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“Digital Transformation and Sustainable Business: Challenges and Opportunities for Higher Education Research and Development”

Implementation of Good Amil Governance Based on Zakat Core Principles (ZCP) at Amil Zakat Institutions in Palembang City

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Abstract

Zakat collected from the community can be managed by Lembaga Amil Zakat (LAZ). In order to be considered a good zakat management organization, one of the prerequisites for its establishment is that it must receive legal authority from the Ministry of Religious Affairs to make it possible for zakat funds to be disbursed to those in need. The goal of this study is to comprehend how amil governance is implemented using the basic zakat principles published by Badan Amil Zakat Nasional (BAZNAS) as a basis for creating minimal requirements for the efficient administration and mobilization of zakat. The method used in this research is a qualitative approach with the case study of the LAZ in the city of Palembang, data collection techniques such as interviews, observations and documentary studies. The research results show the LAZ studied have implemented good governance principles based on the fundamental principles of zakat.

Keywords: *good amil governance, zakat core principles, zakat governance*

Introduction

 (Times New Roman; font 11; bold; sentence case, left)

The development of Zakat Collection Institutions (LAZ) in Indonesia is showing increasingly encouraging figures. LAZs serve as a platform for collecting potential community zakat funds for distribution to those in need. According to data from the Indonesian Ministry of Religious Affairs, there are 170 officially licensed LAZs, divided into three categories: national, provincial, and district/city.

The national LAZs comprise 45, provincial 39, and district/city 86. At the 2024 National Coordination Meeting of Zakat Collection Institutions (LAZ), held on October 15, 2024, by the Indonesian National Zakat Collection Agency (BAZNAS), Minister of Religious Affairs Yaqut Cholil Qoumas stated that LAZs also play a role in poverty alleviation and improving community welfare. However, the increasing number of LAZs established by community organizations must be accompanied by a sound management system. A good Zakat Management System (LAZ) will be reflected in the governance system implemented.

According to Fatmawati et al. (2023), the proliferation of zakat management institutions/organizations does not optimize zakat management, particularly zakat collection. This is evident in the fact that the amount of ZIS funds collected remains far less than the zakat potential in Indonesia. Zakat potential in Indonesia reached IDR 327 trillion in 2024, but only IDR 41 trillion has been realized (BAZNAS, 2024).

Furthermore, Permana and Baehaqi (2018) stated that good governance is necessary for LAZ to improve professional performance to meet stakeholder interests. Masruroh et al. (2023) found that if the values of Good Amil Governance (GAG) can be internalized within Zakat Agencies/Institutions and systematically implemented in accordance with established principles. Zakat Collection Institutions (LAZ), under the



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supervision of BAZNAS (National Zakat Agency), actually possess significant potential for zakat collection but remain poorly managed due to several factors. These problems can be caused by zakat institutions not being considered professional, zakat fund managers lacking competence and having a low work ethic, and bureaucratic and governance systems that are not yet integrated within the zakat institutions (Fadillah, 2011).

Furthermore, according to Fatmawati et al. (2023), the proliferation of LAZs, low synergy between institutions and stakeholders, and the public's perceived low credibility are also contributing to the suboptimal implementation of LAZ governance. The implementation of good amil governance is a crucial aspect of effective and transparent zakat management. Various studies have shown that factors such as the application of accounting standards, internal controls, information technology, and organizational culture play a significant role in supporting successful implementation.

BAZNAS (National Agency for Zakat Management) has issued guidelines for zakat governance, outlined in the Zakat Core Principles (ZCP), which serve as a guideline for existing zakat institutions in the zakat management process. The ZCP regulates the Zakat Core Principles (PPZ), consisting of 18 PPZs adapted from the Basel Core Principles. This adaptation is intended to ensure that the PPZs reflect international standards for high-level principles for implementing and evaluating zakat supervision practices. PPZs 1-7 represent the principle categories for the main group, namely the authority, responsibilities, and functions of zakat supervisors. PPZs 8-18 represent the regulations and prudential requirements for zakat institutions in the second group.

To demonstrate the implementation of good zakat governance, PPZ 7 addresses the authority of zakat supervisors to make corrections and impose sanctions, and PPZ 8 addresses good governance for amil (collective administrators). However, this study only uses PPZ 8 because the purpose of this study is to see how the implementation of good Amil governance in LAZ in Palembang City. PPZ 8 - Good amil governance aims to supervise zakat institutions, which requires each LAZ to have solid amil governance policies and processes and include Sharia compliance, strategic tools, a control environment, and knowledge of zakat management and the responsibilities of zakat institution administrators.

This study aims to examine the implementation of PPZ 8—good governance of amil amil in the zakat amil institutions in Palembang city whether it has met the governance standards set by BAZNAS in the Zakat Core Principles (ZCP). With this study, the zakat amil institutions will receive a positive response from the muzakki who distribute their zakat to be delivered to the mustahiq who have been recorded and can be ensured to meet the governance values that apply to zakat amil institutions in Palembang city.

Literature Review

Sakapurnama et al. (2013) highlighted the importance of transparency and the factors influencing the implementation of the Public Information Disclosure Law in Surakarta and Lombok, demonstrating that transparency is a key pillar of good governance. Fatmaningrum (2015) emphasized that internal control, the use of information technology, and total quality management positively influence the implementation of good governance in zakat institutions, asserting that integrating these three aspects can improve the effectiveness of zakat management.

Fadilah et al. (2018) added that socialization and training related to zakat fund management, including aspects of internal control and organizational culture, are crucial for improving the capacity of amil (collectors) to implement good governance principles.

Another study by Rahman dan Koesmawan (2023) confirmed that the implementation of PSAK 109 and the strengthening of financial management in general contribute to the successful implementation of good



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governance in zakat institutions. Furthermore, Maulana et al. (2020) assessed that the application of good amil governance principles based on the Zakat Core Principles at LAZ Nurul Hayat Surakarta demonstrated that a principles-based approach and organizational culture can improve governance effectiveness.

Candraningsih et al. (2020) emphasized that the consistent application of good corporate governance principles and PSAK 109 in zakat institutions such as the Solopeduli Foundation demonstrates that adherence to governance standards and principles can increase the institution's trust and accountability. Majid (2020) highlighted that implementing ISO 9001 quality standards can improve the overall performance of zakat institutions, emphasizing that international standards in quality management can support efficiency, effectiveness, and improved service standards.

Good Amil Governance (GAG) is essential for enhancing the effectiveness and trustworthiness of zakat management institutions in Indonesia. The implementation of GAG principles, which include transparency, accountability, and integrity, is crucial for optimizing zakat collection and distribution, ultimately contributing to poverty alleviation.

Principles of Good Amil Governance

- Transparency: Ensures that all financial activities are open to scrutiny, fostering trust among stakeholders
- Accountability: Zakat institutions must be answerable for their actions, which enhances public confidence in their operations
- Integrity and Fairness: These principles ensure that zakat funds are managed ethically and equitably, benefiting the intended recipients

Implementation Challenges

- Despite the positive implementation of GAG principles, challenges remain, such as inefficiencies in zakat distribution and public skepticism regarding management practices
- Institutions like BAZNAS have made strides in addressing these issues, yet continuous improvement is necessary to maintain stakeholder trust

While the implementation of GAG principles has shown significant progress, some organizations still struggle with transparency and accountability, which can hinder their effectiveness in zakat management. Addressing these challenges is vital for maximizing the potential of zakat in Indonesia. Based on the explanation above, existing LAZs require solutions to these issues. Overall, this explanation indicates that the effective implementation of good amil governance requires a combination of accounting standards, internal controls, information technology, organizational culture, and international quality standards. This holistic approach is believed to increase transparency, accountability, and professionalism of zakat institutions in optimally managing zakat funds.

Methods

This study employed a descriptive qualitative research method with an inductive approach. Primary data collection was conducted through in-depth interviews with selected informants, namely the Zakat Collection Institutions (LAZ). Three LAZs were selected: LazisMU, Dompet Dhuafa, and the Infaq Management Institution (LMI). The informants were the management within each LAZ who understood and were knowledgeable about the governance system within the zakat collection institutions. The data analysis process in this qualitative study was carried out iteratively, starting from the initial stages of data collection and



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continuing throughout the writing phase. Data analysis entails an organized and methodical search through interview transcripts, field notes and other materials gathered from the field.

The interviews used an interview instrument developed from Sharia governance indicators, consisting of transparency, accountability, responsibility, independence, fairness, Sharia compliance, and service quality at zakat institutions, and adopted the 8 Basic Zakat Principles concerning good zakat governance. Interview questions representing each indicator are presented in the following table:

Table 1. Interview questions for informants

No	Indicator	Question Items
1.	Implementation of good sharia governance	<ol style="list-style-type: none">1. <i>Transparency</i> : Is your LAZ transparent about all activities that occur, both in the process of presenting public financial reports; openness of information about work programs; transparency in planning, allocation, and distribution of ZIS funds; and openness in budgeting, including activities carried out by LAZ?2. <i>Accountability</i> : Does your LAZ have clear functions and implementation of responsibilities for the divisions within the LAZ so that management runs effectively?3. <i>Responsibility</i> Does your LAZ have social responsibility in the education, economic, and environmental sectors, with programs related to these sectors? Can you name these programs?4. <i>Independency</i> Is your LAZ managed independently without any intervention from any party so that each division is able to work according to its respective obligations and does not dominate the others?5. <i>Fairness</i> Is your LAZ managed based on the principle of justice, ensuring fair distribution? This means that Amil is entitled to 12.5% of the total zakat collected. If these funds are insufficient for operational purposes, they can be obtained from funds other than zakat at a nationally agreed percentage.6. <i>Shariah Compliance</i> Has your LAZ fulfilled the principles of Sharia compliance in accordance with the



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		rules, fatwas, and laws related to the withdrawal, maintenance, and distribution of zakat assets?
2.	Zakat Core Principle 8 – Good governance of amil	<ol style="list-style-type: none">7. <i>Service Quality</i> Has your Zakat Institution (LAZ) maintained the quality of its services to its zakat payers, including adequate infrastructure, ease of ZIS payments, and an accessible and understandable platform? If so, can you describe the facilities and infrastructure available at your LAZ?1. Amil is given the right to your Amil Zakat Institution (LAZ) in the amount of 12.5% of the total zakat collected.2. There is a Human Resource Development Program for Amil.3. There are procedures for propriety and eligibility in the recruitment process for Amil HR at your Zakat Amil Institution (LAZ).4. The Amil at your Zakat Amil Institution (LAZ) has been certified by an official institution and is recognized.5. There is active supervision of the implementation of directions, evaluation of amil governance practices, and supervision of zakat strategies through regular and scheduled leadership meetings/plenary meetings.6. There are standards in managing conflicts of interest (such as recruitment of amil, procurement of goods and services, distribution and utilization, muzakki, and financial services).7. Your Zakat Collection Institution (LAZ) has obtained an ISO Certificate

(references: Processed Data and Zakat Core Principles)

Results and Discussion

Implementation of Good Sharia Governance

The results of this study based on the indicators presented show that the implementation of Sharia governance has been fully implemented by LazisMu, Dompet Dhuafa, and LMI, in accordance with the



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principles of good governance, including transparency, accountability, responsibility, independence, fairness, Sharia compliance, and quality of service. The LAZ (Islamic Zakat Institution) study demonstrated excellent **transparency** and openness, as demonstrated by the availability of public financial reports that are publicly accessible. These reports are accessible through the LAZ website, which has also been reported to the National Zakat Agency (BAZNAS) and the Ministry of Religious Affairs as the authorized agencies. This indicates that LAZ has implemented the principle of transparency, a key indicator of good governance.

In terms of **accountability**, the LAZ studied effectively implemented the principle, as each element has been assigned tasks and responsibilities according to their capacity and competence. The principle of **responsibility** in LAZ, based on good Sharia governance, is demonstrated by its numerous program activities, divided into education, economics, environment, and social sectors, which are allocated to the eligible recipients (mustahiq). These programs are implemented by LAZ to account for the zakat funds distributed by the zakat payers and to facilitate the zakat recipients' choice of programs.

The **independence** of LAZ allows activities to be carried out without intervention and interference from external parties, so that each division in the LAZ studied is able to work according to its obligations while still running according to BAZNAS and government regulations. In the **Fairness** indicator, the zakat amil institution manages zakat funds submitted by muzakki and distributed to mustahiq according to 8 asnaf. The rights of an amil working in LAZ are taken from 12.5% of the total zakat funds collected. In addition to the amil's rights from zakat, there is an additional portion of infaq whose amount is deducted according to the MUI fatwa and the direction of the sharia council. However, so far the rights of amil from zakat are sufficient to cover the operational costs of the institution. To implement the principle of **sharia compliance**, each LAZ has received periodic sharia audits, both from the foundation owner and from external auditors. For **service quality**, LAZ always maintains the quality of service to the community by providing easier payment access through several website platforms, e-commerce, QRIS, or zakat that can be picked up directly at the muzakki's home.

Implementation of Zakat Core Principle 8 – Good Amil Governance

The implementation of the principles of good amil governance conducted by Zakat Core Principles. For more clarity regarding the distribution of the implementation of Good Amil Governance based on the Zakat Core Principles (ZCP) issued by BAZNAS see the table below.

Table 2. Good Amil Governance Result

No	Question Items	Result
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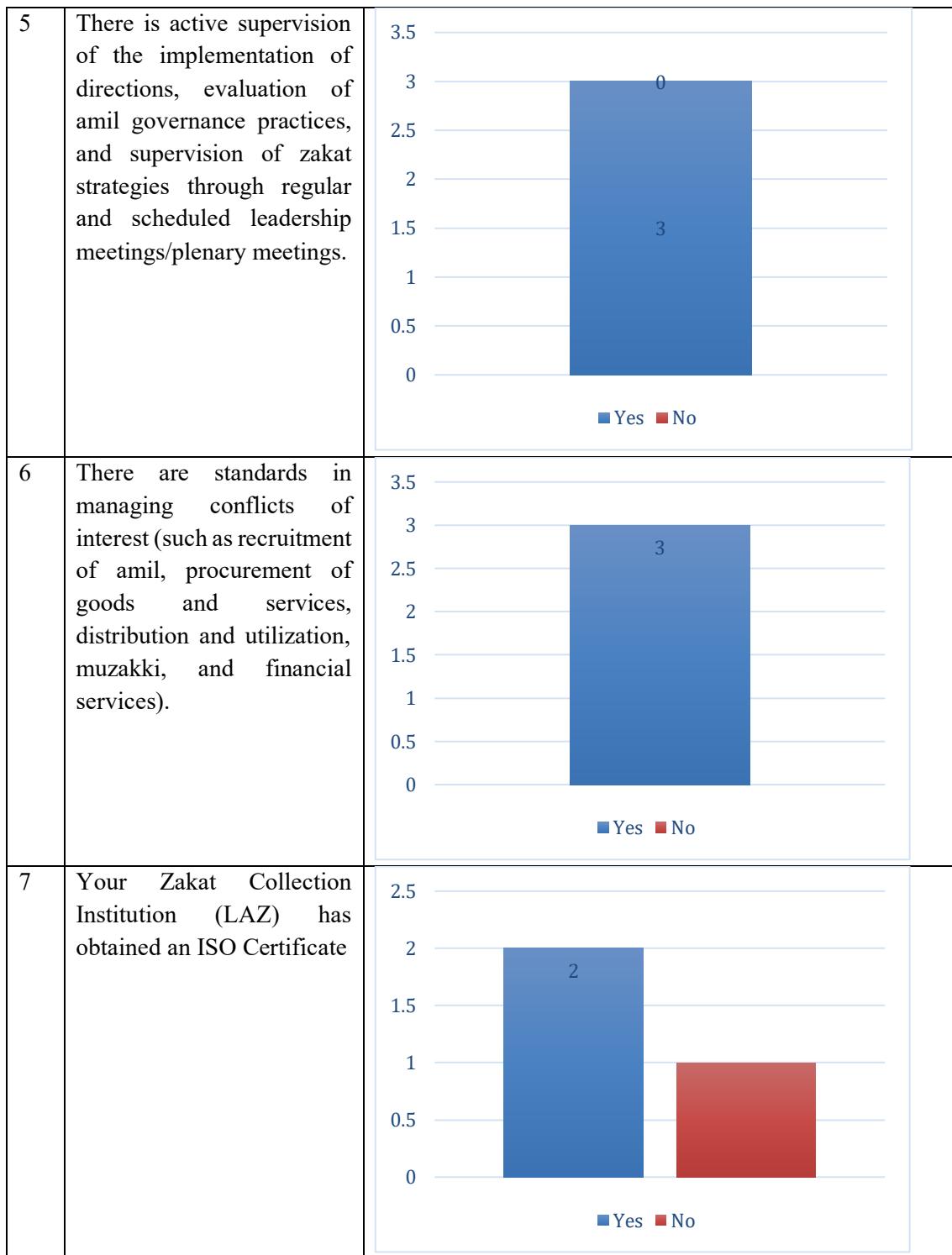
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1	Amil is given the right to your Amil Zakat Institution (LAZ) in the amount of 12.5% of the total zakat collected.	<p>The chart is a bar chart titled "The implementation of the amil right at 12.5%". The y-axis ranges from 0 to 2.5 with increments of 0.5. The x-axis has two categories: "Yes" and "No". The "Yes" bar is blue and reaches a height of 2. The "No" bar is red and reaches a height of 1. The legend below the chart indicates that blue represents "Yes" and red represents "No".</p> <table border="1"><thead><tr><th>Response</th><th>Count</th></tr></thead><tbody><tr><td>Yes</td><td>2</td></tr><tr><td>No</td><td>1</td></tr></tbody></table>	Response	Count	Yes	2	No	1
Response	Count							
Yes	2							
No	1							
2	There is a Human Resource Development Program for Amil.	<p>The chart is a bar chart titled " ". The y-axis ranges from 0 to 3.5 with increments of 0.5. The x-axis has two categories: "Yes" and "No". The "Yes" bar is blue and reaches a height of 3. The "No" bar is red and reaches a height of 0. The legend below the chart indicates that blue represents "Yes" and red represents "No".</p> <table border="1"><thead><tr><th>Response</th><th>Count</th></tr></thead><tbody><tr><td>Yes</td><td>3</td></tr><tr><td>No</td><td>0</td></tr></tbody></table>	Response	Count	Yes	3	No	0
Response	Count							
Yes	3							
No	0							
3	There are procedures for propriety and eligibility in the recruitment process for Amil HR at your Zakat Amil Institution (LAZ).	<p>The chart is a bar chart titled " ". The y-axis ranges from 0 to 3.5 with increments of 0.5. The x-axis has two categories: "Yes" and "No". The "Yes" bar is blue and reaches a height of 3. The "No" bar is red and reaches a height of 0. The legend below the chart indicates that blue represents "Yes" and red represents "No".</p> <table border="1"><thead><tr><th>Response</th><th>Count</th></tr></thead><tbody><tr><td>Yes</td><td>3</td></tr><tr><td>No</td><td>0</td></tr></tbody></table>	Response	Count	Yes	3	No	0
Response	Count							
Yes	3							
No	0							
4	The Amil at your Zakat Amil Institution (LAZ) has been certified by an official institution and is recognized.	<p>The chart is a bar chart titled " ". The y-axis ranges from 0 to 2.5 with increments of 0.5. The x-axis has two categories: "Yes" and "No". The "Yes" bar is blue and reaches a height of 2. The "No" bar is red and reaches a height of 1. The legend below the chart indicates that blue represents "Yes" and red represents "No".</p> <table border="1"><thead><tr><th>Response</th><th>Count</th></tr></thead><tbody><tr><td>Yes</td><td>2</td></tr><tr><td>No</td><td>1</td></tr></tbody></table>	Response	Count	Yes	2	No	1
Response	Count							
Yes	2							
No	1							



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Based on the results, it can be concluded that the implementation of good Amil governance has been carried out very well, although there are still 2 items that do not meet expectations regarding the implementation in LAZ. The first item is the allocation of 12.5% of the zakat funds received from muzakki, where 1 LAZ answered



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negatively regarding the amount of funds allocated for amil and LAZ operations. This could be influenced by the policies of the leadership or the foundation overseeing the LAZ, so in the future, recommendations can be given to allocate 12.5% of zakat funds for amil. The other item is that there are LAZs that do not have ISO certification. The absence of ISO certification may be due to the lack of funds to carry out the certification process from the ISO issuing body, and it is hoped that this can be realized in the future, as ISO is one of the performance indicators of well-certified institutions.

Conclusion

In this study, it can be concluded that the application of good management practices by the amil at the three zakat institutions that were the subject of research has been implemented very well, although there are LAZ that have not met standards in 2 items. It is hoped that future research can investigate other LAZ with a larger number to better represent results for a higher level. In addition, there is a need to update the principles that will be applied to the zakat institutions set by BAZNAS.

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