Governance of the Hajj Financial Management Agency (BPKH) Based on Sharia Governance Principles

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This study aims to analyze the implementation of governance of the Hajj Financial Management Agency (BPKH) according to the Sharia Governance Guidelines from KNKG, including understanding sharia principles in managing hajj funds, identifying obstacles in its implementation, and how to overcome these obstacles. The study uses a qualitative descriptive method that evaluates BPKH governance based on the principles of sharia governance within the Indonesian legal framework. The research approach includes socio-economic analysis with primary data from related Laws and Government Regulations, as well as secondary data from sources such as BPKH annual reports, journals, Islamic books, and credible articles. Researchers found that overall, the implementation of BPKH governance based on sharia entity governance in Indonesia has been very good, with an implementation rate of 89%. Although principles 1 and 2 still need improvement to achieve perfection, BPKH has shown strong commitment and significant achievements in various aspects of governance.

Keywords: Governance; BPKH; Sharia Principles; Hajj Fund

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INTRODUCTION

The management of Hajj funds in Indonesia has come under serious scrutiny due to a number of corruption cases involving high-ranking officials, including former Minister of Religious Affairs, Suryadharma Ali, who allegedly misused the initial Hajj deposit funds amounting to Rp1 trillion in 2010-2013 (Ermawati, 2015). This case, along with other hajj vote-buying and corruption scandals in 2019, exposed weaknesses in the hajj management system, particularly in the three critical areas of accommodation, consumption, and supervision, leading to state losses of up to Rp160 billion (Saptohutomo, 2023).

The Supreme Audit Agency (BPK) also highlighted the lack of integration and synchronization in financial reporting between the Ministry of Religious Affairs and the Hajj Financial Management Agency (BPKH), which needs to be improved so that the governance of Hajj funds can run more optimally (Wartapemeriksa, 2023). In addition, the proposed increase in the Hajj Pilgrimage Fee (BPIH) by the Ministry of Religious Affairs in 2023 and 2024 has caused polemics, with criticism that the greater cost burden for pilgrims is not in line with the principles of good governance. In the face of these challenges, the management of Hajj funds, which now stands at IDR166.7 trillion in 2023, must be carried out with the principles of transparency, accountability, and compliance with sharia, in accordance with the mandate of Law No. 34 of 2014, in order to provide maximum benefits for Muslims (Muchlis Fadjarudin, 2023).

This research reviews previous studies on the governance of Hajj funds in Indonesia, with a focus on transparency, accountability, and sharia principles. For example, Vidya & Rafidah (2023) highlighted the importance of presenting more informative and accountable financial statements, while Nuridah et al. (2023), evaluated the regulations governing accountability in the management of Hajj funds. Maulid & Amirsyah (2021) discuss the suitability of Hajj fund management with DSN fatwa Number 122, and other studies such as by Fatma et al. (2019), Rusydiana et al., (2021), Alfiyanti et al. (2019), and Abdul Subhan et al. (2023), also emphasize aspects of governance and service quality in the context of Hajj and Umrah fund management.

From these various studies, it appears that there are gaps in the implementation of sustainability-oriented governance and sharia governance principles. Therefore, to fill this gap by examining the implementation of BPKH governance based on the Indonesian Sharia Entity General Guidelines (PUG-ESI). This research focuses not only on the management of Hajj funds, but also on the implementation of sustainable sharia governance principles, providing a more holistic contribution to improving the governance of Hajj funds in Indonesia.

This study aims to analyze and elaborate the implementation of BPKH governance based on the General Guidelines for the Governance of Indonesian Sharia Entities (PUG-ESI) issued by the KNKG. This research also aims to identify any obstacles in the implementation of sharia governance and find solutions to overcome them.

LITERATURE REVIEW

Good Management Theory

According to research conducted by A. Waddock & B. Graves (1997), shows that companies with a strong commitment to social responsibility and good governance tend to have superior financial performance. Good Management Theory explains that effective management in managing stakeholders can improve the company's financial performance. Disclosure of sustainability reports that include social, economic, and environmental aspects is also important in ensuring sustainable management, as explained by Falikhatun et al. (2020).

In addition, Saragih (2024) highlights the various benefits of applying good management principles, such as improved performance, productivity, quality, employee morale, and organizational competitiveness. By implementing good management practices, an organization can improve not only its operational efficiency but also its competitiveness in the market. This emphasizes the importance of good management in achieving long-term success and sustainability of the organization.

Governance theory refers to the study and analysis of the structures, processes, and practices involved in decision-making, policy formulation, and the management of public, private, or hybrid organizations. It explores how power is exercised and how authority and responsibility are distributed among various actors within a society or organization (Napitupulu et al., 2024). The theory spans multiple disciplines, including political science, economics, sociology, and management, and has evolved to address issues of accountability, transparency, and participation in decision-making. For example, several studies related to governance in Islamic institutions can be seen in Maysyaroh et al., (2024), Muadzah (2022), and also Devi & Hamid (2024).

BPKH Governance

Research Rahayu et al. (2023), revealed that the management of Hajj funds by the Directorate General of Hajj and Umrah Organizers (PHU) of the Ministry of Religion previously involved investment in financial instruments such as SBSN, SUN, and deposits. However, with the establishment of the Hajj Financial Management Agency (BPKH), the management of Hajj funds has been improved, with BPKH taking over the responsibility of investment management of Hajj funds, while PHU focuses on the implementation of Hajj travel. BPKH, previously known as the Endowment Fund Management Agency (BP DAU), is set up as a non-structural institution with the responsibility of planning, organizing, and managing Hajj funds for the benefit of Muslims (Asparina, 202 .1)

BPKH governance, according to Faridho (2022) and Bafadhal et al. (2023), includes procedures, practices, policies, and organizational structures that ensure the management of Hajj funds is carried out efficiently, transparently, and in accordance with sharia principles. BPKH emphasizes the application of Good Governance principles in every aspect of its management, including investment management and financial supervision. Sharia governance promoted by BPKH is different from conventional governance, which emphasizes Islamic moral and ethical values compared to legal compliance and general business practices (Madjid, 2019). Pranata & Laela (2020) add that these philosophical differences need to be understood in the context of an Islamic worldview that is often at odds with Western rationalistic approaches to governance and social-scientific issues.

Principles of Governance According to KNKG or PUG-ESI

The governance principles applied in sharia entities in Indonesia are based on the General Guidelines for the Governance of Indonesian Sharia Entities (PUG-ESI) issued by the National Committee on Governance Policy (KNKG) in 2021. This guideline aims to assist sharia entities in implementing good governance, similar to the principles in the Indonesian General Corporate Governance Guidelines (PUG-KI) and the Indonesian General Non-Profit Organization Governance Guidelines (PUG-ONI). PUG-ESI includes one general principle and eight specific principles grouped into three categories: principles governing the organization's governing organs, the processes and outputs produced by those organs, and principles governing the beneficiaries of the organization's governance.

The eight principles cover the roles and responsibilities of supervisory and management organs, transparent composition and remuneration, and close cooperation between supervisors and management. In addition, these principles also emphasize the importance of ethical behavior, integrated risk management, internal control and compliance, and transparency in information disclosure. These principles aim to ensure the fulfillment of the rights of members or beneficiaries, as well as the protection of the rights of stakeholders through the integration of sustainability aspects in the organization's activities. Thus, the application of these principles is expected to increase public trust and the long-term success of Islamic entities in Indonesia (KNKG, 2021).

RESEARCH METHOD

This research was conducted at the Hajj Financial Management Agency (BPKH) during the period June to July 2024 using a qualitative descriptive approach. This research aims to evaluate the implementation of BPKH governance based on sharia governance principles within the formal juridical framework in Indonesia, as well as its application in the economic and business context (Purwanto, 2021). The data used in this study are sourced from secondary data obtained through various written sources, including BPKH annual reports, laws and regulations, scientific journals, Islamic books, and articles that have credibility (Madjid, 2019).

The data collection method used is the library research method, with a focus on content analysis that refers to the General Guidelines for Governance of Indonesian Sharia Entities (PUG-ESI). The data analysis technique applied is a descriptive qualitative method that relies on data in the form of words and information from various scientific sources Bafadhal et al. (2023). This research aims to understand the extent to which BPKH has implemented effective and sharia-compliant governance principles, with the hope of increasing public trust, minimizing risks, and contributing to the development of the Islamic financial sector in Indonesia. More detailed stages of the research process can be seen in the figure 1.

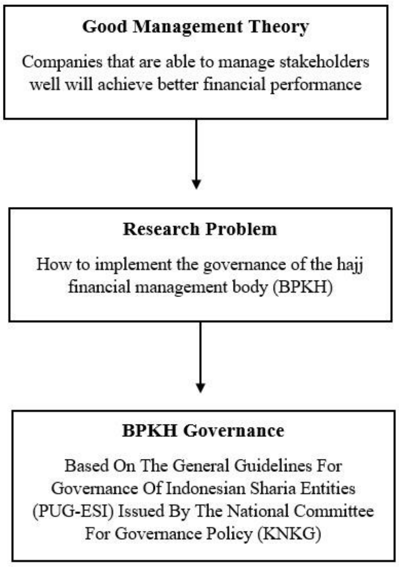

Figure 1. Framework

RESULTS AND DISCUSSION

Governance Mechanism of the Hajj Financial Management Agency (BPKH)

BPKH is a government agency established to manage the funds collected from prospective pilgrims for the Hajj pilgrimage, ensuring they are used effectively, transparently, and in accordance with Islamic principles. BPKH operates under the supervision of Indonesia's Ministry of Religious Affairs and is overseen by a board of commissioners and executives with expertise in finance, Hajj operations, and Sharia compliance.

The Hajj Financial Management Agency (BPKH) implements a complex governance mechanism to ensure that the management of Hajj funds is conducted transparently, accountably, and in accordance with sharia principles. BPKH's organizational structure consists of a Supervisory Board tasked with overseeing the Governing Body, which is responsible for day-to-day operations. Supervision is conducted through the Internal Supervision Department as well as external supervision by the Financial Supervisory Agency (BPK) and independent auditors. Decision-making is conducted collegially in Board of Directors and Executive Committee meetings, ensuring that each decision is based on careful consideration and in accordance with applicable regulations.

BPKH also prepares periodic financial and performance reports that are submitted to the Board of Trustees, government, and the public, to ensure transparency and accountability. In addition, BPKH implements a risk management system to identify and manage risks that may threaten the sustainability of the organization. Shariah governance principles applied by BPKH include transparency, accountability, fairness, trustworthiness, and maslahat, with the aim of ensuring the management of Hajj funds in accordance with Islamic values. Nonetheless, an in-depth analysis of the implementation of these principles is required to ensure full compliance with Indonesia's General Guidelines for the Governance of Sharia Entities.

Analysis of the Implementation of Hajj Financial Management Agency Governance Based on Sharia Governance Principles

Effective implementation of governance in the Hajj Financial Management Agency (BPKH) is essential to ensure transparency, accountability, and fairness in the management of Hajj funds in accordance with sharia governance principles. This implementation evaluation includes the conformity between the Indonesian General Guidelines for Sharia Entity Governance (PUG-ESI) with the BPKH governance report in 2021 and the BPKH benefit governance report in 2022-2023:

Table 1. Content Analysis Results

PUG-ESI PRINCIPLE	COMPONENTS	GUIDE	GUIDELINES		PERCENTAGE	
			There is	None	There is	None
1	8	77	65	12	84%	16%
2	7	30	24	6	80%	20%
3	5	20	17	3	85%	15%
4	3	25	24	1	96%	4%
5	3	20	20	0	100%	0%
6	3	10	10	0	100%	0%
7	1	1	1	0	100%	0%
8	2	15	15	0	100%	0%
Total	**32**	**198**	**176**	**22**	**89%**	**11%**

Source: Data processed by researchers (2024)

The following table shows the level of implementation of the principles of the Indonesian General Guidelines for Sharia Entity Governance (PUG-ESI), indicating the extent to which each of the principles of sharia governance has been applied in the governance of the Hajj Financial Management Agency (BPKH). The number of guidelines identified is 198, with 176 that have been used and 22 that have not. The percentage of components that have been used is 89% and 11% are still not implemented. This indicates that most of the sharia governance guidelines have been well implemented in the financial management of Hajj. The following is a more detailed explanation of the above analysis:

a. Analysis of Principle Implementation

The data shows that BPKH has successfully implemented the principles of sharia governance well, especially in the Principles of Roles and Responsibilities of Governance Organs and Principles of Ethical and Responsible Behavior, which have implementation rates of 84% and 96% respectively. However, there are still some aspects that require improvement, such as the composition and compensation of supervisors, supervisors, sharia supervisors, and management (Principle 2) with an implementation rate of 80%, as well as the working relationship between supervisors, sharia supervisors, and management (Principle 3) which reached 85%. This lack of disclosure of information related to roles and responsibilities and working relationships may negatively impact the overall transparency and accountability of governance.

b. Implications for Achieving Principles 5 to 8

Principles 5 to 8 in BPKH's governance have been fully implemented with a 100% implementation rate, demonstrating the institution's strong commitment to the principles of sharia governance. BPKH has established effective risk management, internal control, and compliance systems, and ensures transparency through accurate and timely disclosure of information to all stakeholders. In addition, BPKH has fully protected the rights of members and beneficiaries, and built strong and mutually beneficial relationships with all its stakeholders. These achievements reflect BPKH's dedication in managing Hajj funds with integrity and transparency, while considering the interests of all parties involved.

BPKH's implementation of governance based on Islamic governance principles has shown significant progress, especially in the integrity, transparency, and accountability of Hajj fund management. However, a detailed assessment revealed gaps in the implementation of the principles of fairness and ethics. Constraints such as regulatory complexity and limited capacity of managers are the main challenges. This is in line with the findings of Vidya & Rafidah (2023), which highlighted the importance of improving transparency and accountability, as well as the need for stricter regulations to ensure accountability, as affirmed by Nuridah et al. (2023). Therefore, continuous efforts are still needed to strengthen management capacity, improve supervision, and ensure a more thorough application of sharia principles.

From the perspective of Good Management Theory, BPKH's efforts to improve governance are in line with the goal of achieving better financial performance, as stated by Falikhatun et al. (2020). Although the total percentage of governance implementation reached 89%, some principles, especially the principles of fairness and ethics, still need to be improved. BPKH's success in risk management, transparency, and respect for stakeholders shows that the institution has built a solid foundation for good governance. Going forward, BPKH needs to continue to improve its supervisory system, strengthen the capacity of its management team, and ensure the integration of sharia principles in every decision-making process, in order to maintain public trust and contribute to the broader development of the sharia economy.

CONCLUSION

Based on the analysis conducted, it can be concluded that the Hajj Financial Management Agency (BPKH) has shown a strong commitment in applying the principles of sharia governance, especially in the aspects of risk management, transparency, members' rights, and recognition of stakeholders' interests. Nevertheless, there are still some aspects that need to be improved, especially in terms of working relationships between organs as well as the composition and compensation of the management. To strengthen the quality of governance, BPKH needs to focus on improving transparency and supervisory mechanisms, as well as conducting regular evaluations so that the principles of sharia governance can be applied optimally in accordance with environmental changes.

To support these improvements, it is recommended that BPKH be more proactive in providing information to the public, especially prospective pilgrims, regarding the management and distribution of Hajj funds. This step can increase public understanding and trust in BPKH, and reduce misunderstandings or negative opinions related to the management of Hajj funds. In addition, the public and prospective pilgrims are also expected to actively support and supervise BPKH, so that the management of Hajj funds can provide optimal benefits, improve the quality of Hajj services, and contribute to the growth of the Islamic economy in Indonesia.

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