

IMPLEMENTATION OF THE PRINCIPLES OF FINANCIAL GOVERNANCE IN SERVICE COMPANIES

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Abstract

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The principles of financial governance that can be used to guide the design of service organizations are accountability, efficiency, transparency, legitimacy, and inclusiveness (Lockwood, Davidson, Curtis, Stratford, & Griffith, 2010). Financial governance mechanisms are also important for institutions for business continuity (Gennaro & Nietlispach, 2021). This study aims to analyze the principles of financial governance of companies traveling for Hajj and Umrah services. The research uses a qualitative approach with a phenomenological method that describes and gives meaning to the data. Data were obtained through interviews with the president's director, director of operations, and finance department. Based on the results of data analysis, it shows that the five principles of financial management that become one unit can be implemented in the form of 1) binding and saving independently, guaranteeing the commitment of both parties; 2) determining packages and costs to facilitate Hajj pilgrims with various requests for facilities; 3) pay for departure, meaning that the company only receives payment after confirmation and schedule of departure; 4) bookkeeping is carried out on every financial transaction that has an impact on account changes; and 5) *Infraq* and empowerment as a form of redistribution of income and community welfare. The implementation of the five principles of financial governance from this study can be adopted for Hajj and Umrah travel agencies, especially in Muslim-majority countries.

Keywords: Financial Governance, Qualitative Approach, Organizing Services, Implementation

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1. INTRODUCTION

Since 2004, a waiting list has been applied for prospective pilgrims, meaning that prospective pilgrims cannot immediately perform the pilgrimage in the year of registration even though they have paid the Hajj Riding Fee (*Ongkos Naik Haji, ONH*).

Every year prospective pilgrims on the waiting list continue to grow, thereby extending the waiting

period for prospective pilgrims who will perform the pilgrimage. In 2019, the waiting list penetrated 25 years. This condition makes prospective pilgrims aged 50 years and over. Even if they are forced to leave at more than 70 years, it is challenging, physically unable to carry out a series of pretty tiring activities. The long waiting list encourages people to shift their intention from Hajj to Umrah, limiting age and opportunity. Anytime people can

perform Umrah as long as they have financial, physical, and mental capabilities. The increase in interest occurs in line with the increasing public awareness of worship, increasing income, and ease of access with the growing number of travel agencies serving Umrah trips. So this opportunity is not only eyed by the government but also Hajj and Umrah travel agencies, who then compete to attract the congregation's attention and offer coaching, service, and protection with the advantages of different facilities (Dewi, 2017).

Taking into account the interest in Umrah as an alternative to worship in Mecca Al-Mukarramah and Medina Al-Munawwaro, on April 23, 2018, the Indonesia's Ministry of Religious Affairs through the Decree No. 221 of 2018 decided concerning the cost of organizing Umrah Services (Biaya Perjalanan Ibadah Umroh, BPIU). This decision is critical as a basis for supervising and controlling all travel agencies or Umrah travel agencies that organize Umrah pilgrimages. The minimum Umrah package of IDR20 million is determined through a calculation process based on the minimum service standards that the Umrah organizer from the homeland must provide while in Saudi Arabia until returning to the motherland. This reference is for the Bureau of Umrah organizers to determine package prices according to minimum service standards to describe comfort and perfection in worship.

Umrah is a journey that has a religious value and is a necessity for Muslims worldwide to perfect their faith and Islam. According to data released by the Ministry of Religious Affairs in 2020, the number of Indonesian Umrah pilgrims in the period 2014-2015 amounted to 649,000, increased in 2015-2016 to as much as 677,509, rose again in 2016-2017 which was 876,246, then jumped significantly in 2017-2018 reaching 1,005,336 and decreased slightly in 2018-2019 to 974,650 (Subandi & Machmudi, 2021). The Central Statistics Agency for East Java Province on October 19, 2019, noted that in 2018, 35,236 pilgrims had departed throughout East Java, while for Jember Regency there were 1,978 pilgrims. Travel bureaus registered at the Ministry of Religious Affairs in 2018 were 1,483. Still, as of April 11, 2018, 26 Umrah travels or PPIUs (Penyelenggara Perjalanan Umrah) were sanctioned due to various problems and detrimental to prospective pilgrims. Many factors caused the failure of the PPIU; one of the dominant factors that caused the company to fail was financial management. In 2018, four (4) Umrah travelers were unable to send Umrah pilgrims, one of which was First Travel that was unable to dispatch 63,310 pilgrims.

The increasing interest in Umrah has become a business opportunity for Umrah travel agencies, including PT Assalam Berkah Divine Travel, in the future referred to as ABI Travel, which was established in 2013 based in Jember. During its 8-year journey, ABI Travel has been known in several areas in East Java and has dispatched more than 3,000 pilgrims. During the last 5 years, the congregation has delivered as follows: in 2015 — 482 pilgrims, 2016 — 588 pilgrims, 2017 — 683 pilgrims, 2018 — 759 pilgrims, and in 2019 — 791 pilgrims. In 2020, entering the COVID-19 pandemic period only dispatched 82 pilgrims in January 2019, and in 2021, 877 pilgrims are ready to

be delivered. This success is supported by an independent savings program facilitated by ABI Travel in the form of a Kaaba (Miniature Kaaba) savings place and supported by a marketing strategy through community leaders and Islamic boarding schools in East Java. In addition, ABI Travel management intensively communicates with coordinators in each region as well as prospective pilgrims. As a service agency, ABI Travel specifically only serving Hajj and Umrah trips based in Indonesia has carried out several marketing strategies to increase the number of pilgrims who use its services. Problems will arise if the institution fails to dispatch the congregation and the financing program is managed not according to good governance principles.

In recent years, there have been many problems related to Hajj and Umrah travel agencies that had made people feel afraid and disadvantaged both morally and materially. So that it encourages people to be wise in choosing the right travel agency so that the worship to be carried out can be conducted properly and smoothly. The news about the problems that occur in Hajj and Umrah travel certainly attracts the public's interest to know how to manage the travel agency they will choose. The principle of good corporate governance and regulated by the government is an important concern for Hajj and Umrah travel managers and implements them in business activities. Because the basis of a company lies in how the company is managed.

Finances are managed by considering reliable financial governance supported by accounting records consistent with sound financial statements (Endri, Sumarno, & Saragi, 2020b). The financial statements represent performance achievements, as mentioned by Permatasari (2020). The company's performance itself can be measured based on value base management and accounting profit. Financial reports that are less precise, do not describe the undertaking, and cannot be used as a basis for decision-making (Razak et al., 2020). The quality of the information in bad financial statements will make it difficult for users to make decisions. Therefore, it is realized that economic governance has an essential role in the company's performance, implementing good corporate governance on the financial performance (Mahrani & Soewarno, 2018).

Financial governance is applied with the principle of prudence in receiving funds entrusted by the congregation, focusing on utilizing funds only to effectively and efficiently implement Umrah. The company needs to manage its equity well to generate optimal net profit (Karlina & Lako, 2020). Efficient financial management can result in the high growth of the company's business (Zada, Yukun, & Zada, 2019). Economic governance is an essential part of gaining trust, Sharia governance is part of the practice of Islamic finance, which helps achieve and maintain trust (Meutia & Adam, 2021). This step is taken to avoid deviations or misuse of funds that have the potential to deviate from the mandate as stated in *Quran* (Surat, Al-Baqarah, 2:283) so let the person who is trusted fulfill his order (debt) and let him fear Allah his Lord.

The development of ABI Travel, which is marked by the increase in the number of Umrah pilgrims who depart every year and survive

the COVID-19 pandemic, has become the subject of financial management studies. Attention to government policies implemented by ABI Travel that adheres to the principle of prudence in managing congregated funds will have an impact on utilization according to its designation and maintain healthy cash flow. In several cases, there was a mismanagement of pilgrims' funds by the Hajj and Umrah travel business managers who did not apply the principles of financial governance. The principles of financial governance are needed so that fund management funds can ensure that pilgrims are dispatched according to a predetermined schedule and the availability of institutional cash flows to support operational activities. Another issue that has been highlighted is the lack of control and supervision over the management of congregational funds so that accountability is not transparent. This study aims to reveal the practices carried out by the ABI Travel agency against the principles of good financial governance.

Previous research that specifically analyzes the principles of financial governance with a qualitative approach in Hajj and Umrah travel companies is still relatively limited. Most of the research conducted is related to the application of the principles of good corporate governance and generally uses a quantitative approach. Kamaruddin and Ramli (2018) identified the impact of a significant relationship between internal control practices and the principles of financial accountability governance by Islamic non-profit organizations (NPOs) in Malaysia in three respects: 1) "what for" accountability — internal control as part of the financial accountability process; 2) accountability "about the how" — internal control implements financial accountability through financial disclosure; 3) accountability "to whom" — internal controls support Islamic NPOs to gain power and trust from stakeholders. Implementation of financial governance with transparency and accountability to those involved in implementing organizational policies through mechanisms aimed at reducing agency conflicts (Wahyudin & Solikhah, 2017). Therefore, the research question analyzed is:

RQ: How to implement the five principles of financial governance, which consist of: 1) independent bonding and saving, 2) setting packages and fees, 3) pay-go, 4) accounting records and 5) Infaq and empowerment.

The remainder of this paper is structured as follows. Section 2 is a literature review that reveals the concepts and principles of governance. Section 3 is devoted to research methods. Section 4 is a study on financial governance focused on independent and savings associations, determination of packages and fees, pay-go, accounting records, and *Infaq* and empowerment. Section 5 briefly discusses the results of the study, and Section 6 contains conclusions of the research results and implications.

2. LITERATURE REVIEW

2.1. Governance concept

Hajj and Umrah travel service companies are required to be responsible for the performance of the implementation of worship to the people. Relying on the theory of agency and stewardship, it

is necessary to carry out the principles of good corporate governance (Rouault & Albertini, 2022). Stewardship theory views that humans are trustworthy, able to act responsibly and have integrity, and are honest to other parties. Such a philosophy views that management can be trusted to act in the best possible way for the interests of the public and stakeholders, while agency theory views management as an agent for shareholders with an awareness of acting in their interests. In subsequent developments, agency theory received a wider response because it is more in line with reality in practice.

Agency theory explains that agency relationships trigger conflicts of interest because, basically, human behavior tends to be self-interested, which causes managers to manipulate reported company performance for their interests. Managers do this in their own best interests and ignore owners or investors. On the other hand, investors certainly expect high returns from a number of their investments (Panda & Leepsa, 2017). Nazir and Afza (2018) explain that consistently applied corporate governance can reduce the opportunistic behavior of managers who engineer company performance that is reported to owners and has an impact on firm value. Corporate governance, which includes business ethics, has an important role in reducing conflicts of interest between agents and principals.

Agency theory can explain the practice of corporate governance in improving well-being (Franco-Santos, Nalick, Rivera-Torres, & Gomez-Mejia, 2017). Agency theory reveals that agency relationships are like a contract or agreement between a person or several people (principals) who assign other people (agents) to do work for their benefit. The separation of the ownership function and the control function often creates a problem called agency problems. This problem arises due to a conflict of interest between the owner (principal) and the manager (agent). Each party is assumed that humans are motivated to fulfill their interests, while everyone's interests are different and conflicts arise.

2.2. Governance principles

A fundamental function of good governance in the service sector is to ensure that entities or institutions achieve the results they desire while acting at all times in the interests of the customer. Acting in customers' interests requires behaving with integrity, practicing a strong commitment to ethical values, respecting the rule of law, and ensuring transparency and comprehensive stakeholder engagement. In addition, there is a need for effective regulation, the high-level principles that characterize good governance in the service sector are defined and incorporate several interrelated concepts. The principles of governance in the service sector include: 1) strong commitment to ethical values, integrity, and respect for law enforcement; 2) stakeholder involvement and opening up opportunities for intervention needed to optimize the achievement of results; 3) transparency in planning and achievement targets; 4) transparency, reporting, and auditing to provide effective accountability; 5) strong internal control and public financial management;

f) capacity building of the entity, including its leadership capabilities and the individuals within it (Ahmed, Naqshbandi, Kaur, & Ng, 2018).

Service sector governance includes many principles as a reference for institutions in the service sector that provide services at any time. These principles must be measurable and translate into several measurable actions that are made into transparent regulations and well socialized to all members of the institution. The indicators of these principles are: 1) strong commitment to values of ethics, integrity; 2) comprehensive stakeholder engagement; 3) effective accountability through audit reports; 4) strong internal control and public financial management; 5) developing leader capacity, individuals, and entities (Sulaiman et al., 2019).

3. RESEARCH METHODOLOGY

The method used in this study is a qualitative method with a phenomenological approach to describe and give meaning to the data collected from informants. In this opinion, Aspers and Corte (2019) state that qualitative research is an approach to exploring and understanding the meaning individual or groups ascribe to social or human problems. It was further explained that phenomenological research is a design of inquiry coming from philosophy. The researcher describes the live experience of individuals about a phenomenon as described by participants (Aspers & Corte, 2019). Phenomenology is a research design that represents an individual's life experience of a phenomenon described by the participant. Therefore, this approach emphasizes giving meaning to several individuals to various life experiences related to phenomena. Individual phenomena disclosed are limited and focus on Travel, one of Indonesia's Hajj and Umrah travel agencies. ABI Travel is an Umrah service company, or Umrah travel agency which was relatively recently established eight years ago (in 2013 to be precise) but has developed rapidly with more and more pilgrims using its services.

To obtain in-depth, valid, and reliable data, in-depth interviews were conducted repeatedly with respondents who have the authority to determine the direction of company policies, especially financial management. Arifah Fatmawati (President Director), Arfan Firmansyah (Operations Director), and Heru Subagio (Finance Director) participated as respondents in the survey. The selected persons are those who are directly responsible for the company's financial management and have knowledge of the implementation of good financial governance principles. The time required for each interview with the respondent is between one and two hours. The interview questions are in accordance with the formulation of the problem, namely how to implement the five principles in financial management, which consist of independent bonding and saving, setting packages and fees, pay-go, accounting records, and *Infraq* and empowerment. Interviews were conducted based on guidelines prepared and assisted by voice recorders, writing instruments, and cameras. Interview guide to respondents to get better data, among others; be polite to the interviewee, make eye contact when asking a question, ask when there is a speaker's speech that is not understood, listen carefully to

the interviewee's answer, and give pause for the resource person to think about the answer. Interview results are primary data obtained directly from primary sources or the first source (Alsa, Sovitriana, Ekasari, & Endri, 2021). Furthermore, to test the validity of the data, triangulation of data and data sources was carried out through repeated interviews and comparison with other informants. Qualitative data analysis used the interpretative phenomenological analysis (IPA) model with the following analytical steps: 1) reading and re-reading; 2) initial notes; 3) developing emergent themes; 4) searching for connections across emergent themes; 5) moving to the next case; 6) looking for patterns in cross-cases (Alase, 2017). This analysis can direct researchers and interpret, giving meaning to respondents' primary data in the form of statements, symbols, and expressions to develop concepts and principles of financial management and conclusions.

4. RESULTS

Financial governance is a management process related to acquiring funds and their utilization following the plan to realize the company's goals. Implementing good corporate governance (GCG) will provide measurement and certainty for stakeholders that the company's business activities are done according to regulations and do not deviate from its vision, mission and interests (Triwacananingrum, Gunawan, Lolitha, & Verika, 2020). According to Nurazi, Zoraya, and Wiardi (2020), the implementation of GCG can be done by combining the principles of adaptive governance with the traditional principles of good governance, including legitimacy, accountability, transparency, fairness, and inclusiveness. Gennaro and Nietlispach (2021) provide a new perspective on corporate governance, showing where regulators need to focus on rethinking governance mechanisms. Rao, Kulshrestha, Ramakrishnan, and Bahuguna (2022) revealed that the implementation of governance could improve company performance. Running an Umrah departure service business or Umrah travel is not only focused on getting pilgrims and achieving maximum profit as a measure of success but requires reliable financial governance and can manage company finances effectively and efficiently (Fathony, Khaq, & Endri, 2020).

Research conducted by Guluma (2021) proves that the implementation of good governance can improve company performance. The company's financial management, by implementing good corporate governance, can maximize the wealth of its owners through rational economic policies (Ntim, 2017). Managing finances is crucial for maintaining financial stability and ensuring funds for various business activities. Sharia principles are the basis of all transactions, practices, and actions (Meutia & Adam, 2021). The essence of financial management is to regulate cash inflows originating from pilgrim payments and other income, while cash outflows finance various activities related to implementing Umrah from preparation to returning to Jember.

Many companies are planning finances only to pay attention to the amount of income, but cash flow is neglected. Maintaining cash flow is crucial to ensure the availability of funds, and if the predicted

shortage of funds, the management immediately finds a solution (Endri et al., 2020a). Therefore, financial planning is the first phase of financial management, which means managing the total cash flows needed to provide the necessary funds (Grozdanovska, Bojkovsk, & Jankulovski, 2017). In simple terms, the Umrah departure service business can be calculated as profit obtained by subtracting the expenditure for implementing Umrah (cash outflow) from the congregation's income (cash inflow). Management's ability to manage finances efficiently is one of the essential contributors to running a successful business operation (Abidin, Prabantarikso, Waedhani, & Endri, 2021). Taking into account the vital role of cash flow in supporting the success of the company, the management of ABI Travel pays attention to reliable financial governance through five principles.

4.1. Independent bonding and saving

Management of Hajj and Umrah funds by institutions has a governance framework, including the basis of deposit contracts and fund investment mechanisms (Muneeza, Sudeen, Nasution, & Nurmalasari, 2018). Malaysia has Tabung Haji (TH), and it stands out among the Hajj funds in other countries with tremendous success (Muneeza & Mustapha, 2021). In general, Muslim people's desire to carry out Hajj and/or Umrah is an actualization of their love for Allah and His Messenger (*Prophet Muhammad SAW*) and increase faith, considering the virtues that can be obtained are enormous in the sight of Allah SWT. Umrah is worship carried out by Muslims who have met the requirements, namely having the financial ability to travel and provide for the family left behind during Umrah, physically and mentally healthy. Umrah requires Muslims to perform two main rituals, namely *Tawaf* and *Sa'i*. *Tawaf* is activity around the Kaaba seven times in the Grand Mosque. *Sa'i* is one of the pillars of Umrah, which is done by walking back and forth seven times from Safa Hill to Marwah Hill and vice versa. The two hills are about 405 meters apart from each other. People who intend to carry out Umrah are often faced with financial limitations. Therefore, ABI Travel management provides solutions to help people fulfill their desire to carry out Umrah through the saving movement.

Interested pilgrims through ABI Travel will be done in a simple contract as presented by A. Firmansyah (personal communication, May, 2021) to the pilgrims. We are asking for a lot of money not only IDR100,000. Binding accompanied by a contract that begins with the reading *basmalah* together with continued consent *qobul* and submission of a place to save and fill in the registration form. Islamic law in the field of *muamalat* has a significant meaning, especially with the birth of various Islamic financial and business institutions (Nugroho, 2021). Another definition of a specific contract is an engagement determined by *ijab-qabul* based on the provisions of *syara'*, which impacts the object (Khan, Choi, Han, & Bae, 2019). The procedure for the contract was conveyed by Shobirin (2015) that, for example, when two people who are buying and selling transactions are far apart, the consent to *qabul* is written in writing (*kitabah*). Therefore, the contract can be seen as a sacred event with the binding of both parties,

where the first party conveys an explanation of the binding (*hijab*), whereas, the second party is the answer from the first party (*qabul*) or the second party after the consent is carried out.

Reading the *basmalah* on the contract is a testimony and, at the same time, asking for Allah's blessing so that the desire to perform Umrah is granted. This engagement is critical to motivate and simultaneously strengthen the determination to be a guest of God and to foster a culture of saving regularly. Pilgrims whose savings amount has been met will immediately inform the management of ABI Travel. If the savings are sufficient, pilgrims usually ask to be dispatched immediately. Furthermore, it will be arranged in groups by considering the place of residence and determining the departure schedule according to the flight schedule and accommodation readiness, including the *mutowwif* who will guide the pilgrims while in Mecca Al-Mukarramah and Medina Al-Munawwaro.

The IDR100,000 bond is minimal compared to the IDR28,000,000 Umrah fee, and the bond money is only enough for the cost of making a miniature Kaaba as a means of saving. There is a principle conveyed by Megananda, Endri, Oemar, and Husna (2021) that bond money is indeed tiny but has meaning and hope the big one. ABI Travel does not ask for a sizeable down payment, we are afraid that it is not trustworthy; there are some funds from prospective pilgrims that are used for other purposes. The relatively small bond money has a strategic meaning: increasing public interest in performing Umrah, reducing costs with a voluntary saving program, and increasing public trust and company accountability. A straightforward bond document only contains an agreement regarding voluntary savings and departure for Umrah through ABI Travel. Still, a binding based on the spirit of worship can maintain the commitment of both parties; savers will submit sufficient savings to ABI Travel as payment for Umrah, should the Umrah organizer receive and manage the congregation properly.

There are two ways of saving recommended by the management of ABI Travel: saving through certain banks and traditional independent savings. The first is saving through banks for people who are used to and have access to certain banks. If the congregation needs help in saving, ABI Travel directs them to Bank Mandiri, which already has a partnership and brings their own savings book. For protection, the management of ABI Travel has collaborated with Bank Mandiri. Therefore, management will direct pilgrims to save at the bank in question but still, give freedom to pilgrims to choose any bank as a means of saving, and each congregation brings passbooks and ATMs. Although saving in a bank has reduced risk, if the amount of money saved is relatively small, while the costs charged to savings are sufficient if accumulated in one year, the amount is quite large. The savings will decrease due to the burden of bank administration costs. Second, traditional independent savings at home using a miniature Kaaba for certain people who do not have an account at the bank. Miniature Kaaba Savings is enough to accommodate IDR30,000,000 with IDR50,000 in change (A. Firmansyah, personal communication, June, 2021). Miniature Kaaba as a means of independent

saving at home has been designed with its capacity in mind. Even so, psychologically, it has the meaning of strengthening the congregation's desire to carry out Umrah immediately. Saving at home is quite effective and can be done every day or at any time by setting aside a portion of their income. The total amount of savings is completely left to prospective pilgrims, but independent savings have the risk of being taken for certain purposes or lost.

The experience of some pilgrims is very fast in saving, some are only six months, and some are up to two years, depending on their income and allowance (A. Fatmawati, personal communication, May, 2021). H. Subagio (personal communication, July, 2021) reinforced this opinion, saying that many prospective pilgrims had saved enough for less than one year. A strong desire to carry out Umrah will motivate people to work hard while saving to accelerate their passion. The stronger the desire for Umrah, the greater the money set aside for savings so that the fund needs are met faster. There is a belief in society that someone with a sincere intention to perform Hajj or Umrah will be guaranteed his sustenance, and savings that are specifically intended should not be taken for any purpose because it will harm the economy. Ülkümen and Cheema (2011) reveal that prominent savings goals can influence budgeting behavior, given their positive role in encouraging saving behavior.

The management of ABI Travel motivates the community to perform Umrah and educates and cultivates the community to save through banks or the Kaaba miniature to be independent until the amount of savings meets their needs. This policy was taken to avoid using pilgrims' money outside the cost of Umrah and to avoid misunderstandings about savings deposits, savings amounts, and savings withdrawals, which is essential ABI Travel management has provided facilitation. According to Canova, Rattazzi, and Webley (2005) are in line with Maslow's hypothesis that based on the number of levels in the hierarchy and specific characteristics, short-term basic financial needs are generally considered a low-level savings goal, financial security needs are intermediate, and self-actualization is at the top level.

4.2. Setting packages and fees

Hajj and Umrah travel agencies, as providers of Hajj and Umrah packages in Indonesia, are increasingly competing to offer Setting packages and fees. Oktora and Achyar (2014) examined the effectiveness of the Umrah package on the quality of Umrah through pilgrims' satisfaction. Paying attention to the development and needs of pilgrims, ABI Travel has compiled several regular Umrah packages and Umrah Plus packages (service products) with different prices. Pilgrims can choose the Umrah packages offered according to the availability of funds and the needs of religious tours or religious tours in several historical places in several countries. Tour facilitation is one of the strategies in developing services related to Umrah and other worship services, as well as business development with an international tour network, and the company tries to innovate new company products (Cooper, 2011).

A. Firmansyah (personal communication, July, 2021) explained that we deliberately made several Umrah packages to be offered to pilgrims. A small number of pilgrims asked for Umrah plus, so in addition to Umrah to Mecca Al-Mukarramah and Medina Al-Munawwaro, also tours to several historical and/or valuable religious places are included. The Umrah package as a product is a very vital object that affects the company's success in bringing in a level of profit or profit that will maintain operational activities and the company's financial health (Endri, Susanti, Hutabarat, Simanjuntak, & Handayani, 2020c). In addition, this Umrah Plus package is significant and strategic to build a brand image that the company has an international tour network (Mansur, Saragih, Susilawati, Udud, & Endri, 2021).

They were making new strategic breakthroughs such as conducting door-to-door guidance and paying in full at the end of the Umrah program three times while in the holy land makes it easier for pilgrims who want to do *Badal* (Raj & Bozonelos, 2015). Discussing Umrah packages, A. Fatmawati (personal communication, July, 2021) also gave her opinion that the regular packages also have toured around Mecca Al-Mukarramah and Medina Al-Munawwarah, and Jeddah. For the Umrah Plus package, the company has a network with institutions and professionals who are ready to serve tours or pilgrimages to several countries such as tours to Turkey, Dubai, Palestine, Cairo, and several countries in Europe. However, very few people take advantage of the Umrah Plus package. Still, it is a prestigious package to increase public confidence that the company can professionally facilitate the needs of religious tour pilgrims to historical places in several countries. H. Santoro (personal communication, July, 2021) emphasized that pilgrims who choose the Umrah package plus only a few people generally select the regular package with a longer time. Most pilgrims who focus more on worship will choose standard Umrah packages with a longer stay. The company provides religious tour facilities in several places in Mecca Al-Mukarramah, Medina Al-Munawwarah, and Jeddah.

The Umrah packages offered by ABI Travel are more focused on the regular, with several boxes and main facilities during the implementation of Umrah in Mecca and Medina. A. Fatmawati (personal communication, July, 2021) stated that several regular Umrah packages have various facilities, ranging from flights, hotels, consumption, pilgrimages, and others. More technically, according to H. Subagio (personal communication, July, 2021), the price per package depends on the facilities requested by consumers. For example, some pilgrims ask for star hotel facilities, one room only for two, near the Grand Mosque and the Prophet's Mosque in Medina. Each travel agency has begun to develop strategies, especially in the service sector, to make consumers interested and satisfied with the services provided by the travel agency (Bunghez, 2020). Based on company records, the diversity of packages is more influenced by the length of stay in Mecca Al-Mukarramah and Medina Al-Munawwarah, so regular Umrah packages start from 9 days, 12 days, 15 days, and 22 days to 33 days for each group with several pilgrims, varies from 5 pilgrims to 50 worshipers.

Many factors shape the price of Umrah packages offered to prospective pilgrims, including facilities and accommodation, length of stay in Mecca Al-Mukarramah and Medina Al-Munawwaro, dollar rate, flight ticket prices, and season. To ease the burden on pilgrims, ABI Travel tries to take advantage of the flight network as best as possible to get tickets at low prices or promo prices because these costs are between 40–60% of the cost of Umrah, but do not reduce service and still provide convenience. As a provider of Umrah services, the company focuses on consumer tastes, producers pay attention to the needs and wants of consumers (Sandikci, 2011). The characteristics of good service are those that can provide satisfaction to the congregation, namely by having professional employees, good facilities and infrastructure, availability of all desired products, being responsible for each assembly from the beginning of the activity to completion, being able to serve quickly and accurately, able to communicate clearly and have other general knowledge, able to give confidence to the congregation (Susanto et al., 2020). Thus, the prices vary depending on pilgrims' requests, and this flexibility is carried out to attract prospective pilgrims from various regions and circles with different demands. Packages and costs are determined by taking into account the excellent service and satisfaction of the congregation. Several aspects that can be concluded include: 1) determining standard Umrah packages and Umrah plus tour packages; 2) building a tour network with foreign travel agents; 3) building a flight network and using promo tickets; and 4) building a network with hotel associations and *mutawwif* associations in Saudi Arabia.

According to Shugan and Xie (2000), consumers get services regardless of the price because they are not sensitive to changes. In addition, quality-based consumers are seen as those who are not very price sensitive but focus on the related quality of the services offered. A different view is expressed by Virvalaite, Saladiene, and Skindaras (2009) that price is the key factor influencing the seller-buyer relationship. Even from the point of view of marketing theorists, price is the most important determinant of customer purchase satisfaction.

4.3. Pay-to-go

The relatively high cost of Umrah is an expense that needs to be calculated and appropriately planned by prospective pilgrims who will perform the Hajj and Umrah. Some pilgrims whose economy is limited have to work hard and save consistently until the amount is sufficient. The people of Jember have a high motivation to carry out the pilgrimage or Umrah in Mecca Al-Mukarramah and Medina Al-Munawwaro. To perform the expedition, they have to wait more than twenty-five years. This condition is a great potential that must be captured by travel services organizing Umrah through the right strategy, either directly or indirectly. Frank, de Souza-Mendes, Benitez, and Ayala (2022) reveal the capability-based switching cost theory by considering the costs resulting from the customer's efforts to create new capabilities related to the solutions offered by the company.

Payments imposed by travel organizers for Umrah vary depending on company policies. In general, there are two types of Umrah payments, namely: 1) advance payment or a token of a certain percentage of the Umrah fees determined by travel, and 2) repayment of the lack of Umrah fees. Concerning the cost of Umrah fees, ABI Travel management has set a friendly payment, as stated by A. Firmansyah (personal communication, June, 2021). We do not ask for a down payment for the binding, only a bond (IDR100,000) to replace the miniature Kaaba, which will be deducted at the time of payment, if it is canceled, we will return money. Therefore, the small binding fee will not be burdensome. It is supposed that prospective pilgrims will save up to a sufficient amount and then deposit it to the management of ABI Travel by the agreed fee. It will return all the binding money if forced to cancel the direction. Furthermore, A. Fatmawati (personal communication, June, 2021) explained that we have never burdened the cost and taken the assembly fee, we handed over the compulsory cash deposited in full. The management of ABI Travel does not want to harm the community. On the other hand, it does not want to take advantage of the cancellation, and the administration accepts the miniature Kaaba that has been handed over as a means of saving.

The payment and settlement policy set by the management of ABI Travel was explained by A. Firmansyah (personal communication, July, 2021): *"We adhere to the 'pay-to-go' principle, meaning we will receive payment in full if the schedule and group have been set"*. This opinion was reinforced by A. Fatmawati (personal communication, July, 2021): *"I was cautious with money matters. Therefore, it deliberately did not accept an advance even though the congregation had made sure to go for Umrah with us"*. The principle of "pay-to-go", which is firmly adhered to by the management of ABI Travel, has implications for the receipt of Umrah funds in full when the pilgrims are certain to depart so that the company has sufficient cash in preparing all the needs related to the departure of pilgrims. This principle makes it easier for companies to manage cashflows effectively, efficiently, and separately from one group to another even though the departure times are almost the same or only days apart. This step is a best practice as regards the monitoring of money allocated to projects (Fiador, 2013). In addition, the company will never lack liquidity because the payment or settlement has already taken into account the profits of each pilgrim or departing group. Thus, the precautionary principle implemented by the company has implications for healthy cashflows with low liquidity risk and no debt to prospective customers so that they become trusted travel agents.

The "pay-to-go" policy is based on the idea that certain pilgrim's funds will be used to finance the implementation of the Umrah of that congregation, not to be confused. Therefore, the management of circulating assets is the firm's financial staff (Khomnich, Rybyantseva, Borodacheva, Dik, & Afanasev, 2016). According to A. Firmansyah (personal communication, June, 2021), ABI Travel management has a high commitment to maintaining the trust of money from pilgrims, meaning that they will use funds from pilgrims according to

the purpose or need for the implementation of Umrah, while the rest is profit or profit. A cash flow statement for analysis will get additional information on the financial performance (Supatminingsih & Setyawati, 2018). Wang and Hou (2009) developed a model to illustrate the effects of a more stable long-term pay-use and pay-go financing.

In the context of managing finances, the company's management consistently maintains the trust by using funds sourced from each congregation or group to finance the implementation of Umrah starting from preparation, departure, implementation of Umrah, or other worship activities during Mecca Al-Mukarramah and Medina Al-Munawwarah to return to the homeland. This method can guarantee the suitability of the source and its allocation because it will not be confused between the basis and its use. This step follows the opinion of Khominich et al. (2016) that financial management aims to control the movement of financial resources and financial relations arising between entities in the exercise of financial resources. Financial resources are an important production factor from a business perspective because they provide sufficient requirements for the optimal operation of the company (Siano, Kitchen, & Confetto, 2010).

Amanah (trust obligation) is a form of commitment to carry out the funds entrusted to the institution to be managed according to a mutual agreement or agreement, as mentioned in *Quran* (Surah, Al-Mu'mininun, 23:8). Indeed, lucky people who keep the mandates (which they carry) and their promises. Therefore, the management of ABI Travel is very consistent with the order by giving any rights to pilgrims, not taking anything beyond their rights, and not reducing the rights of pilgrims, except for profits that are indeed the right of travel. However, after all, costs related to implementing Umrah per group are completed because it is to carry out the mandate. It takes courage, determination, and honesty.

Before departure, ABI Travel organizes Umrah exercises or rituals, usually held between one or two weeks before departure. We have budgeted and prepared time for ritual activities which are typically carried out in an open and somewhat spacious place to provide an overview of the implementation of the *Tawaf* (around the Kaaba) and *Sa'i* (jogging on Sofa and Marwah hills) in the Grand Mosque of Mecca (A. Firmansyah, personal communication, July, 2021). Activities focus more on the practice of miqot (wearing ihram clothes and reading intentions), *Tawaf* around the Kaaba, and reading up to seven times, followed by a small *Sa'i* run from Sofa Hill to Marwah Hill as much as seven times along with a prayer that is read. This practice is to give a picture that is close to the real line of Umrah activities. In addition to practice, videos of Umrah activities are also shown, starting from the mosque where the miqot is located, and heading to the Grand Mosque to surround the Kaaba and *Sa'i* (A. Fatmawati, personal communication, July, 2021). Two methods of socialization or rituals provide provisions before leaving for Umrah so that pilgrims understand the series of Umrah activities and prayers that are read to achieve worship perfection.

4.4. Accounting records

The implemented accounting is relatively simple. It only records receipts when the pilgrims are ready to depart and expenses from preparation until they return to their respective homes based on the departure group. Therefore, they only made money receipts for pilgrims going for Umrah (A. Fatmawati, personal communication, June, 2021). The company consistently makes proof of transaction for receipt of payment for each congregation in a group that is ready to be dispatched. Usually, the fees charged to each assembly in one group are the same for each gathering. This step is taken so as not to cause problems related to payments because the services and facilities will be provided starting from the preparation and implementing of Umrah to returning to the same travel address.

In the formation of departure groups, efforts are made that have the same demands for services and facilities because it is not easy to accommodate the very diverse interests of the pilgrims. For us, the most important thing is to unite and equate thoughts about the services and facilities provided by the Company in the implementation of Umrah (A. Fatmawati, personal communication, June, 2021). Forming a departure group with the same thought in mind is essential so that the pilgrims are more focused on implementing their Umrah. If the pilgrims cannot efficiently use their time in Mecca Al-Mukarramah and Medina Al-Munawwaro, it is a shame.

Accounting records are carried out in detail for every expense related to the implementation of Umrah regardless of the amount, meaning that no matter how small, the expenses are recorded in accounting. According to the accounting principle, the company's operations are grouped into revenues and costs. Revenue is done simply by recording all receipts in one group, A. Fatmawati (personal communication, June, 2021) said that we record every transaction according to the money received by each departing group. The congregation does not carry out revenue accounting records. Still, they are combined as the income of one group, but proof of receipt of money is made for each community, usually collected and distributed by the group leader.

Expenditures for services and facilities for Umrah departures are also carried out simply, grouped into three accounts: preparation costs, planes, and accommodation costs while in Mecca — Medina. Expenditures for organizing Umrah are divided into three groups: expenses for preparation, airline tickets, implementation, and accommodation. In addition, there are office fees calculated every month (A. Fatmawati, personal communication, June, 2021). This opinion is reinforced by A. Firmansyah (personal communication, July, 2021), grouping costs with consideration of the place and amount of expenditure. Most NGOs keep complete written charts of accounts and projects (Fiador, 2013). Preparation includes materials such as suitcases, bags, ihrom clothes, uniforms, sal, nametags, visas, passports, rituals, and transportation to the Surabaya airport. Plane tickets are the most considerable expense and the implementation of all costs incurred in Mecca and Medina. There are also office

expenditures to accommodate other issues in addition to the three related to Umrah's performance. Simply put, this grouping of prices makes it easier to record accounting and control, which can be done at any time by paying attention to the expenses of each group of departures.

The recording of financial transactions is carried out routinely using excel, and the form is elementary, only consisting of four columns, namely date, information, receipts, and expenses (A. Fatmawati, personal communication, July, 2021). Recording of income and expenses in one excel file with the name of the departure group. For payment, there is only one record, namely group income. At the same time, expenses are divided into the following accounts: 1) preparation; 2) plane ticket; 3) accommodation; and 4) office costs. This simple accounting record is beneficial for the finance department to record every financial transaction into each post/account, and the amount can be known at any time.

This record makes it easier for the company to calculate the total receipts and expenses and the profit earned by each group of departures. For example, if they send five groups of Umrah pilgrims in one month, there are five records of calculating income, expenses, and gross profit. Every month a compilation of revenue and costs is carried out to determine the amount of profit representing the achievement of performance. The financial performance depicts company's performance achieved by a company in a particular period (Karlina & Lako, 2020). The cost relationship can be grouped into expenses directly related to the implementation of Umrah and office costs are costs that cannot be directly related to the performance of Umrah.

At the end of each year, the company makes a financial report consisting of a balance sheet and income statement. Financial performance describes a company's financial condition (Supatminingsih & Setiawati, 2018). Although the accounting implementation is simple, the information content is complete and fulfills the accountability, reliability, and temporal aspects. The essential component is the result of financial statements (Endri et al., 2020c). The benefits of applying accounting principles and their adherence to standards by business players will largely determine the value of financial information available to end users (Kothari, 2000). Financial reports are prepared as accountability for managing funds and economic resources entrusted to ABI Travel.

4.5. Infaq and empowerment

Infaq is one of the practices or worship attached to a Muslim's daily life. *Infaq* is done by removing part of the income or property to help people in need. The amount of income or property donated relatively depends on awareness and willingness to share with certain people and is not determined as *Zakat*. *Infaq* and *Sadaqah* (*ZIS*) mean issuing some treasures for interests commanded by Allah outside *Zakat*. *Sadaqah* is sometimes used for immaterial (Sulistyo & Cahyono, 2014). Widiastuti, Auwalin, Rani, Mawardi, Al Mustofa, Rosyidah, and Mahmudah (2020) say that productive *ZIS* has a significant influence on the growth of *mustahiq* micro

enterprises. Its implementation can strengthen brotherly relations and even become one of the economic empowerment activities, primarily if it is supported by guidance to improve the ability of specific business fields. According to their capacity, *Infaq* is often categorized as social worship based on the love of fellow creatures of Allah.

The company is moving its business and always tries to earn profit in a good way to maintain the owners' survival, business development, and welfare. The yields obtained are not only for the benefit of the owners but always set aside some of the profits to be donated regularly every time the Umrah pilgrims depart. A. Firmansyah (personal communication, June, 2021) explained that every time a congregation departs, there must be income or profit, so it is set aside to be donated to mosques, and orphans and to help underprivileged communities around them. The finance department conveyed a similar opinion; we routinely donate every time there is income from Umrah departures (A. Fatmawati, personal communication, June, 2021). *Infaq* is one of the forms of worship recommended in Islam by giving part of their wealth for the benefit of the Umrah and helping mosque operational costs. The company travel makes *Infaq* a form of income redistribution. Wealth is owned by the company and must involve other community groups, especially the poor and orphans, to lighten the burden of life. Even this *Infaq* focuses on empowerment programs to improve the abilities community economy and enhance the education of orphans/orphans. Furqani, Mulyany, and Yunus (2018) also said that *Infaq* can be used as a means of economic empowerment for the poor which will increase their capacity and empower them to become entrepreneurs and therefore be able to meet their own needs.

Infaq becomes a motivation for doing business to obtain higher income to enlarge some of the assets to be donated. *Infaq* is a form of gratitude for our sustenance and will not reduce the company's wealth on the contrary, Allah will increase our income (A. Firmansyah, personal communication, July, 2021). Some of the profits obtained by ABI Travel in its business activities are routinely distributed in the form of *Zakat*, *Infaq*, and *Sadaqah* (*ZIS*) to *mustahik*. Sulistyo and Cahyono (2014, p.104) noted that, "*ZIS* assistance for *mustahiq* will be very helpful if the impact is to improve the welfare of the *mustahik*". So great is the wisdom and benefit that is felt, not only those who receive but also those who give *Infaq* because they can share with various needy parties. The call for *Infaq* has been mentioned in *Quran* (Surah, Al-Baqarah, 2:195), which means "*And spend (alms or earn) in the way of Allah and do not throw yourself into destruction, and do good because Allah loves those who do good*".

Concerning community empowerment, A. Firmansyah (personal communication, June, 2021) said that the management of ABI Travel has collaborated with companies several times to provide training and motivation to do business for the community, especially those who are still young. This entrepreneurship education and training program is expected to increase the community's knowledge, skills, and expertise in utilizing economic resources or economic potential into real financial strength. Thus, *Infaq* as one of the routine programs can significantly impact the community's

economic independence and regional economic growth. ABI Travel's policy is in line with the results of research by Widiastuti et al. (2020). Results in research show *Zakat*, *Infaq*, and *Sadaqah* productive affect on the growth of micro-enterprises *mustahiq* in Pasuruan in East Java.

Merlinda et al. (2020) propose that encouraging community economic empowerment can be done through cash *waqf* that contributes to growing local economic activities according to regional potential. Empowerment is also an alternative development approach that allows social aspects of development and local communities to increase participation by using local resources (Islam & Morgan, 2012).

In the modern era, which is increasingly complex, the implications for redistribution are much more complicated than the previous one because it includes transferring money and changing behavior patterns in society or encouraging behavior (Bechtel, Liesch, & Scheve, 2018). However, along with the development of information technology, it is so easy to do *Infaq* because many community institutions have been established to help people who will pay *Zakat*, *Infaq*, and *Sadaqah* and distribute them to the community or institutions in need as specified in Sharia. Generally, *Zakat*, *Infaq*, and *Sadaqah* management institutions already have a network to collect funds through financial institutions (banks) to make it easier for *muzakki* (Zakat payers) and *munafiq* (*Infaq* payers), just click on a specific bank link or transfer via e-banking or SMS banking. In addition, information technology-based banking digitization makes it easy for *muzakki* and *munafiq* to distribute their *Zakat* and *Infaq* through the National Amil Zakat Agency (BAZNAS) and similar institutions. The five principles of financial management that are implemented are oriented towards three interrelated aspects: increasing public trust and participation, regulating cash flow to ensure the availability of operational funds, and redistribution of income for the benefit and welfare of the community (Mohieldin, Iqbal, Rostom, & Fu, 2012).

5. DISCUSSION

In recent years, the number of pilgrims for Hajj and Umrah has continued to increase, and pilgrims have prepared the cost of departure from far away (Raj & Bozonelos, 2020). Pilgrims who intend to perform Umrah with financial limitations can do so through the saving movement. In addition to saving in the bank, pilgrims can also save on Umrah travel. Most Umrah travel in Indonesia does provide Umrah fund savings services for its consumers. This savings is also different from conventional savings because it does not have an interest. The method, the travel party, will allow the vision of the estimated cost that must be prepared. It is called estimated because the funds for Umrah continue to change over time, following currency exchange rates. Pilgrims can choose the tenor according to their abilities. Some Umrah travelers sometimes set the initial deposit amount. This policy can motivate people to perform Umrah as well as educate and foster people to save through banks or save on Umrah travel.

The increasingly fierce competition between Hajj and Umrah travel requires management to design marketing strategies that are differentiated in

offering products from other companies. According to Othman et al. (2020), Hajj and Umrah travel agencies should research and evaluate their strengths and weaknesses, compare themselves to their competitors, and provide plans for future growth and advancement. Cheap and safe travel packages are the preferred choice for pilgrims. The demand for Hajj and Umrah travel is elastic, package prices can be determined by using prestige and economic pricing strategies. In prestige pricing, prices are raised above the average price, and economical pricing is a strategy of lowering the price of services below the average price. The most important determining factor in pricing is the company's marketing goal. These goals can be profit maximization, maintaining company viability, gaining a large market share, creating leadership in terms of quality, overcoming competition, carrying out social responsibility, and so on. Regarding the payment for Hajj and Umrah trips, a "pay-to-go" policy can be implemented based on the idea that funds received from certain pilgrims will be used to finance the implementation of Umrah. This policy ensures that pilgrims can pay according to the specified travel package and reduces the risks borne by Hajj and Umrah travel.

Accounting records are carried out in detail for every expenditure related to the implementation of Umrah regardless of the amount, meaning that no matter how small the expenditure is recorded in the books. The accounting cycle is a collective process for identifying, analyzing, and recording congregational funds (Kamaruddin & Ramli, 2018). The cycle is a process of recording data from the start of the transaction, then obtaining valid evidence as a basis for reference if a transaction has occurred in a company. Then with the evidence of a valid transaction, it will then be inputted to be entered into the data that produces output in the form of financial reporting data used by certain parties in need.

Part of the income from Hajj and Umrah travel can be channeled in the form of *Infaq*, which is useful in empowering the economy of the people, especially the poor. The *Infaq* utilization model for economic empowerment of the poor is a program that utilizes *Infaq* funds to encourage *mustahik* to be able to have independent businesses. Economic empowerment for the ummah is an effort to strengthen socio-economic conditions that aim to achieve the welfare of the ummah with strong capabilities through the provision of productive business loans (Nasution, Nisa, Zakariah, & Zakariah, 2018). The program is realized in the form of capital development for existing micro-enterprises or the pioneering of new prospective micro-enterprises. In addition, the program is also accompanied by capacity building through various mentoring and coaching. With these aids, the poor will become more independent in overcoming the problem of poverty.

6. CONCLUSION

Hajj and Umrah service companies continue to grow and develop, so it is necessary to strengthen financial governance practices to ensure business continuity amidst tight competition. Travel Abi as one of the Hajj and Umrah travel agencies as

the object of research with a qualitative approach, carried out an in-depth analysis related to implementing the five principles of financial governance. The results of the analysis found that the five principles of financial management implemented were one unit, including: 1) binding and saving independently, guaranteeing the commitment of both parties and saving education; 2) determining packages and costs to facilitate Hajj pilgrims with various requests for facilities and duration, living in Mecca and Medina; 3) paying for departure, meaning that the company only receives payment after confirmation and a departure schedule is made other than to maintain the trust; 4) accounting records are carried out on every financial transaction that has an impact on account

changes; 5) *Infaq* and empowerment as a form of income redistribution and improvement of community welfare. Implementing the five principles of financial governance can improve the company's operational capabilities and accountability to the congregation.

The research only focuses on examining the implementation of financial governance principles for Hajj and Umrah organizing institutions with a qualitative approach. Future research can be developed by including the variables of financial governance mechanisms and regulations made by both the Governments of Indonesia and Saudi Arabia related to the implementation of Hajj and Umrah.

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