

## THE DEVELOPMENT OF THE INSTITUTION HAJJ FINANCE MANAGEMENT AGENCY IN INCREASING BENEFITS FOR PILGRIMS

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### Abstract

This research focuses on the management of Hajj funds in Indonesia after the establishment of the Badan Pengelola Keuangan Haji with a comparison to Tabung Haji Malaysia. BPKH was established to manage Hajj funds in a professional, transparent, and accountable manner in order to improve the quality of Hajj implementation and provide benefits for Muslims. This study analyzes the growth of BPKH assets, constraints and challenges faced in managing Hajj funds. The main issues that arise are the significant growth of Hajj funds, transparency, accountability, and the potential for misuse of funds, especially in the implementation of special Hajj. Good management and compliance with sharia principles are the basis for managing Hajj funds, including the principles of justice, transparency, and accountability. The research method is qualitative with a review of the t-test in investment performance and asset growth. The results show that despite significant asset growth, there is an increase in investment risk due to market fluctuations and public demand for transparency in management. Finally, this study provides policy recommendations to improve the financial management of Hajj in order to provide optimal benefits for pilgrims.

Keyword; *Bpkh, Hajj, Finance, Benefits, Assets*

### A. INTRODUCTION

Every Muslim aspires to perform the Hajj, which is the fifth pillar of Islam. For nations with sizable Muslim populations, like Indonesia, the administration of Hajj funding has emerged as a crucial concern. Both nations have set up specialized organizations to handle Hajj funds: Malaysia's Hajj Finance (TH) and Indonesia's Hajj Financial Management Agency (BPKH).

The fundamental tenet of Hajj money management is the idea of Islamic economics. The rules for handling public funds are based on sharia principles, which include responsibility, transparency, and fairness. When creating Islamic financial services and products that align with Islamic principles, the theories of Tawhid, Ibadah, and Maslahah serve as the foundation. The government plays a crucial role in fostering the growth of the Islamic financial sector, which includes overseeing Hajj money. Government assistance can take the kind of public education, financial incentives, and supportive laws. Hajj has a deep spiritual and social meaning for Muslims. Apart from being a mahdhah worship, Hajj is also a means to strengthen ukhuwah islamiyah and strengthen the identity of Muslims. Hajj fund management is faced with various challenges, such as: Rapid growth of Hajj funds, Fluctuations in currency exchange rates, Investment risk, Transparency and accountability.

Hajj financial management in Indonesia has undergone a significant transformation in recent years, marked by the establishment of the Badan Pengelola Keuangan Hajj based on Law Number 34 of 2014. BPKH is mandated to manage Hajj funds in a professional, transparent, and accountable manner in order to improve the quality of Hajj implementation and provide benefits for all Muslims. The growth of BPKH indicates an increase in the amount of Hajj fund deposits from the public. However, behind this significant asset growth, there are a number of challenges and issues that need to be considered. Hajj financial management in Indonesia has undergone a significant transformation after the establishment of the Hajj Financial Management Agency (BPKH). BPKH's recorded asset data grew rapidly from Rp93,910,919,512,672 at the beginning of 2017 to Rp183,005,814,731,068 at the beginning of 2024.

The integration of the financial and organizational functions of Hajj in LTH also poses its own challenges. Potential conflicts of interest between commercial and religious purposes may arise, especially in terms of investment of Hajj funds. On the other hand, this integration can also provide efficiency in the management of Hajj funds. Previous research on Hajj fund management has contributed significantly to understanding the complexity of this issue. Several studies, such as those conducted by Haura (2010), Muzahidin (2014), Sentani (2017), Aziz (2017), Mohd Shuhaimi (2011), and Sulasi Rongiyati (2017), have

examined various aspects of Hajj fund management, ranging from the purpose of using Hajj funds, investment performance, to regulations governing its management. Haura (2010) found that Hajj funds in Indonesia are often used to finance budget

deficits, indicating the potential for more optimal utilization. Muzahidin (2014) emphasized the importance of establishing the Badan Pengelola Keuangan Hajias a step forward in the management of Hajj funds in Indonesia.

Sentani's (2017) research shows the significant influence of various factors, such as third-party funds and inflation, on the financial performance of Islamic banks that manage Hajj funds. Aziz (2017) highlighted the huge economic potential of Hajj funds and emphasized the importance of good management to improve the welfare of the ummah. Mohd Shuhaimi (2011) examined the success of Hajj Finance (TH). Sulasi Rongiyati (2017) specifically discusses the investment of Hajj funds in infrastructure. This study highlights the importance of clear and comprehensive regulations to support the investment of Hajj funds in the infrastructure sector. Overall, these studies show that the management of Hajj funds is a complex and multidimensional issue. Purposes of using Hajj funds: Hajj funds can be used for various purposes, ranging from financing the organization of the Hajj pilgrimage to investment to improve the welfare of the ummah. Investment performance: The investment performance of Hajj funds is influenced by various factors, such as investment policy, market conditions, and the ability of fund managers.

## B. LITERATURE REVIEW

The establishment of the Badan Pengelola Keuangan Hajj through Law No. 34/2014 marks a new chapter in hajj financial management in Indonesia. This institution is mandated to manage Hajj funds in a professional, transparent, and accountable manner, and to increase the value of benefits for Hajj pilgrims. This study aims to conduct a comprehensive literature review on the development of BPKH in the period 2017-2024, focusing on strategic issues including increasing the value of Hajj fund benefits, corporate governance, and challenges faced. Development of BPKH 2017-2024 Since its establishment, BPKH has shown positive performance in managing Hajj funds. Several studies show a significant increase in the value of Hajj fund benefits generated by BPKH. This is inseparable from BPKH's efforts in diversifying the investment portfolio, as well as the application of prudential principles in risk management. However, BPKH still faces a number of challenges, including fluctuations in asset values due to global financial market conditions. In addition, BPKH is also faced with the demand to continuously improve investment performance in order to provide greater benefits for pilgrims.

Strategic Issues in Hajj Financial Management: Increasing the Beneficial Value of Hajj Funds Previous studies have shown that BPKH has succeeded in increasing the beneficial value of Hajj funds through various Islamic investment instruments, Corporate Governance Good corporate governance is the key to success in managing Hajj finances, Challenges and Opportunities BPKH is faced with a number of challenges, such as fluctuations in asset values, changes in regulations, and higher public demands. However, these challenges can also be an opportunity for BPKH to innovate and develop in the management of Hajj finance. Hajj Finance is a popular Islamic financial instrument in Indonesia, especially for Muslims who wish to perform the Hajj pilgrimage. Since the last few years, the development of Hajj Finance has experienced interesting dynamics along with various policies and changes in the economic environment. This study aims to conduct a comprehensive literature review on the development of Hajj Finance from 2017 to 2024, focusing on factors affecting growth, challenges faced, and relevant policy implications.

Development of Hajj Finance 2017-2024 Since 2017, Hajj Finance has experienced significant growth. This was driven by several factors, including: Increased public awareness, ease of access, attractive investment performance. However, the growth of Hajj Finance is also faced with several challenges, such as: Exchange rate fluctuations, Competition with other financial products, Regulatory changes. Some factors that affect the growth of Hajj Finance include: Government policy, significant influence on the growth of Hajj Finance, Macroeconomic conditions, Promotion and socialization. Based on the literature review that has been done, some policy implications that can be taken to increase the growth of Hajj Finance include: Service improvement, Product diversification, Strengthening financial education, Collaboration with other financial institutions. Differences and Comparisons of BPKH, Indonesian Hajj Finance Focus: Specialized in managing Hajj finance, Separation of Duties: Financial management duties, Main Objective: Increase the value of Hajj fund benefits. Indonesian Hajj Finance consists of: Concept, Function, Integration

## C. METHOD

This research methodology is quantitative with an empirical approach. Secondary data in the form of monthly financial reports from both institutions were collected and analyzed statistically. The time series

data used has heteroscedasticity and autocorrelation characteristics, so an appropriate analysis method needs to be chosen. The analysis stage begins with the calculation of index returns and asset growth. Then, a normality test was conducted using the Kolmogorov-Smirnov test. If the data is normally distributed, the Independent t-test is used, while if it is not normal, the Mann-Whitney U test is used. To understand the dynamics of portfolio performance in the long term, this research also uses a dynamic system approach. The dynamic system model is built to describe the interaction between variables that affect investment performance, such as interest rates, inflation, and government policies. This study has several limitations. The relatively short research period and focus on two main performance variables may limit the generalizability of the results. In addition, the influence of external factors such as unexpected global events, such as the Covid-19 pandemic, needs to be further considered in future research.

#### 1. Conceptual Framework

This study uses a conceptual framework that refers to portfolio theory, agency theory, and Islamic financial principles. Portfolio theory is used to analyze investment performance, agency theory is used to analyze the relationship between fund managers and fund owners, and sharia financial principles are used to analyze the compliance of Hajj fund management with sharia principles.

#### 2. Type of Research

This research is a quantitative study with a comparative approach. The comparative approach is used to compare two or more cases (in this case, BPKH and TH) with the aim of identifying similarities and differences.

#### 3. Data Source

The data used in this study are secondary data obtained from BPKH and TH financial reports, scientific publications, and related research reports. The data collected includes financial data, investment data, and operational data of both institutions.

#### 4. Research Variables

The research variables used include:

- a. Dependent variable: Financial performance (return, risk, liquidity)
- b. Independent variables: Investment strategy, organizational structure, regulation, and macroeconomic factors.

#### 5. Data Analysis Method

Data analysis was conducted in several stages:

- a. Descriptive analysis: Calculating descriptive statistics to describe data characteristics, such as mean, standard deviation, and frequency distribution.
- b. Comparative analysis: Comparing the financial performance of BPKH and TH using statistical tests such as t-test, ANOVA test, or non-parametric tests if the data is not normally distributed.
- c. Regression analysis: Analyzing the effect of the independent variable on the dependent variable 6. using regression analysis.

#### 6. Analysis Technique

The analysis techniques used include:

- a. Financial ratios: Calculating financial ratios such as return on assets (ROA), return on equity (ROE), and debt to equity ratio.
- b. Analysis of variance (ANOVA): Compares the average performance of multiple groups.
- c. Multiple linear regression: Analyzes the relationship between the dependent variable and multiple independent variables simultaneously.

#### 7. Analysis Model

The analysis employed a panel data model, suitable for the dataset, which combines cross-sectional and time-series dimensions. This approach enables the control of both individual (country-specific) and time-specific effects.

### D. ANALYSIS

With the growth of assets of the Badan Pengelola Keuangan Haji which is expected to increase every year, in accordance with the increasing number of Indonesians who will perform the Hajj pilgrimage, it is hoped that the Badan Pengelola Keuangan Haji can place productive investments. Such as the utilization of Hajj funds for investment in infrastructure development has a greater profit value than investment through deposits, state securities and sukuk, but still must pay attention to the value of risk and good investment management, transparent, accountable, and oriented to the benefit of pilgrims as owners of Hajj funds.

Optimization funds are margin or profit funds. From the placement of Hajj deposit funds for pilgrims on the waiting list, which has now reached 103 trillion. It is expected that the optimization fund

will be even more. Considering that previously, what the Ministry of Religious Affairs did in ways that appeared to be only placement in several banks and was able to obtain 6 trillion optimization funds. Then the funds are used to cover almost half of the BPIH funds. BPKH must be more professionally pro itable and still shar "i can get more than that.

Table 2 Annualized Return and Standard Deviation  
Hajj Financial Management Agency (BPKH)

NO	Year	BPKH	
		Return	Standard Deviation
1	20	2.80%	2.97%
2	20	-	1.00%
3	20	-	1.96%
4	20	-	0.00%
5	20	-	0.00%

Source: data processed (2023)

Based on table, the t-count is -3.314231 with a significance level of 0.0180. Because the significance level is smaller than 0.05. then matter This to signify that Ha's acceptance or H0 is rejected so that can concluded variable INFLATION in general partially has a significant and negative effect on BPKH investment funds as proxied by BPKH ASSETS.

Research result This support results study Desnim Silvia Engla, Yunia Wardi, Hasdi Aimon (2013) who stated inflation influence investment in a way significant road negative in Indonesia. The existence of significant influence between inflation and investment which indicates that investment influenced by inflation. If inflation, experiencing improvement so investment in Indonesia will experience decline. This is because of inflation increase indicate existence instability price. Instability ( *return on investment* ), because ethnic group flower is costs that must be issued in invest. While on the other hand, if inflation experience decline indicates that prices can controlled with Good on creation stability price. Condition This will impact to decline ethnic group flower so that will increase return investment, therefore That decline inflation can increase inflation.

#### 1. The Impact of GOLD PRICES on BPKH ASSETS

Based on table 4.11 obtained t- count of 1,507,953 with level significant 0.0051. Because the level significant more small from 0.05 then matter This to signify that Ha's acceptance or H0 is rejected so that can concluded GOLD PRICE variable in partial influential in a way significant and positive against BPKH investment funds proxied by BPKH ASSETS.

Study previous supporting is research conducted by states that increasing price world gold with fluctuating with mark positive theta can become reference increasing investment in the community. This shows that risk gold Keep going stable so that decision For invest good on gold or institution finance others also increased. Moreover investment gold own percentage greater risk low If compared to with investment in other instruments. This can prevent losses experienced by investors.

In addition, things This in harmony with Duties of the Management Board Hajj finances that are received mandate management Hajj finances must be with sharia principles, prudence, benefits, non-profit, transparent and accountable. BPKH as a legal entity public nature independent and responsible answer to President through the Minister. According to Aziz (2018) accountability answer in management hajj finance for carry out principles Islamic finance is needed system management finance Hajj pilgrims.

Source the law that governs system management the hajj finances contained in the Qur'an, Hadith and rules jurisprudence .

## E. CONCLUSION

The returns of Tabung Haji and the Badan Pengelola Keuangan Hajidiffer significantly, according to hypothesis testing using the Mann Whitney U-Test. The likelihood value  $<0.05$  indicates that. But generally speaking, Tabung Haji has a lower return than the Hajj Financial Management Agency (BPKH). described by the Badan Pengelola Keuangan Hajiindex's return value of  $-0.04\%$ . However, the return on the 2023 Hajj Finance index is  $-0.63\%$ . The opposite is true for the standard deviation value. When compared to the standard deviation of the Badan Pengelola Keuangan Hajiindex, the standard deviation of Hajj Finance 2023 is larger. The Hajj Financial Management Agency's (BPKH) standard deviation is  $1.60\%$ . Hajj Finance 2023's standard deviation is  $1.85\%$ . Additionally, the growth of outstanding assets in 2023 is greater than the  $-1.13\%$  growth of the Hajj Financial Management Agency's (BPKH) outstanding assets. However, the Hajj Financial Management Agency's (BPKH) rise in outstanding assets was  $-1.45\%$ . The index returns of Hajj Finance and the Badan Pengelola Keuangan Hajidiffer significantly, according to the results of the Independent T-Test hypothesis test. The probability value  $<0.05$  indicates this.

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