

## Implementation of Good Governance for Zakat Management (Case Study at Baznas Kudus Regency)

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### ABSTRACT

This study aims to analyze the implementation of good governance in Zakat Management Organisation (Baznas) Kudus. This study uses a qualitative method with an interpretive approach. The type of research is field research. The setting of the research was carried out at the Badan Amil Zakat Nasional (Baznas) of Kudus Regency. Data analysis techniques using data reduction, data presentation, and concluding. The informants of this research are the staff of Baznas Kudus and zakat stakeholders. The results of this study indicate that BAZNAS Kudus has been quite good in implementing the principles of transparency, accountability, responsibility, independence, and fairness. Komite Nasional Kebijakan Governansi (KNKG) in 2022 has issued General Guidelines for the Governance of Indonesian Non-Profit Organizations. The governance principles are transparency, accountability, ethics, and sustainability. For further research, this guide can be used as an analysis tool for the implementation of good governance in nonprofit organizations.

Keywords: Baznas, Good Governance, Zakat Management



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### INTRODUCTION

Implementing good governance in organizations improves company performance (Mukhtaruddin et al., 2019; Putra & Simanungkalit, 2014). Furthermore, applying zakat management institutions can increase public trust and confidence (Latifah et al., 2019). With the potential of 229.62 million Muslim population in Indonesia, the potential for zakat cannot be ignored. However, data shows that currently managed zakat is still around 3.5% of the zakat potential, reaching 230 trillion rupiahs. Efforts that can be made to maximize the potential of zakat are to increase public awareness (Nurhasanah & Suryani, 2018). In addition, it is necessary to improve the performance of zakat managers in the form of accountability in the financial statements of zakat management (Nurhasanah, 2018; Syafiq, 2016).

Accountability is a form of good governance (Asaduzzaman & Virtanen, 2016). Governance has become an issue that has been widely discussed by academics, practitioners, and policymakers, along with the development of New Public Management. With good governance, it is expected to reformulate the role of public administration in solving problems in developing countries, such as

corruption, stagnant economy, political instability, riots, and human rights violations. Asaduzzaman & Virtanen (2016) conclude that good governance can make an organization more effective: transparency, participation, responsiveness, accountability, and the rule of law. Thus, applying the principles of good governance in zakat management organizations is very much needed in the performance of zakat institutions. Good management and appropriate accountability are expected to increase public trust in distributing funds managed by zakat management organizations.

Most of the Kudus community are Muslims who are obliged to pay zakat. Of the total population in Kudus, amounting to 851,478 people and 97.57% of them are Muslims. With a large Muslim population, Kudus has the potential for zakat, which can be used to reduce poverty. The potential for zakat is also obtained from government employees (ASN) in Kudus by setting aside 2.5% of the employee income allowance (TPP). The policy of the Kudus Regent through Circular Letter Number: 951/4093/04.02 of 2020 concerning the Distribution of Zakat through the Baznas of Kudus Regency. In 2020, the realization of professional zakat receipts from the Baznas Kudus Regency reached two billion IDR (Baznas Kudus, 2021).

This research is a research development Ambarsari et al. (2020), Niffilayani (2019), dan Sudirman (2019). Ambarsari et al. (2020) analyze the implementation of good governance in the financial reporting system, and Niffilayani (2019) dan Sudirman (2019) explore the implementation of good governance with internal data sources. This study seeks to obtain a complete picture of stakeholders, especially managers, donors (Muzakki), and recipients (Mustahik), about good governance practices with instruments of transparency, accountability, responsibility, independence, fairness, and fairness justice.

Baznas is an institution authorized to carry out the mandate as a fund manager for Muslims nationally. For this reason, its management must be guided by Islamic rules or laws, namely the Qur'an, Hadith, Ijma', and Qiyas. As an institution that manages zakat funds collected from the community, Baznas must apply the relevant concepts. The concepts of Sharia Enterprise Theory and Agency theory are considered very appropriate in the management of zakat, infaq, and alms funds.

Sharia Enterprise Theory is a theory that is internalized from Islamic values, which understand that its basic actions are related to humans, nature, and God (Hermawan & Rini, 2018). Given this theory, stakeholders as the caliph of Allah are given the mandate to process resources and distribute them fairly to all creatures on earth. Allah is the primary source because as the sole and absolute (Triuwono, 2001). Based on this concept, this theory includes divinity, social and accountability aspects. This theory explains that accounting must serve both the owner and the public concerned. Baznas, a nonprofit entity that manages zakat funds, has a need for accountability according to Islamic law and good governance.

Agency theory is often associated with corporate governance. Agency theory in the theory of the firm explains the relationship between the board of directors, managers, staff, owners, and other stakeholders. Although corporate governance originated for profit companies, the concept can also be extended to all organizations, including nonprofit organizations (Puyvelde, 2013). The principal-agent relationship can be defined as a contract between parties to perform tasks on their behalf in which some decision-making authority is delegated to the Agent (Jensen & Meckling, 1976). Agency theory is implemented in the relationship between Muzakki (as Principal) and Baznas as manager of zakat funds (as Agent). Muzakki trusts Baznas to manage zakat funds to prosper Muslims. The attitude of trust and a great sense of responsibility must be applied in its management because it involves the interests of stakeholders at large.

The two theories emphasize the responsibility of the organization or the manager to the stakeholders at large, namely Allah, humans, and nature. The theory also emphasizes not

prioritizing personal interests and putting the public interest first. The theory is very sustainable in applying good governance in the zakat funds management.

Good governance has the principle of transparency, namely openness in the decision-making process and exposure in providing material information in an easily accessible way (Kaihatu, 2006). Financial reports are important and much-needed information in the Amil (zakat fund manager) because, with the financial reports, the stakeholders can monitor the flow of funds given to the Amil. There is a positive correlation between the disclosure of financial statements to zakat receipts (Mediawati, 2012). It means that the more openness and the easier the public accesses the information, the public trust will increase and give the effect of receiving more zakat.

Mediawati (2012) also mentioned that accountability could increase zakat receipts. The clarity of functions and duties shows the accountability of zakat management organizations under UU Number 23 of 2011 concerning Zakat Management. Organizations must be accountable for their performance transparently and fairly. Therefore, it is necessary to have proper management while considering stakeholders' interests (Permana & Baehaqi, 2018). Accountability is compliance in the management to sound principles and applicable laws and regulations. Baznas must adhere to the principles of prudence and compliance with applicable laws and regulations and carry out social responsibility towards the surrounding environment (Manossoh, 2016).

Baznas managers must act independently according to their roles and functions without pressure from any party not following the organization's operational system. (Kusmayadi et al., 2015). Baznas must be managed independently, so there is no mutual domination or intervention by other parties. Baznas management must also treat stakeholders fairly and equally, whether Muzakki or Mustahik.

Previous research has been conducted by Yulinartati et al. (2020) related to the principles of good governance and the level of satisfaction of Muzakki in distributing zakat at the Amil in Jember Regency. They concluded that high transparency, accountability, responsibility, independence, and fairness would increase the satisfaction of Muzakki in distributing zakat funds. Other research conducted by Latifah et al. (2019) shows that Baznas has a high GCG index value of 61,83, meaning that Baznas discloses information about good governance in its financial statements and website with a high value. Similar research was conducted by Atsarina (2018) by analyzing the implementation of GCG in zakat management organizations (case studies in Baznas and Dompot Dhuafa) with the results that Baznas and Dompot Dhuafa have implemented good governance concerning the principles of transparency, accountability, responsibility, independence, and fairness.

## METHODS

The research data is in the form of primary data obtained through interviews with informants and based on direct observations from documents and social media owned by Baznas Kudus. This study's informants were Baznas Kudus employees, the treasurer of salaries at the Kudus Regional Government Office, and Muzakki. The Baznas employees who became the informants of this research were Ahmad (not real name) as staff for collection and general administration, Bagus (not real name) as distribution and utilization staff, and Maria (not real name) as finance and reporting staff. The salary treasurer who became the informant was Hadi (not his real name) as the salary treasurer at the District Office. Meanwhile, the Muzakki who became the informant was Umi (not her real name) as an ASN in Kudus Regency at the Puskesmas. Testing the validity of the data is done by triangulation of sources, namely Baznas employee informants, salary treasurers, and Muzakki (zakat donors). The data analysis technique uses the Miles & Huberman (Yin, 2018) Model: data reduction, data presentation, and concluding.

## RESULTS AND DISCUSSION

Good governance is vital in managing Zakat, Infaq, and Sadaqah (ZIS) funds. In addition, the main factor in implementing good governance that is considered important is the accountability and responsibility in carrying out the mandate given by donors (Muzakki) and responsibilities to God, the community, and other stakeholders.

Baznas Kudus was officially established in 2018 based on the Presidential Instruction of the Republic of Indonesia No. 3 of 2014 concerning the optimization of zakat collection in ministries/state institutions, local governments, BUMN, and BUMD through Baznas. The formation of Baznas Kudus started from Bazis (Badan Amil Zakat Infaq and Sadaqah), which the Government of Kudus Regency itself managed, then Bazis turned into Bazda (Badan Amil Zakat Daerah). The organizational structure of Baznas Kudus has just formed the Chair and Deputy Chair I and the implementing staff.

The main target of zakat receipts comes from the professional zakat of the government employee (ASN) of the Kudus Regency, which is 2,5% of the employee income allowance (TPP). Technically, after the employee receives the TPP, the treasurer will withdraw zakat in 2,5% of the TPP received. Direct deductions from TPP payments are not allowed, so zakat is collected from ASN after receiving the TPP.

### Implementation of transparency

The practice of the principle of openness that has been carried out is first, submitting financial reports to Muzakki annually through OPD or individuals. Maria (2020), as finance and reporting staff, conveys:

“Once a month, we make a financial report to be reported to the district and management. We also provide donors/Muzakki with annual financial reports”.

Muzakki’s statement confirms this. Umi (2020) stated that he received a monthly report regarding zakat funds mandated to Baznas Kudus. However, the salary treasurer said that there was no financial report from Baznas as submitted by Hadi (2020).

Based on the statement of the Muzakki and the salary treasurer, in terms of submitting financial reports to Muzakki, Baznas transparency has not been evenly distributed to all Muzakki. It can cause the effect of public doubt, especially ASN Kudus Regency, to pay zakat through Baznas Kudus Regency. Hadi (2020) said:

“...when I collected the zakat, (researchers: employees) did not want it because it was distributed by myself. I’m lazy because it’s like a moneylender bank.”

Second, publish the distribution of zakat, infaq, and sadaqah on social media accounts. Bagus (2020), as a staff of distribution and utilization, said:

“...Baznas Kudus uses social media in the form of Instagram and Facebook for reports on distribution (Tasaruf) activities.”

This statement can be confirmed through the Instagram account @Baznaskudus and the Baznas Kudus Facebook account, which shows documentation of the distribution of ZIS funds according to the program set.



**Figure 1. Documentation of the Distribution of ZIS Funds**  
Source: Instagram and Facebook (2021)

The results of this study conclude that the principle of transparency has not been fully implemented. That is because the salary treasurer who became the informant stated that Baznas did not provide a report on the receipt of zakat paid by Muzakki, even though one of the Muzakki claimed to have received a report from Baznas. This study's results do not support Atsarina's (2018) research.

### Implementation of accountability

This principle emphasizes that Baznas must carry out their duties and functions under the mandate of the zakat management law. Planning, actuating, controlling, and reporting of zakat management accountability must be carried out properly and correctly. Baznas Kudus' accountability is planning by setting targets for zakat receipts, collecting and distributing by Islamic law, controlling activities by consistently reporting activities to the manager, and compiling financial reports as a form of accountability. Ahmad (2020) said:

“ZIS funds are collected from ASN, an allowance of 2,5% from the TPP in coordination with the respective heads of services in collecting zakat funds. ... The distribution and utilization of ZIS funds are distributed through the zakat collecting unit (UPZ) of the Ministry of Religion of Kudus. They are distributed directly by the Baznas program that has been implemented.”

However, the implementation of this principle still has weaknesses, namely related to the duties and functions of the sections that are still carried out together (dual work) due to a shortage of human resources, as stated by Bagus (2020):

“...the job description of each division is still not optimal in its implementation due to the limited human resources, so each task and responsibility is still completed together, complementing each other. And in the management of the Baznas Kudus, it is still in the process of completing the leadership.”

The results of this study indicate that the accountability principle has been implemented by Baznas, although there are still weaknesses. The focus of accountability, namely that Baznas has made a plan by determining the target for zakat receipts is under Perbaznas Number 1 of 2016 and made a report on the implementation of zakat management under Perbaznas Number 4 of 2018. While the weakness is that there are still concurrent positions by Baznas staff due to limited human resources. This research supports research by Atsarina (2018).

### Implementation of responsibility

The forms of accountability that have been carried out are recording the receipt and distribution of ZIS, compiling financial reports, and distributing ZIS under Islamic law. In addition, the principle of responsibility at Baznas Kudus can be seen from the duties for Muzakki by facilitating



transactions and interactions in distributing zakat funds. The Baznas Kudus office is always open to the public, whether they want to entrust their ZIS funds or apply for recipients (Mustahik). It is facilitated for Mustahik with their programs, not only distributing obligatory zakat funds but also infaq and sadaqah funds distributed to Mustahik for the welfare of life. The allocated funds are not only consumptive but also productive, such as funding for business capital. Maria (2020) conveys:

“Every month, we make a financial report to be reported to the district, and every semester we also make a report to the province and the center. ...Zakat, Infaq/Sadaqah funds have been separated separately, for the *tasaruf* also differentiated. It’s all in the report.”

Baznas has implemented the responsibility by implementing the regulations and policies that have been made, compiling financial reports as stated in Law Number 23 of 2011 and Perbaznas Number 5 of 2018, and compiling reports on zakat management activities based on Perbaznas Number 4 of 2018, as well as separation of zakat funds. And infaq/sadaqah funds as stipulated in PSAK 109. The results of this study support research by Atsarina (2018).

### **Implementation of independency**

Baznas Kudus is an independent non-structural government agency. So it should not be involved in the political atmosphere of the government. The practice of independence is carried out by not being involved in political interests, and other parties do not influence decision-making. Bagus (2020) mentions:

“...We still have to be independent, without any intervention from other parties. Elements of political nuances and others should not be mixed in the zakat institution, especially in the Baznas Kudus. For example, suppose the district government applies for assistance but is not by the criteria for zakat recipients (Asnaf). In that case, Baznas cannot issue it even though the zakat is collected from the ASN.”

The independence of Baznas, as stated by the informant, is under PP No. 14 of 2014, which says that Baznas is an independent non-structural government institution. The study’s results confirm the results of the study by Atsarina (2018).

### **Implementation of fairness**

This principle emphasizes the attitude and treatment of interested parties following the proper portion. Implementing the principles of fairness and justice is first, treating fairly and equally to stakeholders, and accepting criticism and suggestions on implementing zakat, infaq, and sadaqah (ZIS) management. Bagus (2020) states:

“Baznas Kudus provides an opportunity for stakeholders, not only the management and internal structure of Baznas Kudus itself but also from stakeholders to provide input and express opinions regarding issues of transparency, accountability, and access to information provided by Baznas Kudus. Also equal and fair treatment to stakeholders by the contributions made to Baznas Kudus.”

Second, create a zakat distribution program according to the needs of the Kudus community. Ahmad (2020) conveys:

“Baznas Kudus has five programs for the distribution and utilization of ZIS, namely: economy, in the form of economic empowerment of groups or communities by providing business capital; Education, in the form of providing tuition assistance for Mustahik, construction of educational facilities and infrastructure in disadvantaged areas, MTQ training, training for relocation of corpses; Health, in the form of health service assistance and improvement of infrastructure to serve the poor; humanity, in the form of orphans compensation, assistance to victims of natural disasters, accidents, and other humanitarian tragedies; as well as *da’wah* and advocacy, in the form of financing the improvement of infrastructure for places of worship, fostering Muslim communities, as well as defending the rights and advocating for Mustahik.”

Implementing fairness and justice emphasizes the equality of stakeholders and distribution programs. Baznas has executed a distribution program following policies in accordance with the conditions of the people of the Kudus Regency. It can convince the public to entrust their zakat to Baznas, as the research results by Yulinartati et al. (2020). The results of this study support research by Atsarina (2018)..

## CONCLUSION

Baznas Kudus has been quite good in implementing the principles of Good governance. The practice of the principle of openness that has been carried out is to submit financial reports to Muzakki every year through OPD and individuals and to publish the distribution of ZIS on social media accounts. Baznas Kudus' accountability is planning by setting targets for zakat receipts, carrying out collection and distribution under Islamic law, controlling activities by consistently reporting activities to the leadership, and compiling financial reports as a form of accountability. The conditions of accountability that have been carried out are recording the receipt and distribution of ZIS, compiling financial reports, and distributing ZIS under Islamic law. In addition, the principle of responsibility at Baznas Kudus can be seen from the responsibilities for Muzakki by facilitating transactions and interactions in distributing zakat funds. The practice of independence is carried out by not being involved in political interests, and other parties do not influence decision-making. The principles of fairness and justice are to treat stakeholders fairly and equally, accept criticism and suggestions on implementing zakat, infaq, and sadaqah management, and make zakat distribution programs according to the needs of the Kudus community. Komite Nasional Kebijakan Governansi (KNKG) in 2022 has issued General Guidelines for the Governance of Indonesian Non-Profit Organizations. The governance principles are transparency, accountability, ethics, and sustainability. For further research, this guide can be used as an analysis tool for the implementation of good governance in nonprofit organizations.

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