working to ensure such state.

There is an implication for our current study in this. A Hajj savings exist under an Islamic framework with no interest. It means an adjustment has to be made in the model for compatibility in an Islamic framework. Thus the study replaces the variable interest – consistent with capital-with profit and assumes all other modifications for compatibility of the model with the Islamic framework.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The design for the study is exploratory research design. There are less in-depth studies and limited amount of information in the area of Hajj savings, hence this research adopts a general idea as a guide to exploring the potential economic benefits of Hajj savings scheme in Nigeria.

3.2 Data Collection Method

Secondary mode of data collection is the approach for this research. The study uses times series data for both Nigeria and Malaysia. Data for Malaysia are sourced from the Malaysia Department of Statistics and the Malaysia Pilgrims and Welfare Board, *Tabung Haji*. The study sourced data on Malaysia Gross Domestic Product (GDP) at constant prices, real Per Capita Income (PCI), Investment and Employment from the Malaysia Department of Statistics. Hajj savings data are gotten from *Tabung Haji*.

Nigeria data are sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, the International Monetary Fund (IMF) and the PwC world in 2050 Macroeconomic forecast. Specifically, the study obtained Nigeria Gross Domestic Product (GDP) at constant prices for

the period 2006 to 2017 from the CBN Statistical Bulletin. Nigeria population data for the period 2006-2023 is gotten from the IMF world population forecast data file. Data For the period, 2024 to 2029 are forecasted based on the estimate of PwC world in 2050 model. Gross Domestic savings for both countries where source from the IMF.

3.3 Techniques of Data Analysis

Three broad data analyses techniques are used to achieve the objectives set by the study. The study employs correlation analysis technique, Ordinary Least Square (OLS) regression and simulation. Correlational analysis serves for achieving objective one to three of the study. It help shows how Hajj savings is associated with economic growth, per capita income, employment and investment.

To achieve objectives four, the study employed OLS regression and simulation. The study adapted the methodological underpinnings of PwC (2015) in the estimation of the cost of corruption on the Nigerian economy. PwC (2015) study used the “best coefficient” in the review of literatures on the effect of corruption on growth to estimate the forgone output from high corruption and the output opportunity to be gained, if corruption is reduced in Nigeria to certain levels. Thus this current study, using Malaysia data, estimated using OLS regression the relationship between Hajj savings and economic growth. This is with the goal of producing the “best coefficient” in this relationship. Consequently, the derived coefficient is used to simulate the effect of Hajj savings on Nigerian economy using Malaysia Hajj savings growth rate for the period 2006-2017 as a benchmark.

The simulation is based on three effect (scenarios). A first case with the assumption that Nigeria maintains a Hajj savings growth rate equal that of Malaysian Hajj Savings growth rate for 2006-2017. But since in reality, the Hajj savings growth rate may not necessarily be the same for both countries, the study makes adjustment for two basic indices, while keeping

other factors constant, to produce two different scenarios. The second scenario is thus based on adjustment of scenario one to account for savings habit of both countries. Here, we used the Gross National Savings (GNS) rate for both countries to make adjustment for Hajj savings differences between both countries and replicate our simulation procedure all over. Scenario three make adjustment for population differences given initial adjustment for savings habit from scenario three.

It is to be noted that in calculating Malaysia Hajj savings growth rate for various years, the study took 2006 as a reference year to capture by how much, increasingly, Nigeria needs to grow her Hajj savings to produce a particular effect on GDP for the period under review. The justification for relying majorly on Malaysia data in the study is based on the availability of Hajj savings data. Malaysia, to the best of our knowledge, is the only country with the most accurate time series data for national Hajj savings in the world. Since Hajj savings data are not available for other countries of the world our ability to compare Hajj savings and economic growth coefficients for different cases is constraint. Hence, the coefficient for Malaysia is taken as the “best coefficient” for this study.

3.4 Model Specification

In the estimation of the regression coefficient between Hajj savings and economic growth, the study adapts the model of Misztal (2011) below.

$$Y = \alpha_0 + \alpha_1 S + \mu \text{-----}(1)$$

Where:

Y = Economic Growth with GDP as a proxy;

α_0 = Constant;

α_1 = regression coefficient;

S = Savings; and

μ = Error term, takes account of the effects of all variables not included in the model.

Modifying equation one to suit our study, we substitute Hajj savings (HS) for Savings (S) to give equation 2 below.

$$RGDP = \alpha_0 + \alpha_1 HS + \mu \text{-----}(2)$$

Assuring a log linear equation and for easy interpretation of the regression results, we modify equation 2 to become equation 3 below. Equation 3 is the estimated regression equation for the study.

$$\text{LogRDGP} = \alpha_0 + \alpha_1 \text{LogHS} + \mu \text{-----}(3)$$

Where:

LogRDGP= the natural log of real Gross Domestic Product (GDP); and

LogHS= the natural log of Hajj savings.

Given our model and its estimation, the derived coefficient along with Hajj growth rate from benchmarking Malaysia is simulated in the model to produce Nigeria forgone output and the output opportunity to be gained from Hajj savings. The simulation equation is written as equation four below.

$$RGDP_{st} = \alpha_0 + (\alpha_1)(X_t)(RGDP) \text{-----}(4)$$

Where:

RGDP_{st}= Increase in Nigeria Real GDP at time t from Hajj Savings;

α₀= is the value of RGDP at no Hajj savings

α₁= estimated regression coefficient for Hajj savings and economic growth

X_t= the growth rate Nigeria should attain to achieve increased RGDP at time t; and

RGDP=Real GDP at time t.

Note that the value of RGDP_s for various years is cumulative, that is $\sum_{t=1}^n$ RGDPs

Where:

∑ = Summation

N= End period, last year for the estimation; and

t= Beginning year for the estimation

Estimation of the correlation between Hajj Savings and each of the variables-economic growth, employment, income and investment adopts the formula below. The correlation coefficient indicates the strength of the relationship between two variables:

$$r_{xy} = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \sum(y_i - \bar{y})^2}}$$

Where:

- r_{xy} – the correlation coefficient of the linear relationship between the variables x and y
- x_i – the values of the x-variable in a sample
- \bar{x} – the mean of the values of the x-variable
- y_i – the values of the y-variable in a sample
- \bar{y} – the mean of the values of the y-variable

3.5 Measurement of Variables

Table 3.1 Description of Variables

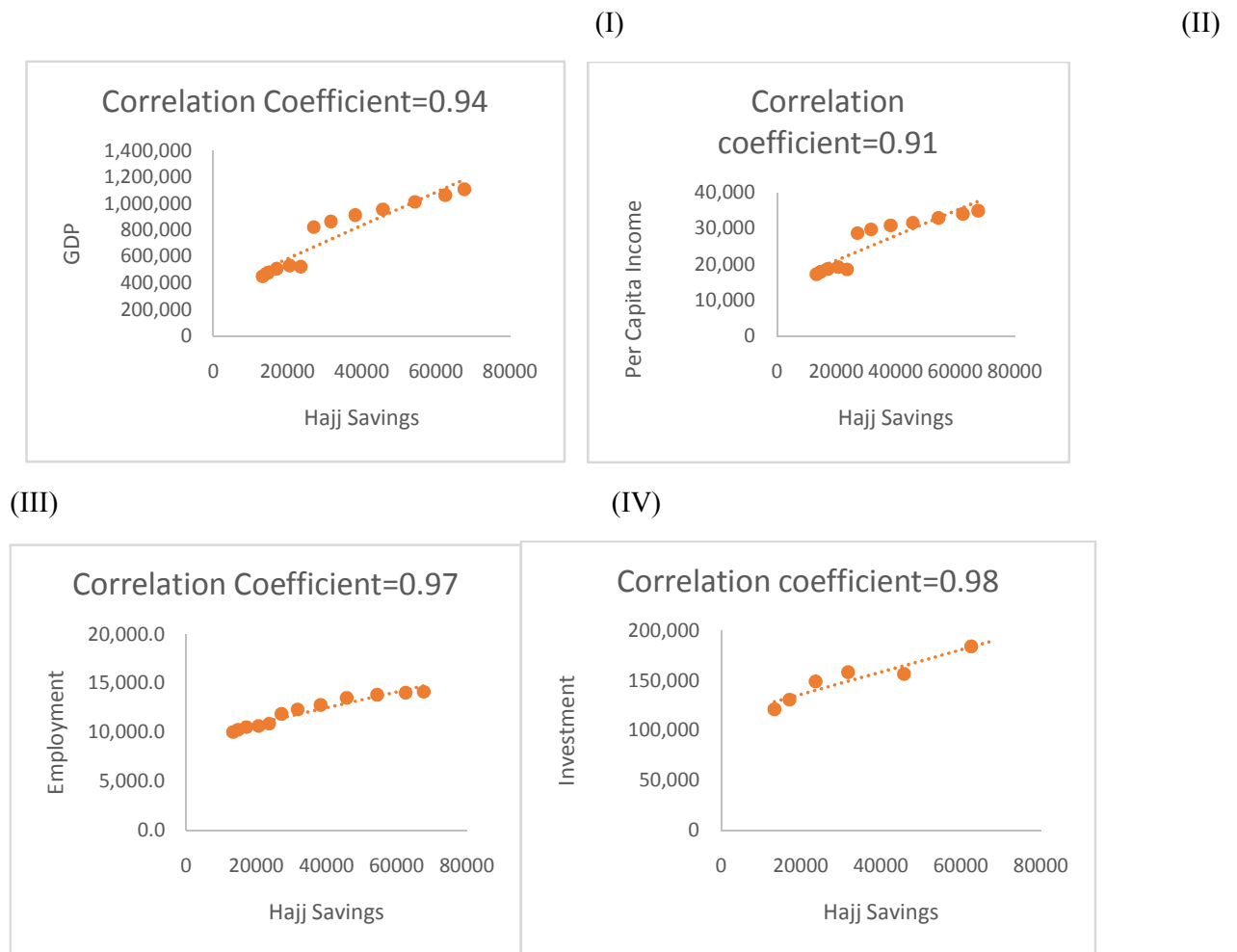
Variable	Measurement
Real Gross domestic Product (RGDP)	The monetary value of the total amount of goods produced in a country for a year, after adjustment for inflation.
Hajj Savings (HS)	It is the annual savings for Hajj in a Hajj saving scheme by persons intending to perform Hajj, or by any person who saves in this scheme.
Hajj savings Growth Rate (X)	It is the annual growth rate of savings for Hajj. The Hajj savings growth rate for the study is Malaysia annual growth rate for Hajj savings from 2006 to 2017, with 2006 as a reference year for all other years. This is to capture by how much, increasingly, Hajj savings grew for subsequent years relative to 2006.
Investment	This is proxied by Gross Fixed Capital Formation (GFCF). The GFCF is an indicator for a country's investment and measures the value of fixed assets in the economy.
Per Capita Income (PCI)	PCI is a measure of welfare. It is the monetary share of an individual in the GDP. Its value is gotten by dividing the RGDP by the population.
Employment	This, according to the Malaysia Department of Statistics (2019) refers to sum of persons between the ages of 15-64 who have worked at least one hour within a particular "reference week for pay, profit or family gain as an employer, employee, own account worker or unpaid family worker". Also included in these category are: a) those who, due to illness or any social or religious reason stay out of work within this period, but have full job availability for them; b) temporarily laid-off persons with sure guaranty for recall; and c) persons who worked less than 30 hours under the reference week due to non-availability of work, but are willing to accept additional work.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Hajj Savings, Economic Growth, Employment and Investment

In order to understand the link between Hajj savings, Gross Domestic Product (GDP), Per Capita Income (PCI), Employment and Investment, the study utilizes a scatter plot. The graphing shows that all the selected variables are positively related to Hajj savings with the scatter plots tied to the regression line. This suggests that the estimation of the slope is precise and the regression standard deviation is low, showing statistical significance. Data for the graphing is documented as appendix III and the results are explained in Figure 4.1, graphs I-IV.

Figure 4.1: Scatter Plots of Hajj Savings, GDP, PCI, FDI and Employment



Graph (I) to (IV) shows Hajj savings is associated with higher growth, higher employment, better per capita income and standard of living and can improve the country's investment position.

Comparatively, the strongest association exists between Hajj savings and investment as indicated in graph (IV). It tells that the correlation between Hajj savings and investment is 98%. This is not surprising. *Tabung Haji* (TH), the organization responsible for mobilizing and investing Malaysia Hajj savings is the single largest institution mobilizing private savings in the country. These pooled savings are invested in almost every sector of the economy while improving the country's gross capital formation

Expectedly, the correlation coefficient between Hajj savings and employment is positive and high at 97%. *Tabung Haji* owns and makes investment in major sectors of the Malaysia economy that can expand employment. For instance, the pioneer and only listed Islamic finance holding company in Malaysia, BIMB Holding Berhad (BHB), is a subsidiary of *Tabung Haji*. In addition, TH Plantation Berhad (THPB) and her networks, all known as "TH Group" is a leading player in the plantation industry in both Malaysia and Indonesia. Its estimated contribution to the Malaysia economic growth in 2006 is put at RM64.5b with a plantation land of 165,000 hectares, estimated to reach 300,000 hectares in 2020 (*Tabung Haji* Annual Report, 2016). The resultant effect of Malaysia Hajj savings on her investment and employment is a positive effect on economic growth and consequently on income.

4.2 ESTIMATION OF THE COST OF NO HAJJ SAVINGS SCHEME IN NIGERIA AND BENEFITS TO BE GAINED

Estimation of the cost of not having a Hajj savings scheme is on the deduction that such a scheme can help pool savings meant for Hajj for investment in the economy. Thus in the absence of such a scheme, an economy like Nigeria suffers a cost in terms of output forgone and the consequent effect an increased output from Hajj savings would have on the welfare of its citizenries-through increased per capita income. In order to demonstrate this, the study uses the methodological procedures documented in chapter three. This is on the simulation of

data to estimate the forgone output from 2006 when the National Hajj Commission of Nigeria was established up to 2017 with no Hajj savings and the output opportunity to be gained in 2029, if Nigeria pools Hajj savings by establishing a Hajj savings scheme. Three scenarios anchored on three assumptions depicts this and the simulations have the effect that Nigeria GDP gains during the period under review from an annual cumulative enhancement due to increase in Hajj savings.

The first scenario, termed a Moderate Scenario, demonstrates Hajj savings effect on Nigeria GDP and per capita loss, if Nigeria has a Hajj savings growth rate equal that of Malaysia Hajj savings from the period 2006 to 2017. The growth rate takes 2006 as a reference year for all other years. Second, a Pessimistic Scenario where the Hajj savings growth rate in scenario one is adjusted for differences in savings habit. The study uses figures for both countries Gross National Savings (GNS) to make this adjustment. Three, is an optimistic scenario with adjustment in scenario two figures for population differences. The results are shown in figures 4.2.1 to 4.2.3 below. Data used are documented in appendices I-III and the regression result with the coefficient for the simulation is presented in table 4.2 below.

Table 4.1 : Hajj Savings Estimated Regression Coefficient

Variable	Estimated Coefficient	t-Statistics	Prob.
HS	0.586050	0.049702	0.0000
C	7.450205	14.41605	0.0000

Notes: R-Squared= 0.926683

Adjusted R- Squared=0.920017

F.Statistic = 139.0328 D.W. =1.426681 Dependent Variable=RGDP

Source: Eviews 10

In table 4.1 above, the dependent variable for the regression equation is Real Gross Domestic Product (RGDP) while the independent variable is Hajj Savings (HS). C represents constant, which is the value of the dependent variable when HS assume zero value. From table 4.1, RGDP will assume a positive value of 7.450205 when HS is zero. The coefficient of HS is positive at 0.586050 and is significant. This conforms with the a priori expectation that HS

should be positively related to RGDP. It implies that a 1% increase in HS increases RGDP by approximately 59%. The results also show that no serial correlation exists based on the Savin and White significance table for the Durban Watson Statistics. The model is also a fitted one as depicted by the value of the R Squared and F-Statistics.

4.2.1 Scenario 1 –Nigeria Maintains aHajj Savings Growth Rate as MalaysiaHajj

Savings Growth Rate

Panels' I-III of figure 4.2.1 demonstrates what Nigeria had to forgo in terms of the size of her economy for not having a Hajj savings scheme from 2006 to 2017. The estimation is based on the assumption that Nigeria maintains a Hajj savings growth pattern similar to Malaysia for the period 2006-2017. Panels IV-VI on the other hand shows the output opportunity to be gained in 2029 if Nigeria is able to establish a Hajj savings scheme. From panel I, the results estimates that Nigeria GDP could have been N780, 378b higher if it had established a Hajj savings scheme with Hajj savings similar to Malaysia. That is, the Nigerian economy could have been N780, 378b bigger. This is cumulative for the period 2006 to 2017 and represents 114% of her GDP. Similarly, maintaining the same growth pattern of Hajj savings, Nigeria can grow her GDP to N3, 463,810b instead of N1, 176, 013b in 2029, a 195% increase by way of prediction. Thus, there is an opportunity for Nigeria to grow, cumulatively, her economy by 195% if it establishes a Hajj savings scheme for the period 2018-2029. This is depicted in panels IV and V of figure 4.2.1 below.

In addition, panels III and VI shows the losses per person from Nigeria not having a Hajj savings scheme in the year from the establishment of NAHCON to 2017 and the years building up to 2029, if she fails to establish one. The simulation results showed that the cumulative loss from 2006 to 2017 per person is N398, 366. This amount can be N8, 884,744 in 2029 as depicted in panel V. The implication of the result is that Nigerians can have increased standard of living and better welfare with a national Hajj savings scheme that pools Hajj savings for investment.

4.2.2 Scenario 2-Based on Adjustment for Differences in Savings Habit

With the consideration that Hajj savings can be lower in Nigeria compared to Malaysia due to her low national savings habit compared to Malaysia, the study takes a pessimistic position and replicates the simulation process after making adjustments. A 3 year CompoundAverage Growth Rate (CAGR) differences between Malaysia and Nigeria is adjusted for in the Hajj savings growth rate. The results are shown in figure 4.2.2, panels' I-VI. From panels I and III of figure 4.2.2, Nigeria GDP could have been N417, 586 higher and can be N718, 719 higher in 2029 if a Hajj savings scheme is established. This represents 61% and 61% of her cumulative GDP for the period 2006-2017 and 2018- 2029, respectively as shown in panels II and V of the same figure. Similarly, from panel III VI, the welfare of each Nigerian could

have been better by N2, 213, 123 in 2017 and can be better by N2, 791, 172 in 2029 if a Hajj savings scheme is established.

4.2.3 Scenario 3 –Based on Adjustments for Savings Habit and Population differences

Furthermore, using same line of reasoning as the pessimistic scenario, we consider that due to Nigeria having a Muslim population 4.6 times, on the average for the period 2006-2017, larger than Malaysia (see appendix for population data), the negative effect of low savings habit of Nigeria can be offset and the results of forgone output and benefit to be gained can be higher. The results of this scenario are documented in figure 4.2.3 below, panels' I-VI. The results shows that Nigeria GDP could have been N1, 920, 598 higher in 2017 and can be N3, 305, 813 higher in 2029 after making adjustments for savings habit and population difference. This is cumulative for the periods 2006 to 2017 and 2018 to 2019. It represents 280% and 281% of GDP for the period, respectively. Similarly, the welfare of each Nigerian could have been better by N10, 178, 804 in 2017 and can be better by N12, 838, 247 in 2029, if a Hajj savings scheme is established.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study examined the economic prospect of Hajj savings scheme in Nigeria. The study is able to highlight how Hajj saving schemes are being organized globally and demonstrate that growth, per capita income as a measure of welfare, employment and investment can be positively associated with Hajj savings. It also estimated using regression, and simulation-the cost of not having a Hajj savings scheme on the Nigeria economy from the period 2006 to 2017 and the benefits to be gained in 2029 if Nigeria establishes a Hajj savings scheme.

5.2 Conclusion

On the basis of the research findings, the following conclusions are drawn. There is a positive correlation between Hajj savings, employment, investment and economic growth based on the analysis of data from Nigeria. The association between Hajj savings, employment investment and economic growth stood at over 90%.

Also, the Nigerian economy could have been 114% better in 2017 if it had a Hajj savings scheme that pooled Hajj savings matching Malaysia Hajj savings growth rate from 2006 to 2017. This missed opportunity had resulted in a N4, 135, 857 losses in welfare per Nigerian,

cumulatively from 2006 to 2017. However, Nigeria has the opportunity to grow her economy in 2029 by 195%, if it is able to establish a Hajj savings scheme with Hajj savings matching Malaysia Hajj savings growth rate from 2006 to 2017. This will increase her citizens' welfare per person by N8, 884,744 in 2029.

Furthermore, the findings predicts that after making adjustment for savings habit between Nigeria and Malaysia, the GDP loss from 2006 to 2017 could be 61% and 280% higher when adjustment is made for population difference between both countries. The benefit to be gained in terms of increased growth in 2029 could be up to 61% and 281% when adjustments are made between savings habit and population differences of both countries, respectively.

5.3 Recommendations

Given the findings, the study makes the following recommendations.

1. That the National Hajj Commission of Nigeria (NAHCON) should establish a Hajj savings scheme given its significance. She should leverage on her establishment act which gives her the mandate to establish a Hajj savings scheme for the country. A workable framework should be developed for the establishment of the scheme by taking a cue from Malaysia *Tabung Haji* while also taking into account country specifics.
2. For Hajj savings to have meaningful effect on Nigeria economic growth, the amount of savings and its growth rate overtime must be seen to be large and increasing. Thus to encourage and shore up savings from participants, the management and governance structure of a Hajj savings scheme to be established should reflect trustworthy individuals that can command trust and confidence. People are historically concerned about management of public funds in Nigeria due to issues of wide spread corruption. It is only when they believe the people managing their funds can be relied on, that they can be encouraged to participate in a Hajj savings scheme.

3. Similarly, in the investment of Hajj savings, priority should be given to investments in the local economy. This has varied advantages, first is that it increases employment within, drive job creation, increase in local output production and consequently economic growth. Such increases in local investments that are *Shari'ah* compliant also have the potential for attracting foreign direct investment, as Nigeria will become a destination for assets that are *Shari'ah* compliant.
4. To reduce investment loss and avoid consistent depleting of Hajj savings, investment decisions should prioritize low risk investment with better returns. In this, a leaf can be borrowed from *Tabung Haji* strategic asset allocation with investments passing through multiple screening phases that include incompetent investment decision panel, a risk management decision committee, and a *Shari'ah* advisory body to avoid *Shari'ah* non-compliant risk.

5.4 Recommendation for Further Studies

A major constraint of the current study is that due to lack of Hajj savings data across different countries globally it relied on the data for Malaysia alone in producing the best coefficient for simulation. Although the study tried to overcome this limitation by making adjustments for differences in savings habit and population, the study recommends that, when data becomes available, future studies should concentrate on estimating and comparing different coefficients for different countries on the effect of Hajj savings on their respective economy.

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APPENDICES

Appendix I: Table Showing Malaysia Data

Year	Hajj Savings (RM Million)	RGDP (RM Million)	PCI (RM)	Employment (Thousand Persons)	FDI (RM Million)	GDS (% GDP)	Population (Million People)
2006	14700	475,526	17,911	10,275.4	121237	44.49725	26.14
2007	17100	506,341	18,713	10,538.1	131024	43.28058	26.63
2008	20600	530,683	19,250	10,659.6	149064	43.78901	27.11
2009	23600	522,001	18,589	10,897.3	158381	38.11028	27.61
2010	27100	821,434	28,733	11,899.5	156660	39.30237	28.11
2011	31700	864,920	29,761	12,351.5	184292	38.76135	28.64
2012	38284	912,261	30,914	12,820.5	202251	36.50669	29.17
2013	45719	955,080	31,611	13,545.4	246343	34.4741	29.71
2014	54358	1,012,449	32,970	13,852.6	269699	34.25237	30.23
2015	62528	1,063,355	34,097	14,067.7	287393	32.78366	30.72
2016	67704	1,108,227	35,003	14,163.7	304423	32.58688	31.19
2017	73,522	1,174,300	NA	NA	318895	32.50026	31.62
					343942		

Notes: RGDP = Real Gross Domestic Product, PCI= Per Capita Income, FDI= Foreign Direct Investment, GDS=Gross Domestic Savings NA= Not Available

Sources: *Tabung Haji* Annual Reports, 2016, 2015, 2010 and 2009; Malaysia Department of Statistics, <https://www.dosm.gov.my> Worldbank (2019)

Appendix II: Table showing Nigeria Data

Year	RGDP(Billion Naira)	Population (Million People)
2006	39,995.50	140.00
2007	42,922.41	143.85
2008	46,012.52	147.81
2009	49,856.10	151.87
2010	54,612.26	156.05
2011	57,511.04	160.34
2012	59,929.89	164.75
2013	63,218.72	169.28
2014	67,152.79	173.94
2015	69,023.93	178.72
2016	67,931.24	183.64
2017	68,490.98	188.69
2018	72189.49	193.88
2019	76087.73	199.21
2020	80196.46	204.68
2021	84527.07	210.31
2022	89091.53	216.10
2023	93902.48	222.04**
2024	98973.21	227.59**
2025	104317.8	233.28**
2026	109950.9	239.11**
2027	115888.3	245.09**
2028	122146.2	251.22**
2029	128742.1	257.50**

Notes: RGDP = Real Gross Domestic Product, **= Figures forecasted based on PwC world in 2050 estimate

Source: IMF DataMapper (2018); CBN Annual Statistical Bulletin (2017).

Appendix III: Regression Results from Estimation of Equation 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.450205	0.516799	14.41605	0.0000
HS	0.586050	0.049702	11.79122	0.0000
R-squared	0.926683	Mean dependent var	13.53473	
Adjusted R-squared	0.920017	S.D. dependent var	0.361219	
S.E. of regression	0.102157	Akaike info criterion	-1.583975	
Sum squared resid	0.114796	Schwarz criterion	-1.497060	
Log likelihood	12.29584	Hannan-Quinn criter.	-1.601840	
F-statistic	139.0328	Durbin-Watson stat	1.426681	
Prob(F-statistic)	0.000000			

Notes: Dependent Variable=RGDP,Included observations=13, variables are significant at the one percent level with $p < 0.01$. No serial correlation based on the Savin and White significance table for the Durban Watson Statistics