

THE EFFECT OF TAX EXEMPTION ON BPKH'S FINANCIAL PERFORMANCE AND INSTRUMENTS ALLOCATION STRATEGY (2018–2023)

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Abstract

This study examines the impact of the income tax (PPH) exemption policy on BPKH's financial performance, as regulated by Law No. 11 of 2020 and PMK No. 18 of 2021, to optimize Hajj fund management. Based on fiscal policy and stewardship theory, tax exemptions should enhance financial efficiency by reducing financial burdens and improving resource allocation. This study compares BPKH's financial performance before (2018–2019) and after (2022–2023) the policy using solvency, efficiency, and profitability ratios. A quantitative approach was used with descriptive statistics and the Wilcoxon signed-rank test. The results show improved financial efficiency, with lower solvency ratios and increased profitability due to higher-yield investments. Although short-term effects were limited, the policy contributed to efficiency in Hajj fund management. Further studies are needed to assess its long-term impact.

Keywords: Tax Exemption; Financial Performance; BPKH; Fiscal Policy; Stewardship Theory.

Introduction

Tax policy plays a strategic role in supporting the efficiency of public financial management, particularly in the Islamic financial sector. One of the policies implemented by the Indonesian government is the exemption of Income Tax (PPH) on financial instruments used in the management of hajj funds by the Hajj Financial Management Agency (Badan Pengelola Keuangan Haji or BPKH). This policy is regulated under UU No.11/2020 and Minister of Finance Regulation (PMK) No. 18/2021, which aims to reduce the tax burden on the returns from hajj fund investments so that they can be optimized for the benefit of pilgrims (Ministry of Finance, 2021). The implementation of this policy is expected to improve the efficiency

of fund management and increase the financial sustainability of BPKH.

The phenomenon of tax exemptions is not new in Indonesia's fiscal policy. Similar incentives have previously been applied to the BPJS's policy, which was granted tax exemptions to ensure that the funds managed could be fully utilized for healthcare services and social security (Siahaan, 2020). The application of this policy to BPKH aims to ensure that the hajj funds managed are not significantly burdened by tax obligations, thereby optimizing financial performance. However, to date, there has been limited research specifically evaluating the impact of this policy on BPKH's financial performance, particularly in terms of solvency, efficiency, and profitability.

Table 1. Composition of Financial Instrument Placement and Investment of BPKH 2018-2023

Financial Instruments for Hajj Fund Management by BPKH	Composition (%)				
	2018	2019	2020	2021	2022
Placement in Banks	58.24	43.68	31.28	28.97	29.72
Investment in Securities	41.76	56.32	68.51	70.41	69.81
Direct and Other Investments	0.00	0.00	0.21	0.61	0.47
Gold Investment	0.00	0.00	0.00	0.00	0.0003

BPKH manages hajj funds through various financial instruments, which include Islamic deposits, Islamic bonds (Sukuk), and other Sharia-compliant investment instruments. Before the tax exemption policy was implemented, returns from these instruments were subject to income tax, which reduced the net benefits received by BPKH. Specifically, taxes were imposed on interest income from Islamic deposits and profit-sharing from sukuk investments, thereby impacting the overall efficiency and profitability of fund management. By exempting these instruments from income tax, BPKH is expected to reallocate its investment strategy to maximize returns while maintaining compliance with Sharia principles.

To provide a clearer picture of the allocation of financial instruments managed by BPKH, Table 1 presents the composition of BPKH's financial instrument placements and investments from 2018 to 2023. This table highlights significant changes in the proportion of instruments used in the management of hajj funds, offering valuable insights into the impact of the tax policy on BPKH's investment strategy.

The table above shows the changing composition of financial instruments managed by BPKH over the years, highlighting a notable shift in the allocation towards securities and away from bank placements. These changes may reflect strategic adjustments aimed at optimizing returns in light of the tax exemption policy.

From the perspective of fiscal policy theory, tax incentives such as income tax exemptions on financial instruments aim to enhance the efficiency and sustainability of a particular sector (Musgrave, 1959). Meanwhile, stewardship theory emphasizes that public fund management should be conducted transparently and accountably to maximize public benefits (Donaldson & Davis, 1991). Given the strategic role of BPKH in managing hajj funds, it is essential to analyze how this tax exemption policy has influenced financial performance, particularly by examining changes in the proportion of financial instruments managed by BPKH before and after the policy was implemented.

Given the objectives of the tax exemption policy, it is crucial for policymakers to continuously assess its impact on fund management efficiency. This study's findings could inform future policy decisions, including extending similar tax exemptions to other public financial institutions or refining the existing tax exemptions to optimize their financial performance further. Additionally, improving the tax exemption framework could ensure that the funds are managed more effectively, especially by increasing the proportion of high-return investments while maintaining Sharia compliance. For BPKH, it is recommended to periodically review its investment portfolio to ensure alignment with these optimal financial strategies.

This study seeks to address the following key research questions: (1) Does the income tax exemption policy affect changes in BPKH's financial performance, as measured through solvency, efficiency, and profitability ratios? (2) How do changes in the proportion of financial instruments before and after the policy implementation impact BPKH's financial performance? (3) What is the most optimal allocation of financial instruments to achieve better financial performance in both pre- and post-policy periods?

To answer these questions, this study employs a quantitative method with a financial ratio analysis approach to evaluate the impact of tax exemption policies on BPKH's financial performance over the period 2018–2023. The financial ratios used in this study include:

1. Solvency: Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) to measure the level of dependence on debt.
2. Efficiency: Net Benefit Ratio (NBR) and Tax-Cost to Income Ratio (Tax-CIR) to assess the effectiveness of tax policies in hajj fund management.
3. Profitability: Return on Assets (ROA) and Return on Investment (ROI) to evaluate profitability and the ability to generate returns from investments made.

This study aims to analyze the impact of the income tax exemption policy on BPKH's financial performance by comparing the periods before (2018–2019) and after (2022–2023) the policy implementation. Specifically, it focuses on changes in solvency, efficiency, and profitability ratios, evaluates shifts in the proportion of financial instruments managed by BPKH, and examines their contribution to financial performance. Furthermore, it aims to determine the optimal financial instrument allocation strategy based on the financial performance during this period.

Previous research by Mulyana T (2024), Firdaus M.N (2023), Sitingjak I.

(2020), and Dewi RR & Rohman A. (2023) indicates that tax policies, such as tax incentives, significantly affect financial performance. However, contrasting findings by Musdalifah & Kiswara (2022) and Virgianti L.E. (2024) reveal a negative impact. This inconsistency, combined with limited studies specifically addressing the effect of income tax exemption policies on BPKH's financial performance, highlights a research gap. While tax exemption policies have been studied in other public fund institutions like BPJS, their application to BPKH remains underexplored, despite both being public fund managers. This study seeks to fill that gap by examining how these policies influence the efficiency and performance of the Hajj funds managed by BPKH.

The data for this study is sourced from BPKH's annual financial reports and analyzed using descriptive and comparative statistical techniques to assess performance differences before and after the policy. By providing empirical evidence on the effectiveness of tax policies in Hajj fund management, this research aims to offer valuable insights for policymakers and academics in formulating optimal fiscal strategies for Islamic financial institutions..

Literature Review

Fiscal Policy Theory

Fiscal policy plays a crucial role in influencing a country's economy by managing taxation and government spending. According to Ridwan and Nawir (2021), fiscal policy refers to government measures in regulating the taxation system and expenditures to impact economic conditions. Musgrave (1959) classifies fiscal policy into three main functions: stabilization, efficiency, and redistribution. In the context of BPKH, the tax exemption policy on financial instruments aligns with these functions, particularly in enhancing financial efficiency and optimizing fund management for the benefit of Hajj pilgrims.

The exemption of income tax on financial instruments managed by BPKH is a form of fiscal policy aimed at improving fund efficiency and maximizing investment returns. This policy supports investment in Sharia-compliant financial instruments, ensuring better fund allocation for public welfare while maintaining economic stability. Additionally, fiscal incentives help BPKH mitigate tax burdens, allowing greater reinvestment into programs benefiting pilgrims. By integrating fiscal policy principles with Islamic finance, this tax policy reinforces the sustainable and efficient management of Hajj funds, aligning with broader economic development objectives.

This understanding of fiscal policy highlights its importance in optimizing the management of public funds. As we move forward, it is essential to consider the broader implications of fiscal policies, such as the tax exemption policy, on governance and accountability, especially when managing public trust. This is where the concept of stewardship theory comes into play.

Stewardship Theory

Stewardship theory, rooted in psychology and sociology, explains the role of managers as responsible stewards who prioritize organizational goals over personal interests. According to Donaldson & Davis (1989, 1991), managers act in alignment with collective interests, fostering cooperation rather than conflict when discrepancies arise between managers and owners. This theory emphasizes that organizational success and owner satisfaction are interconnected, as stewards optimize assets and performance to achieve maximum utility for all stakeholders.

In the context of BPKH's tax exemption policy, this theory illustrates the collaborative relationship between the government, as a policymaker, and BPKH, as a steward managing hajj funds. The government's approval of BPKH's request reflects mutual trust and a shared

commitment to public welfare. By reducing the fiscal burden, the policy enables BPKH to optimize fund management for greater societal benefits. This decision strengthens BPKH's credibility as a steward, emphasizing accountability, efficiency, and transparency in utilizing public funds. Furthermore, the tax exemption reinforces BPKH's responsibility to deliver optimal performance, ensuring that the benefits are directly felt by stakeholders while upholding public trust in its financial stewardship. By combining fiscal policy with stewardship principles, the BPKH tax exemption policy can be viewed as a critical mechanism for ensuring efficient public fund management, where both economic development and the welfare of the community are prioritized. This synthesis provides a strong foundation for understanding the effectiveness of such policies and the role of public institutions in maintaining a balance between governance and stakeholder interests.

Concept of Hajj Fund Management

Building on the idea of stewardship, Hajj Fund Management is a key aspect where the principles of fiscal policy and stewardship theory converge. As a responsible steward, BPKH is tasked with managing hajj funds in a way that maximizes their utility for pilgrims while adhering to Sharia-compliant financial practices. The tax exemption policy directly supports BPKH's efforts by reducing the fiscal burden, thus enhancing its ability to invest and manage hajj funds more efficiently.

Hajj fund management involves the process of collecting, investing, and utilizing funds to finance Hajj operations in accordance with Islamic financial principles. The Hajj Fund Management Agency (BPKH) was established in 2017 to replace the previous system managed by the Ministry of Religious Affairs, aiming for more professional, transparent, and efficient fund management. The management process consists of fund reception, fund

development, fund expenditure, and accountability reporting, ensuring the sustainability of Hajj funds while maintaining affordability and service quality for pilgrims.

To generate optimal returns while minimizing risks, BPKH allocates Hajj funds across various financial instruments, categorized as follows: Sharia-Bank Placements, Sharia-Securities Instruments, Gold investment, and Direct Investments & Others. Indonesia has implemented tax exemption policies on income from that certain financial instruments used in Hajj fund management. This policy aims to optimize fund utilization, ensuring financial sustainability while upholding the principles of transparency, accountability, and sharia compliance.

A crucial element in improving the management of these funds is the government's implementation of policies that support financial efficiency and sustainability. One such policy is the tax exemption policy for BPKH, which plays a pivotal role in the efficient management of hajj funds.

Tax Exemption Policy for BPKH's Income Tax Object

Income tax is a mandatory contribution imposed on individuals or entities based on income earned within a specific period, as regulated under Law No. 36 of 2008 on Income Tax. This tax serves as a primary source of state revenue, supporting national development and public welfare. However, certain entities may receive tax exemptions under specific regulations. The Hajj Fund Management Agency (BPKH), as a public legal entity managing hajj funds, is subject to special tax treatment. According to Law No. 11 of 2020 on Job Creation, BPKH's income derived from the management of hajj funds and its investment returns is excluded from the income tax (PPh) object, ensuring that the funds can be fully utilized for the benefit of Indonesian pilgrims.

Further elaboration on this tax exemption is provided in Minister of Finance Regulation (PMK) No. 18/2021, which confirms that returns on hajj fund investments are not subject to income tax. This regulation aligns with broader fiscal policies that grant similar exemptions to institutions managing public welfare funds, such as pension funds and social security agencies. By implementing this exemption, the government aims to enhance the efficiency and sustainability of hajj fund management, ensuring optimal benefits for prospective pilgrims while maintaining compliance with fiscal regulations.

Given the significant role that the tax exemption policy plays in shaping BPKH's financial management, it is essential to examine the impact of this policy on BPKH's financial performance. This leads to the development of the research framework and hypotheses, which aim to assess the changes in BPKH's financial performance before and after the implementation of the tax exemption policy.

Research Framework and Hypothesis

Figure 1. Research Framework



Based on the research framework above, the primary hypothesis of this study posits that the income tax exemption policy on financial instruments used for Hajj fund management has a positive impact on BPKH's financial performance during the

periods 2018-2019 (pre-policy) and 2022-2023 (post-policy). Specifically, this hypothesis suggests that the tax exemption policy enhances BPKH's net investment returns, thereby strengthening its financial position and increasing the benefits provided to Hajj pilgrims.

Based on the research objectives, which include analyzing the policy's impact on financial performance, the proportion of financial instruments, and optimal allocation strategies, the specific hypotheses for comparing performance before and after the income tax exemption policy are as follows:

1. Solvency Ratio

The income tax exemption positively impacts BPKH's solvency, reflected in the decrease of Debt to Equity Ratio and Debt to Asset Ratio. This policy is expected to reduce the financial burden on BPKH, thereby strengthening its capital structure and improving solvency.

H1: There is a significant difference in BPKH's solvency performance before and after the income tax exemption policy on Hajj fund management.

2. Efficiency Ratio

The income tax exemption positively affects BPKH's investment activities, reflected in an improvement in the Efficiency Ratio. This policy is expected to encourage BPKH to be more active in managing and rotating Hajj funds, thereby increasing asset utilization efficiency.

H2: There is a significant difference in BPKH's efficiency performance before and after the income tax exemption policy on Hajj fund management.

3. Profitability Ratio

The income tax exemption positively impacts BPKH's profitability, reflected

in improved profitability performance. By increasing the net investment returns from Hajj fund management, this policy is expected to enhance the return on assets and equity.

H3: There is a significant difference in BPKH's profitability performance before and after the income tax exemption policy on Hajj fund management.

4. Proportion of Financial Instruments

The tax exemption policy provides more flexibility in selecting financial instruments, which can, in turn, enhance BPKH's financial performance.

H4: There is a significant difference in the proportion of financial instruments managed by BPKH after the implementation of the income tax exemption policy on Hajj fund management.

Research Method

This study employs a quantitative approach with a comparative method to analyze the financial performance of BPKH before and after the implementation of the income tax exemption policy on hajj fund management. The tests conducted include descriptive statistical tests and hypothesis testing. Financial performance is measured using solvency, efficiency, and profitability ratios, as well as a comparison of financial instruments between the periods 2018-2019 (before the policy) and 2022-2023 (after the policy). This quantitative method is supported by data processing applications to analyze the results.

This study uses financial performance as the dependent variable. Furthermore, the independent variables used are detailed as follows:

Table 2. Operationalization of Independent Variables

Variable Name (Before)	Variable Name (After)	Definition	Indicator	Scale
Solvency Ratio (Before Income Tax Exclusion)	Solvency Ratio (After Income Tax Exclusion)	Measures BPKH's ability to meet its long-term obligations and reflects a healthy capital structure..	Debt to Equity Ratio (DER) $\frac{\text{Total Liabilities}}{\text{Total Net Assets}}$ Debt to Assets Ratio (DAR) $\frac{\text{Total Liabilities}}{\text{Total Assets}}$	Ratio
Efficiency Ratio (Before Income Tax Exclusion)	Efficiency Ratio (After Income Tax Exclusion)	Measures BPKH's efficiency in utilizing its assets to generate revenue and optimize its available resources.	Net Benefit Ratio (NBR) $\frac{\text{Net Benefit (NM)}}{\text{Total Assets}}$ Tax-Cost to Income Ratio (CIR) $\frac{\text{Tax Expense}}{\text{Benefit Value (NM)}}$	Ratio
Profitability Ratio (Before Income Tax Exclusion)	Profitability Ratio (After Income Tax Exclusion)	The profitability ratio measures BPKH's ability to generate profits from financial instruments used in Hajj fund management.	Return on Assets (ROA) $\frac{\text{Benefit Value of PII}}{\text{Total Assets}}$ Return on Investment (ROI) $\frac{\text{NM Investment}}{\text{Total Investment NM Placement}}$ $\frac{\text{Total Investment NM Placement}}{\text{Total Placement}}$	Ratio

Population and Sample

The population of this study consists of all financial data from BPKH for the period 2018 to 2023. This includes the financial reports, data on financial instruments, and relevant information regarding the implementation of the income tax exemption policy. The sample for this study consists of BPKH's annual financial reports from 2018-2019 (pre-policy) and 2022-2023 (post-policy). These periods were selected to assess the impact of the

income tax exemption policy implemented in 2020. Purposive sampling was used to select the most relevant data based on the study's objectives, focusing on financial performance and financial ratios.

The inclusion criteria are:

- Annual Financial Reports and BPKH's Reports for 2018-2019 and 2022-2023: The study will analyze these reports to assess financial performance before and after the policy implementation.

- Data on BPKH's Financial Performance: The analysis will focus on financial ratios and other performance indicators for both periods.

The exclusion criteria are:

- Incomplete or missing financial data for the selected years.
- Reports outside the study's timeframe (2018-2023).
- Data that does not include the necessary financial performance indicators or financial instruments relevant to the research.

Data is primarily collected from BPKH's official website (bpkh.go.id) and supplemented by additional reports obtained directly from relevant BPKH divisions. This ensures the reliability and validity of the data for analysis.

Data Collection and Analysis

The data required for this study will be collected from BPKH's official annual financial reports, which contain detailed information on the financial performance of the agency as well as the composition of the financial instruments used to manage Hajj funds. The selected reports will provide a comprehensive view of the performance metrics necessary for comparison before and after the tax exemption policy.

To ensure the validity and reliability of the data, these reports are sourced directly from BPKH's official website, bpkh.go.id, where they are publicly available and regularly audited. In addition to these reports, supplementary data will be gathered directly from relevant divisions within BPKH, further strengthening the authenticity of the information. Descriptive statistical techniques will be used to analyze the data, summarizing financial ratios and the composition of financial instruments. The Wilcoxon Signed Rank Test, a non-parametric statistical method, will be employed to test for significant differences in BPKH's financial performance across the two periods (2018-2019 and 2022-2023). This test is particularly suitable given the

study's focus on comparing matched pairs of data, and it will help assess the hypothesis at a significance level of 5%. The results of this test will guide the decision-making process regarding the impact of the income tax exemption policy on BPKH's financial performance.

Results and Discussion

Description of Research Object

The Hajj Financial Management Agency (BPKH) is responsible for managing Hajj funds in Indonesia, operating since July 26, 2017. BPKH manages funds based on Islamic principles, ensuring transparency and accountability. In 2020, the government introduced a tax exemption policy on Hajj fund deposits and financial instruments, aiming to increase management efficiency and optimize funding for Hajj financing. This study analyzes BPKH's financial reports for the periods before (2018-2019) and after (2022-2023) the tax exemption policy, focusing on financial ratios reflecting solvency, efficiency, and profitability, specifically: Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Net Benefit Ratio (NBR), Tax-Cost to Income Ratio (Tax-CIR), Return on Assets (ROA), and Return on Investment (ROI).

Results of Financial Ratio Analysis

The solvency ratios are used to evaluate the proportion of liabilities to assets or equity, reflecting an entity's capacity to meet its long-term obligations. In BPKH's case, liabilities do not arise from commercial loans but from managing Hajj funds, welfare, and operational expenses. A higher liability ratio indicates greater reliance on unused Hajj funds, while a higher equity ratio reflects BPKH's ability to build stronger financial reserves. This study uses the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) to measure the relationship between BPKH's liabilities and its equity and assets. The following table and graph illustrate the solvency ratios

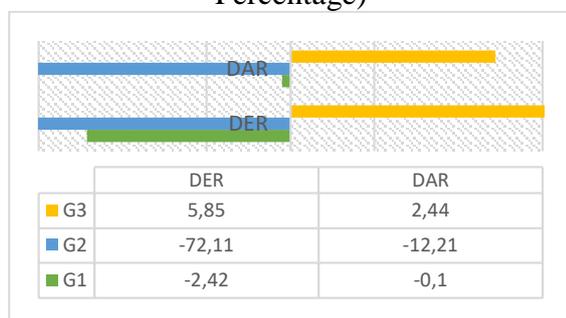
of BPKH for the years 2018, 2019, 2022, and 2023, showing the impact of the tax

exemption policy on the institution's solvency and investment performance

Table 3. Solvency Ratio

Solvency Ratio	2018	2019	2022	2023
Debt to Equity Ratio (DER) <i>Total Liabilities</i> <i>Total Net Assets</i>	2476,93%	2416,99%	674,06%	713,48%
Debt to Assets Ratio (DAR) <i>Total Liabilities</i> <i>Total Assets</i>	96,12%	96,03%	84,30%	86,36%

Figure 2. Solvency Ratio Growth (In Percentage)

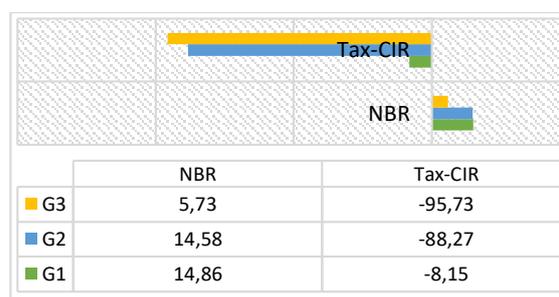


The efficiency ratio, also known as the activity ratio, is a measure used to assess the extent to which an entity can optimize the use of its assets to generate revenue and support its operations. This ratio is crucial for evaluating the management of BPKH's financial resources in achieving its financial objectives. The table below shows the detailed calculation and visual representation of the efficiency ratio.

Table 4. Efficiency Ratio

Efficiency Ratio	2018	2019	2022	2023
Net Benefit Ratio (NBR) <i>Net Benefit (PIH + DAU)</i> <i>Total Investment & Placement Asset.</i>	5,17%	5,94%	6,80%	7,19%
Tax-Cost to Income Ratio (CIR) <i>Tax Expense</i> <i>Benefit Value</i>	21,50%	19,75%	2,32%	0,10%

Figure 3. Growth of Efficiency Ratio (Percentage)



The analysis of the efficiency ratio in this study focuses on the Net Benefit Ratio (NBR), which measures the effectiveness of total assets in generating net benefits, and the Tax-Cost to Income Ratio (Tax-CIR), which assesses the efficiency of tax management by looking at the proportion of tax to operating income. With the implementation of the tax exemption policy, it is expected that efficiency in asset management will improve and tax burdens will decrease, allowing BPKH to allocate more funds to productive investments.

The profitability ratio reflects BPKH's ability to manage hajj funds to generate benefits for pilgrims through efficient investments. This study uses two key profitability ratios: Return on Assets

(ROA) and Return on Investment (ROI), which assess the effectiveness of asset and investment management, particularly in placing funds in Islamic banks and other Sharia-compliant financial instruments. The table below shows the detailed calculation and visual representation of the profitability ratio.

In profitability ratios, a higher ratio indicates that BPKH's investments are generating optimal benefits for pilgrims, reflecting efficiency in fund management. On the other hand, a lower ratio may signal suboptimal investment returns, which could be attributed to regulatory changes, market conditions, or specific fiscal policies, such as tax exemptions on Sharia-compliant financial instruments.

Table 5. Profitability Ratio

Profitability Ratio	2018	2019	2022	2023
Return on Assets (ROA)				
<i>Benefit Value of PIH</i>	5,00%	5,76%	6,64%	7,03%
<i>Total Investment & Placement Assets</i>				
Return on Investment (ROI)				
<i>Benefit Value of Investment</i>	5,35%	5,99%	7,55%	7,30%
<i>Total Investment</i>				
Return on Placement (Penempatan)				
<i>Benefit Value of Placement</i>	4,74%	5,45%	4,02%	6,04%
<i>Total Investment</i>				

Figure 4. Growth of Profitability Ratio (Percentage)

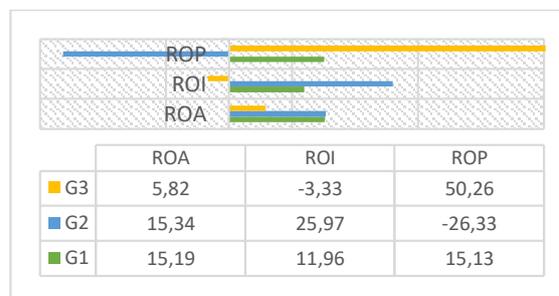


Table 6. Allocation of Financial Instruments

PIH Financial Instruments	Before Policy				After Policy			
	2018	ROI/ ROP	2019	ROI/ ROP	2022	ROI/ ROP	2023	ROI/ ROP
Investment	43%	5,35%	56%	5,99%	74%	7,55%	79%	7,30%
Placement	57%	4,74%	44%	5,45%	26%	4,02%	21%	6,04%

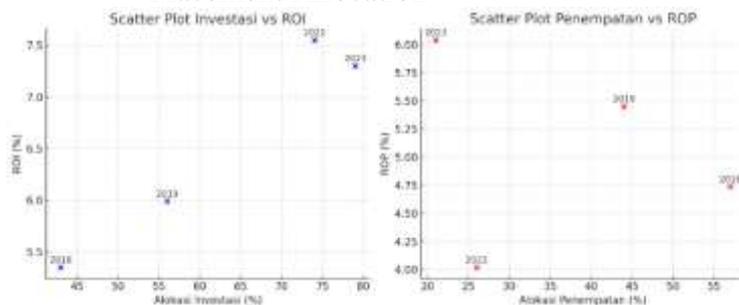
Financial Instruments Allocation

The allocation of financial instruments by BPKH is divided into two categories: Sharia-compliant investment instruments and financial instruments placed in Islamic banks. The financial instruments managed by BPKH, as regulate in Government Regulation No. 5 of 2018, aim to support the development of the Hajj fund to achieve the maximum return or benefit for the implementation of Hajj Services (Penyelenggaraan Ibadah Haji, PIH). The following table presents the allocation and visualization of financial instruments, along with the benefit ratios generated.

Figure 6. Investment Trends, Placement, ROI (Return on Investment), and ROP (Return on Premium).



Figure 6. Scatter Plot of Investment and Placement Allocation



The allocation of investment and placement financial instruments is further divided into several financial instruments, with allocation limits regulated under Government Regulation No. 5 of 2018. The following table presents the allocation, net return, and the calculation of the ratios for each financial instrument.

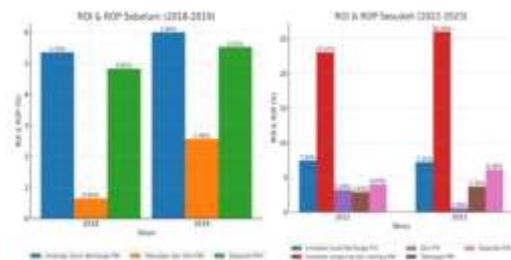
Table 7. Allocation and Net Benefit Value of Each Instrument Before Policy (2018-2019)

Financial Instruments	Allocation	2022		Allocation	2023	
		ROI / ROP	Net Return		ROI / ROP	Net Return
Securities	109.866.	7,44%	8.173.3	118.893.781.4	7,21%	8.568.214.7
Investment	456.652. 596		77.810. 719	39.259		46.612

Direct Investments & Others	779.065.973.000	23,01 %	179.246.965.136	577.792.727.996	26,00 %	150.234.528.925
Current Account Savings	165.563.641.272	3,20%	5.302.565.118	339.236.648.698	0,56%	1.910.417.604
Time Deposit	407.231.544.806	2,91%	11.846.244.032	815.202.956.362	3,70%	30.127.556.641
	37.687.115.132.125	4,03%	1.520.200.487.088	31.270.750.559.090	6,16%	1.925.635.617.066

Table 8. Allocation and Net Benefit Value of Each Instrument After Policy (2022-202)

Figure 6. Trends in Allocation and Net Return of Each Financial Instrument



Financial Instruments	2018			2019		
	Allocation	ROI / ROP	Net Return	Allocation	ROI / ROP	Net Return
Securities Investment	46.896.606.693.724	5,35 %	2.510.265.904.523	69.993.826.869.199	5,99%	4.194.592.657.034
Savings & Current Account	1.292.183.984.493	0,65 %	8.407.359.540	1.137.948.152.954	2,56%	29.146.861.012
Time Deposit	62.126.899.165.077	4,82 %	2.996.050.135.815	52.909.190.509.290	5,52%	2.918.842.801.075

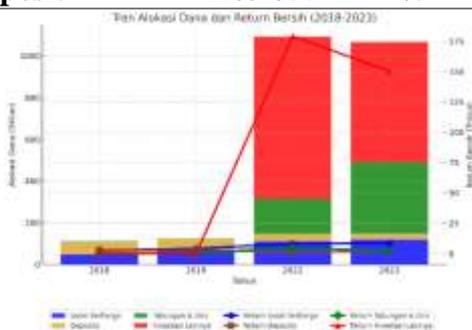


Figure 7. ROI and ROP for the Period Before (2018-2019) and After (2022-2023)

Results of Descriptive Statistical Analysis

Descriptive Statistical Analysis is used to provide an overview of the data collected in this study. This analysis technique presents data in the form of tables that detail statistical calculations such as the mean, standard deviation, minimum, and maximum values to better understand the characteristics of the data. Below are the results of the descriptive statistical analysis.

Table 9. Results of Descriptive Statistical Analysis Calculation

	Statistic Descriptives Analysis									
	Periode									
	(2018-2019)					(2022-2023)				
	Mean	Median	Std. Deviation	Minimum	Maximum	Mean	Median	Std. Deviation	Minimum	Maximum
Debt to Equity	2446,96	2446,96	42,38	2416,99	2476,93	693,77	693,77	27,87	674,06	713,48
Debt To Asset	96,08	96,08	0,06	96,03	96,12	85,33	85,33	1,46	84,30	86,36
Net Benefit	5,56	5,56	0,54	5,17	5,94	7,00	7,00	0,28	6,80	7,19
Tax-Cost to Income	20,63	20,63	1,24	19,75	21,50	1,21	1,21	1,57	0,10	2,32
Return on Asset	5,38	5,38	0,54	5,00	5,76	6,84	6,84	0,28	6,64	7,03
Return on Investment	5,67	5,67	0,45	5,35	5,99	7,43	7,43	0,18	7,30	7,55
Return on Placement	5,10	5,10	0,50	4,74	5,45	5,03	5,03	1,43	4,02	6,04
Investasi	49,50	49,50	9,19	43,00	56,00	76,50	76,50	3,54	74,00	79,00
Penempatan	50,50	50,50	9,19	44,00	57,00	23,50	23,50	3,54	21,00	26,00

The descriptive statistical analysis is further detailed by seven financial ratios and focuses on the allocation of financial instruments : Investment and Placement. The analysis includes measures such as Mean, Median, Standard Deviation, Minimum, and Maximum, grouped into two periods: 2018-2019 (before) and 2022-2023 (after).

Results of the Wilcoxon Signed-Rank Test

Hypothesis testing was conducted using the Wilcoxon Signed Rank Test to assess the impact of the income tax exemption policy on the financial performance of BPKH between the periods of 2018-2019 (before) and 2022-2023 (after). The study tested four hypotheses regarding solvency, activity, profitability, and the allocation of financial instruments managed by BPKH.

Table 10. Results of the Wilcoxon Signed-Rank Test

	Test Statistics ^a									
	DER_Po sttest - DER_Pr etest	DER_Po sttest - DER_Pr etest	NBR_Po sttest - NBR_Pr etest	Tax-CIR_Posttest - Tax-CIR_Pretest	ROA_Po sttest - ROA_Pr etest	ROI_Po sttest - ROI_Pr etest	ROP_P osttest - ROP_Pr etest	Investas i_Posttest - Investas i_Pretes t	Penemo atan_Po sttest - Penemp atan_Pr etest	
Z	-1.342 ^b	-1.342 ^b	-1.342 ^c	-1.342 ^b	-1.342 ^c	-1.342 ^c	-0.447 ^b	0,000 ^b	0,000 ^b	
Asymp. Sig. (2-tailed)	0,18	0,18	0,18	0,18	0,18	0,18	0,65	1,00	1,00	

The results of the Wilcoxon Signed Rank Test, using a 95% confidence level and a 5% significance threshold, determined whether significant differences existed in

BPKH's financial performance before and after the policy implementation, with the decision rule based on the significance value being either below or above 0.05.

Comparison of Solvency Ratios Before and After the Tax Exemption Policy

Based on solvency ratio calculations, both Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) showed a declining trend until 2022, followed by an increase in 2023. In 2018 and 2019, DER was exceptionally high at 2476.93% and 2416.99%, respectively. However, it significantly decreased by 71.05% to 699.60% in 2022, before rising by 3.8% to 726.19% in 2023. Similarly, DAR in 2018 and 2019 was high at 96.12% and 96.03%, and decreased by 8.89% to 87.49% in 2022, with a slight increase of 0.46% to 87.90% in 2023. These high DER and DAR values reflect BPKH's funding structure, which primarily relies on funds from hajj pilgrims, recorded as liabilities, as BPKH manages these funds for investment and operational purposes.

Descriptive analysis shows that, during 2018-2019, DER had an average of 2446.36% with a standard deviation of 42.38%, indicating a high and relatively stable proportion of liabilities to net assets. In contrast, the 2022-2023 period saw a sharp decrease in DER to an average of 633.77% with a standard deviation of 27.87%, suggesting reduced debt use relative to net assets. This could indicate a more conservative investment strategy following the implementation of the income tax exemption policy. The lower DER may reflect a shift to less leveraged investment instruments to optimize returns.

For DAR, the average in 2018-2019 was 96.08%, signifying that around 96% of assets were financed by debt. In 2022-2023, this decreased to 85.33%, indicating a reduced reliance on debt for asset financing. This decline suggests that after the tax exemption policy, BPKH relied more on equity or income generated from investments to fund its assets, resulting in a healthier financial structure with lower debt dependency.

The Wilcoxon test results showed no significant difference in solvency ratios before and after the tax exemption policy,

with a p-value of 0.18, which is higher than 0.05. This suggests that there is insufficient evidence to conclude that the tax policy caused a significant change in DER or DAR. Factors such as the short data period and external events, like the COVID-19 pandemic, which delayed hajj pilgrimages and increased net assets, likely influenced these results. The transition period for BPKH's investment strategy by regulations such as PP No. 5 of 2018 and the economic impact of the pandemic should be considered when interpreting these findings. The non-significant result ($p > 0.05$) in this study can be attributed to the relatively short timeframe (2018-2023) since BPKH's establishment in 2017, which may not allow enough time for the full impact of the income tax exemption policy to materialize. In contrast, a study by Alawneh (2022), which analyzed the relationship between fiscal policy and Islamic finance over a longer period (2000-2020), found statistically significant effects of government spending and taxation on Islamic financing and investment. The study used the Fully Modified Ordinary Least Squares (FMOLS) model and showed that fiscal policies have a long-term impact on Islamic finance. This suggests that, if this study were extended over a longer period, more significant results might emerge, highlighting the importance of allowing sufficient time for fiscal policies to show their effects on financial performance.

From a fiscal policy perspective, the aim of the tax exemption policy was to increase BPKH's financial flexibility by reducing the tax burden on specific investment instruments. This would theoretically allow BPKH to allocate more funds toward higher-yield investments. Further research with a longer time frame is recommended to fully understand the long-term effects of the tax exemption policy.

Comparison of Efficiency Ratios Before and After the Tax Exemption Policy

Based on the efficiency ratio calculations, the Net Benefit Ratio (NBR) increased from 5.17% and 5.94% in 2018-2019 to 6.80% and 7.19% in 2022-2023. The positive growth trend of NBR shows increases of 5.73% (G3), 14.58% (G2), and 14.86% (G1), indicating that BPKH has gradually improved its efficiency in managing investments. This improvement is attributed to better investment strategies and optimization of sharia-compliant financial instruments as per PP No. 5 of 2018. The increase reflects BPKH's growing ability to provide greater benefits to pilgrims, in line with its goal of managing hajj funds safely and optimally.

On the other hand, the Tax-Cost to Income Ratio (Tax-CIR) decreased significantly from 21.50% and 19.75% in 2018-2019 to just 2.32% and 0.10% in 2022-2023. This indicates a substantial reduction in BPKH's tax burden over time, which is directly linked to the income tax exemption policy on financial instruments governed by PMK No. 18/2021. As a result of this tax incentive, the tax burden that previously affected BPKH has now become insignificant, allowing BPKH to allocate more investment returns for the benefit of the hajj pilgrims.

Descriptive statistics reveal that NBR rose from 5.56% to 7.00%, indicating improved efficiency in generating net benefits from investments after the tax policy was implemented. The standard deviation of NBR increased slightly from 0.54% to 0.68%, suggesting that while efficiency improved, there was slight variability in the net benefit outcomes. Additionally, Tax-CIR decreased significantly from 20.63% in 2018-2019 to 1.21% in 2022-2023, with a notable reduction in standard deviation from 12.4% to 1.05%, reflecting greater stability in the tax burden post-policy.

While the Wilcoxon test results show no statistically significant difference in efficiency ratios before and after the tax exemption policy ($p = 0.18$), the descriptive analysis indicates improved efficiency.

Limitations in data may have impacted statistical significance. From a stewardship theory perspective, the increase in NBR suggests that BPKH is responsibly managing the hajj funds with caution and optimizing benefits. From a fiscal policy perspective, the tax exemption has reduced the tax burden, enhancing the efficiency of fund management for the benefit of pilgrims.

In summary, although statistical tests did not show significant changes, the financial ratio analysis and descriptive statistics highlight improved efficiency in hajj fund management. The increase in NBR indicates optimized investments, while the decrease in Tax-CIR reflects the positive effects of fiscal policy on tax efficiency. The results suggest that BPKH has managed the funds responsibly, although further evaluation is needed to observe the long-term significance of these changes. Thus, fiscal policies, especially tax exemptions, can positively contribute to the efficiency of socially-based financial institutions, though their impacts may take time to materialize statistically.

Comparison of Profitability Ratios Before and After the Tax Exemption Policy

Based on the profitability ratio calculations and graph, BPKH's Return on Assets (ROA) increased from 5% in 2018 to 7.03% in 2023. The Return on Investment (ROI), which indicates investment management effectiveness, also improved from 5.35% in 2018 to 7.36% in 2023. This signifies that BPKH's investment strategy, particularly in sharia-compliant financial instruments at Islamic banks, has become more optimal. The tax exemption policy on these investments may have contributed to improved investment effectiveness, as BPKH can now achieve higher returns compared to the period before the policy. However, external factors such as the Islamic financial market conditions and BPKH's investment policy can also influence return fluctuations.

The Return on Placement (ROP), reflecting the benefit of hajj fund placements in sharia financial instruments, also increased from 4.74% in 2018 to 6.04% in 2023. This increase indicates that BPKH's investment policy has become more effective in selecting placement instruments that offer high returns with well-managed risks.

ROA growth showed an increase of 5.82% for Group G1, while Groups G2 and G3 experienced a decrease. This indicates that not all asset categories generate the same return, depending on the investment strategy. ROI grew the most in G1 with 14.58%, reflecting that investments in certain instruments provided better returns compared to previous periods. Meanwhile, ROP showed fluctuating growth with G1 experiencing an increase of 11.86%, while G2 and G3 declined.

Descriptive statistics show that profitability ratios (ROA, ROI, ROP) improved after the income tax exemption policy was implemented. In the 2018-2019 period, the average ROA was 5.67%, ROI was 5.87%, and ROP was 5.10%. In the 2022-2023 period, the average ROA increased to 6.83%, ROI to 7.08%, and ROP to 5.30%. This increase suggests improved investment efficiency, aligning with stewardship theory, where BPKH as the fund manager is responsible for optimizing benefits for hajj pilgrims.

However, despite the descriptive improvements, the Wilcoxon Signed Ranks Test shows no statistically significant changes. The p-value for ROA and ROI is 0.18 ($p > 0.05$), indicating that the changes are not significant. For ROP, the p-value is 0.65 ($p > 0.05$), suggesting that changes in ROP are less significant than ROA and ROI. This indicates that although there is a trend of financial performance improvement, the impact of the tax exemption policy on efficiency is not statistically significant in the short term.

These results reflect that the fiscal policy through the income tax exemption on hajj fund investment instruments has

helped improve profitability, but other factors such as investment management efficiency, market risks, and global economic conditions also influence investment outcomes. This is in line with fiscal policy theory, where tax incentives can benefit sharia financial institutions, but their effectiveness depends on the institution's ability to allocate funds optimally.

Overall, while the increases in ROA, ROI, and ROP descriptively indicate that BPKH has improved its investment efficiency post-tax policy implementation, the lack of statistical significance suggests the need for further evaluation with a longer period or additional analytical methods to measure the long-term impact of this policy on BPKH's financial efficiency.

Impact of Financial Instrument Allocation Changes on BPKH's Financial Performance

This section evaluates the impact of BPKH's shift in financial instrument allocation, comparing the period before and after the implementation of the tax exemption policy. The data analysis from Table and Chart reveals a significant change in BPKH's financial strategy. Prior to 2022, BPKH primarily allocated funds to placements, with 57% in 2018 and 44% in 2019. During this period, ROI ranged from 5.35% to 5.99%, while ROP varied between 4.74% and 5.45%.

Following the introduction of the tax exemption policy in 2022, BPKH significantly increased its investment allocation. The investment share rose to 74% in 2022 and 79% in 2023, while the placement share declined to 26% and 21%, respectively. This shift resulted in an increase in ROI, which peaked at 7.55% in 2022 and slightly decreased to 7.30% in 2023. Meanwhile, ROP showed fluctuations, dropping to 4.26% in 2022 before rising to 6.04% in 2023. This trend indicates that reallocating funds from lower-return placements to higher-return

investments has led to improved financial performance.

Further analysis of the scatter plots reinforces this finding. Prior to the tax exemption, ROI from investments was relatively low, ranging from 5.35% to 5.99%. However, after the policy was implemented, with a larger portion of funds allocated to investments, ROI increased to 7.30% to 7.55%. This positive correlation suggests that increasing the proportion of investments has been beneficial, in line with the policy's aim of optimizing BPKH's financial returns.

This analysis supports the strategic recommendation for BPKH to continue reducing its reliance on placements and increase its focus on higher-return investments. The tax exemption policy has significantly enhanced investment returns, and BPKH should continue leveraging this opportunity to optimize its portfolio and financial outcomes.

Strategic Recommendations for Optimizing Financial Instrument Allocation

The data analysis clearly shows that the shift toward higher-return investments has been successful. By reallocating funds from lower-return placements to more profitable financial instruments, BPKH has improved both ROI and ROP, demonstrating the effectiveness of this strategy.

A key recommendation is for BPKH to increase its allocation to direct investments in sectors such as sharia banking and real estate. These sectors have consistently shown strong returns, and investing in these areas aligns with BPKH's mission to manage hajj funds in accordance with Islamic principles. Real estate investments, especially sharia-compliant properties, could offer stable returns and diversify BPKH's portfolio over time.

In addition, BPKH should further diversify into high-return financial instruments such as sharia-compliant mutual funds or sukuk. The data indicates

that these instruments provide better returns compared to traditional placements like deposits and giro accounts. Furthermore, BPKH could consider increasing its allocation to liquidity-based instruments, which have demonstrated attractive returns and provide flexibility in managing cash flows.

Conclusion

Based on the analysis, the results indicate that there is no significant difference in solvency, efficiency, and profitability ratios before and after the tax exemption policy was implemented, as the p-values for all ratios are greater than 0.05. However, descriptive analysis shows improvements in these ratios. Solvency ratios (DER and DAR) decreased, reflecting a better funding structure with less reliance on debt. Efficiency ratios (NBR and Tax-CIR) improved, indicating positive effects from the tax exemption policy, while profitability ratios (ROA, ROI, and ROP) showed slight increases, although these were not statistically significant.

The evaluation suggests that the change in financial instrument allocation post-policy resulted in improved financial performance for BPKH, particularly with the increased ROI. The optimal strategy to enhance financial performance includes increasing investments in high-return instruments such as sharia banking and waqf property, diversifying into sharia-compliant securities, and reducing reliance on low-return instruments like deposits and giro accounts. Despite the lack of significant statistical differences, the policy has positively impacted BPKH's efficiency, profitability, and funding structure, although its effects are not yet strong enough for short-term significance. Further studies with a longer time frame are needed to assess the long-term impact of the tax exemption policy on BPKH's financial performance..

Recommendation

Based on the conclusions, several recommendations for both BPKH and future research can be made. For BPKH, it is suggested to explore ways to enhance efficiency and improve the management of investments, while continuing to monitor financial performance to optimize the potential benefits of the tax exemption policy. A broader focus on diversifying investment strategies may further support BPKH's financial goals. For future research, it is recommended to consider expanding the sample size and duration of the study to capture a more comprehensive picture of fiscal policy impacts. Additionally, future studies could examine non-financial factors, such as stakeholder satisfaction and overall policy effectiveness, to provide a more holistic understanding of the long-term effects of fiscal policies on Islamic financial institutions.

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