

IMPLEMENTATION OF GOVERNANCE IN ZAKAT INSTITUTIONS: CASE STUDY OF THE NATIONAL AMIL ZAKAT AGENCY OF HULU SUNGAI SELATAN REGENCY

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Abstract

This study aims to evaluate the implementation of governance of the National Amil Zakat Agency in Hulu Sungai Selatan Regency by using three assessment tools: Zakat Core Principles, Sharia Compliance Index of Zakat Management Organization, and financial ratio analysis. Descriptive qualitative methods were used, with data collected through observation, in-depth interviews, documentation, and structured questionnaires. The findings show that the implementation of Zakat Core Principles is rated “good” with a score of 0.65, which indicates a generally effective governance structure, especially in zakat collection and legal compliance, although operational control and internal audit mechanisms are still weak. The Shariah Compliance Index of Zakat Management Organizations resulted in a score of 0.76, which indicates that the institution's operations largely comply with shariah principles. The financial ratio analysis resulted in a performance score of 1.98, reflecting high operational efficiency and effective allocation of funds to beneficiaries. However, the growth ratio indicates a need for strategic improvement in the development of zakat funds. Overall, this study contributes to the strengthening of sharia-compliant and accountable zakat governance, and provides strategic input for regional zakat institutions to implement professional and transparent management practices.

Keywords: Zakat governance; Zakat Core Principles; Shariah compliance; Financial ratios; National Amil Zakat Agency

INTRODUCTION

Zakat, infaq and sadaqah are important instruments in Islamic teachings that function as mechanisms for redistributing wealth and improving the welfare of the community. Zakat is mandatory, while infaq and sadaqah are voluntary; both reflect the social and spiritual responsibility of Muslims in helping those in need. They play a role in building a just and prosperous society through equitable wealth distribution and reducing the economic burden of vulnerable groups.

The management of zakat in zakat management organizations is one indicator of the success of the role of zakat for a good economy in terms of regulation, governance, reporting, as well as collection and distribution programs and utilization to increase added value for all parties involved. Good governance is very important because the management of zakat funds is highly dependent on the performance of human resources.

The success of zakat management is strongly influenced by the governance of zakat management organizations that include aspects of regulation, transparency, accountability, reporting, and the effectiveness of collection and distribution programs (Zakiy, Falikhatun, and Fauziah 2023). Good governance is a key factor because public trust in zakat institutions depends on the extent to which these institutions are able to demonstrate professional and responsible management. To measure the quality of governance of zakat management organizations, the Center for Strategic Studies of the National Amil Zakat Agency has developed three main indicators, namely Zakat Core Principles, Sharia Compliance Index of Zakat Management Organization and Financial Ratio of Zakat Management Organization. Zakat Core Principle is used as an evaluative instrument in assessing the zakat governance system (Beik et al. 2016), Sharia Compliance Index of Zakat Management Organization to measure the extent to which the institution complies with sharia principles (Muhammad Hasbi Zaenal et al. 2020) and financial ratios to assess the financial health as well as the efficiency and effectiveness of the institution's performance (Muhammad Hasbi Zaenal et al. 2023).

Dalam penelitian ini yang akan menjadi objek pengamatan yakni Badan Amil Zakat Nasional Kabupaten Hulu Sungai Selatan yang berdiri sejak tahun 2014. Lembaga ini telah menjalankan perannya sebagai organisasi pengelola zakat dengan berbagai program penghimpunan dan pendistribusian dana Zakat, infak dan sedekah. Pada tahun 2024, lembaga ini berhasil menghimpun dana sebesar Rp7,79 miliar dan menyalurkan Rp6,93 miliar. Capaian ini menunjukkan peran aktif badan amil zakat nasional dalam pengentasan kemiskinan, terutama di wilayah Hulu Sungai Selatan yang memiliki tingkat kemiskinan 3,38% dan kemiskinan ekstrem 0,65% (Indonesia 2024).

However, based on observations and interviews conducted, it was found that the National Amil Zakat Agency of Hulu Sungai Selatan has not fully implemented the principles of governance optimally. The last two years' financial reports have not been published and the Internal Audit Unit and Sharia Supervisory Board have not been established, indicating a weak system of supervision and accountability. In fact, the existence of these two functions is very important to ensure sharia compliance (Mediawati 2016) and reporting accuracy of zakat institutions (Shamsuddin and Bakar 2021).

According to Rusydiana and Firmansyah, the implementation of zakat core principle aims to improve the quality of zakat system by identifying weaknesses in existing supervision and regulation (Rusydiana and Firmansyah 2017). This theory is

reinforced by Febriati, Fuad, and Syihabuddin (2023) which shows that amil zakat institutions that implement the Zakat Core Principle thoroughly tend to have better governance performance, especially in terms of human resource development, supervision and fulfillment of amil rights (Febriati, Fuad, and Syihabuddin 2023). Seeing the importance of implementing good governance in zakat management organizations and the non-optimal implementation of these principles in the National Amil Zakat Agency of Hulu Sungai Selatan Regency, this study aims to analyze the extent to which governance has been implemented through three main indicators: Zakat Core Principles, Sharia Compliance Index and Financial Ratio.

METHODS

This research uses a descriptive qualitative approach that aims to explore the implementation of zakat governance in the national zakat agency of Hulu Sungai Selatan Regency. This approach is considered appropriate to explore in-depth understanding of governance practices, including sharia, institutional, and financial dimensions of zakat institutions (Silverman 2020). The evaluative model used in this research refers to the Zakat Core Principles, Sharia Compliance Index of Zakat Management Organization, and Financial Ratios as formulated by the Center for Strategic Studies of the National Zakat Agency. Theoretically, this research refers to the Good Governance approach in Islamic Financial Institutions, which integrates the principles of transparency, accountability, effectiveness, and sharia compliance.

This research uses a combination of primary and secondary data. Primary data in this study was obtained through direct observation, semi-structured interviews, and Likert scale-based questionnaires to the management and staff of the National Amil Zakat Agency. While secondary data comes from internal documents such as the annual financial report of the National Amil Zakat Agency of Hulu Sungai Selatan Regency in 2024, as well as official guidelines from the national amil zakat agency's strategic study center and scientific references related to zakat governance and Islamic finance.

Data collection techniques are conducted through five main methods. First, direct observation, to understand the governance process and zakat management activities factually in the environment of the National Amil Zakat Agency of Hulu Sungai Selatan Regency. Second, Semi-structured interview, with the management of Badan Amil Zakat Nasional of Hulu Sungai Selatan Regency to obtain an in-depth perspective on internal policies and practices. Third, Closed questionnaire, which is prepared based on the indicators of Zakat Core Principle and sharia compliance to obtain quantitative data as a complement. Fourth, documentation study, in the form of a review of the financial statements of the National Zakat Agency of South Hulu River District in 2024. Fifth,

literature study, by reviewing scientific journals and academic books relevant to zakat governance, Islamic finance, and zakat institutional management.

Data analysis techniques are carried out through thematic analysis approaches and evaluative index calculations, with the stages of processing questionnaire data using the Multi-Stage Weighted Index method, as used in the evaluation of Islamic financial systems (BAZNAS Center for Strategic Studies 2022).

$$total\ index = \sum_n^i ((WD^i \times WV_n^i \times S_n^i) \div k$$

Where is :

$Index_{total}$: total index score

WD^i : Weighting value on dimension i

WV_n^i : The weighting value of variable n in dimension i

S_n^i : Average Likert scale score on indicators in variable n and in dimension i

k : Number of Likert scales used

Furthermore, assessing each dimension and indicator on the Zakat core principle and Sharia Compliance Index according to the weight and category score and analyzing the financial statements of the National Amil Zakat Agency of South Hulu River Regency using standard ratios of efficiency, liquidity, and growth as determined by the Center for Strategic Studies of the National Amil Zakat Agency. Then, it interprets the findings based on Islamic governance theory and presents conclusions and recommendations. Due to its exploratory-descriptive nature, this research does not set quantitative hypotheses. However, this research is based on the conceptual assumption that the governance at the national amil zakat agency of Hulu Sungai Selatan district has not fully met the principles of good zakat based on the Zakat Core Principle, sharia compliance, and healthy financial ratios of zakat institutions. These assumptions are analyzed through the integration of qualitative and quantitative data in a narrative and descriptive manner.

RESULTS AND DISCUSSIONS

This study aims to evaluate the governance of the National Amil Zakat Agency of Hulu Sungai Selatan Regency using three main instruments: Zakat Core Principles, Sharia Compliance Index of Zakat Management Organization, and financial ratios. The research results are presented in the form of tables and narrative descriptions, then analyzed comprehensively.

Implementation of Zakat Core Principles

Nilai Indeks Zakat Core Principles yang diperoleh oleh Badan amil zakat nasional Kabupaten Hulu Sungai Selatan sebesar 0,65, yang berada dalam kategori baik. Hal ini menunjukkan bahwa prinsip-prinsip tata kelola telah dijalankan dengan cukup optimal, walaupun masih terdapat beberapa aspek yang perlu diperbaiki. Dimensi dengan skor tertinggi adalah fungsi intermediasi penghimpunan zakat (0,85), sedangkan skor terendah terdapat pada manajemen operasional (0,44), yang disebabkan oleh belum optimalnya fungsi audit internal.

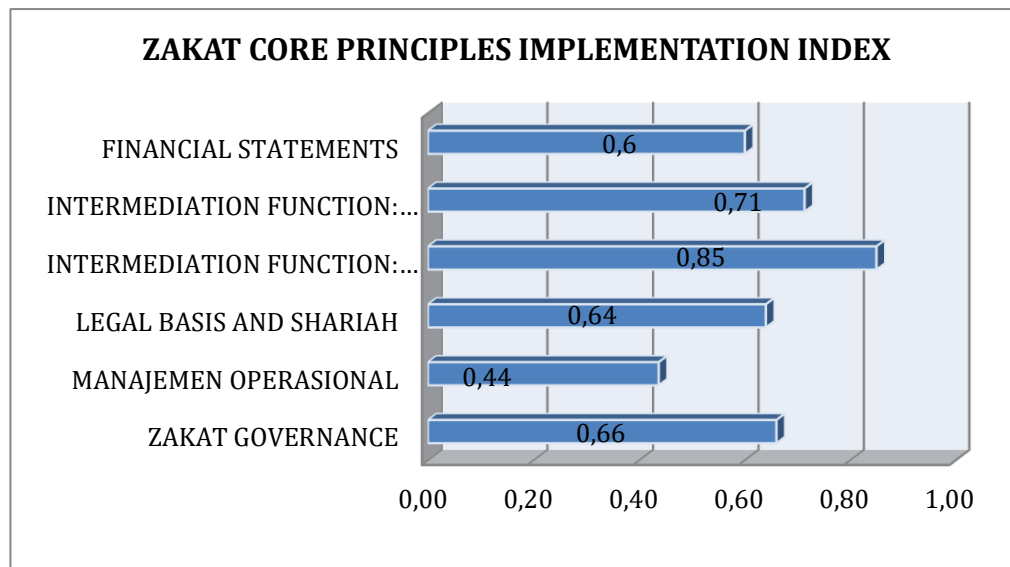


Figure 1. Zakat core principle implementation index results

The zakat governance dimension scored 0.66, with strengths in organizational structure and conflict of interest management. However, only 3 out of 11 amil have official certification. Operational management shows weak control and risk mitigation systems, indicating the need to develop Standard Operating Procedures and separate internal audit functions. The importance of such a function is explained by Muftadi (2019), who asserts that transparency and accountability are key foundations in the governance of zakat institutions (Muftadi 2019). Without a strong internal audit system and clear operational procedures, zakat institutions will find it difficult to realize honest, accurate, and trustworthy fund management by the public.

The legal basis and sharia dimension recorded a score of 0.64, supported by the completeness of legal documents. However, sharia supervision is still not conducted regularly. The distribution intermediation function is in the good category (0.71), supported by a targeted distribution strategy and multi-stakeholder partnerships. Unfortunately, the monitoring and evaluation mechanism is not yet fully standardized.

Meanwhile, the financial report dimension only recorded a score of 0.60 (fair category) due to the publication of audit reports that have not been carried out regularly. In fact, institutions such as AAOIFI (2021) recommend the publication of annual financial statements that are independently audited and publicly available to ensure accountability.

Sharia Compliance Index of Zakat Management Organization

Sharia Compliance Index of Zakat Management Organization observes the regulation, distribution of zakat fund, receipt of zakat fund, and management of the institution.

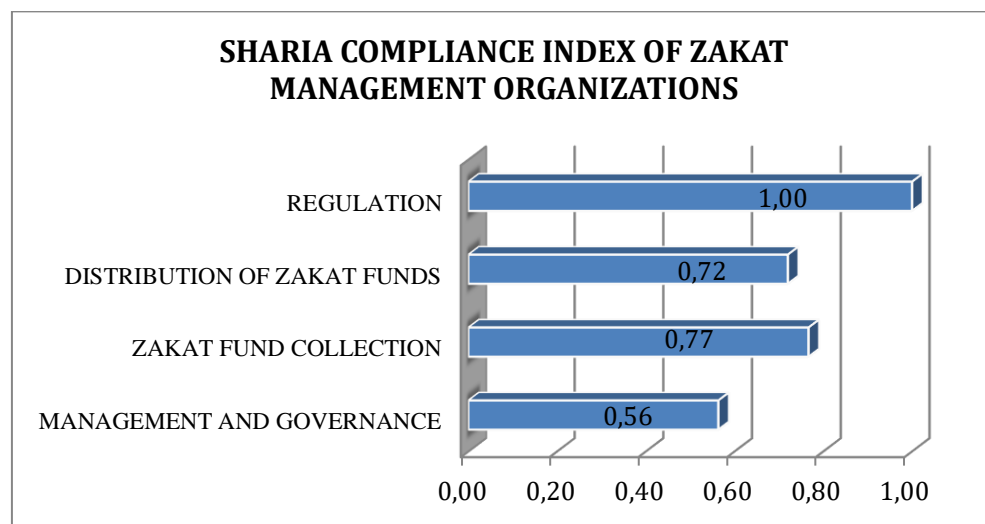


Figure 2. Sharia Compliance Index

In general, the sharia compliance level of the National Amil Zakat Agency of Hulu Sungai Selatan Regency is in the good category, with the legality dimension obtaining a perfect score (1.00), while the management and governance dimension is only 0.56. Although institutional legality has been fulfilled, there is no certified sharia supervisory board as suggested in the national standard of zakat management.

The zakat fund collection dimension received a score of 0.77, reflecting the implementation of haul, nishab, and sharia-compliant classification of zakat assets. However, not all policies are supported by legalized standard operating procedures. The distribution dimension is 0.72 and shows that the distribution has led to the fulfillment of sharia objectives (maqashid sharia), such as the aspect of hifz al-nafs in the Rumah Sehat national amil zakat agency program. This is in line with the opinion of Mohamed et al. (2021) that zakat distribution should encourage welfare through the maqashid principle (Mohammed and Taib 2015). This result supports the findings of Fauzia & Siswantoro (2020) that sharia compliance is not sufficient only in formal legal aspects, but must also

include effectiveness, ethics, and accountability in the implementation of zakat functions (Siswanto, Rosdiana, and Fathurahman 2018).

Financial Ratio Performance of Zakat Management Organization

The evaluation of the financial ratios of the National Amil Zakat Agency of Hulu Sungai Selatan Regency refers to the assessment standards developed by the Center for Strategic Studies of the National Amil Zakat Agency. The indicators used include operational efficiency, liquidity, collection growth, Allocation to Collection Ratio, and transparency of financial statements.

Table 2
Results of the Health Index Composite Value of the National Amil Zakat Agency of
Hulu Sungai Selatan Regency

Number	Variable	Number of Variable	Variable Weight	Variable Score	Score
1	Activity	1,71	0,45	0,77	1,98
2	Operational	1,12	0,25	0,28	
3	Liquidity	0,99	0,15	0,15	
4	Growth	5,21	0,15	0,78	
Variable Rating					1
Result					Excellent

The Allocation to Collection Ratio shows the ratio of distribution to collection of funds. The value is in the range of 70-89%, which is classified as good, but not optimal. This is due to the significant gap between zakat receipts (Rp4.3 billion) and infaq/sedakah (Rp2.5 billion). The infaq portion has not been maximized for productive programs, especially in the economic and health sectors.

The level of Operational Efficiency Ratio is below the maximum threshold of 30%, indicating that operational costs are still within reasonable limits. This indicates that the institution is able to carry out its functions without overburdening mustahik funds.

Observations made on the Liquidity Ratio show that the institution is able to fulfill its short-term obligations. Separation of zakat fund accounts and other social funds has been done and all funds are managed through Islamic banks, in accordance with the compliance principles of fiqh muamalah.

The study conducted on Collection Growth shows a positive trend. The increase in zakat revenue shows that the level of public trust in the National Amil Zakat Agency of Hulu Sungai Selatan Regency continues to increase, although most of it is still sourced

from the zakat of the State Civil Apparatus through local government regulations. Strengthening the participation of non-State Civil Apparatus zakat payers remains a challenge going forward.

Transparency and Publication of Financial Statements still need to be improved. Currently, published financial reports are only available for 2022. In fact, information disclosure through annual audited financial statements is very important to maintain public trust and ensure accountability of zakat management.

By taking into account all these indicators, the financial performance of the National Amil Zakat Agency of Hulu Sungai Selatan Regency can be categorized as quite good but not optimal. Strengthening is still needed in the aspects of periodic publication of financial reports, management of infaq/alms for productive programs, and sharia financial training for Human Resources managers.

Implications and Recommendations

The evaluation results conclude that the National Amil Zakat Agency of Hulu Sungai Selatan Regency has implemented the principles of zakat governance well, but still has room for improvement in institutional aspects, internal audit, and efficiency of fund distribution. Recommendations that can be proposed include strengthening Standard Operating Procedures in the field of sharia supervision and risk management, establishing an independent internal audit function, publishing financial reports regularly on digital platforms, increasing the certification of amil zakat human resources on an ongoing basis and digitizing zakat governance through the integration of web-based information systems and social media. With the implementation of this strategy, the institution is expected to be able to realize the management of zakat that is professional, transparent, and in accordance with maqashid sharia, and become a model for other zakat management organizations at the regional level.

CONCLUSION

This study shows that the implementation of zakat governance in the National Amil Zakat Agency of Hulu Sungai Selatan Regency is in the good category, with a Zakat Core Principles score of 0.65 and an OPZ Sharia Compliance Index value in the “fair to good” category. The best achievements are seen in the dimensions of intermediation of zakat collection and institutional legality, while the dimensions of operational management and internal audit are weak points that require special attention.

In terms of financial ratios, institutions have shown adequate efficiency and liquidity, but reporting transparency and optimization of infaq/sedah are still limited. Although the institution has implemented sharia principles and proper governance, strengthening Standard Operating Procedures, establishing internal supervisory

functions, and utilizing service digitalization are the main recommendations for improving the quality of zakat management.

Thus, the results of this study are in line with the initial objective to assess the effectiveness of governance of zakat institutions in the National Amil Zakat Agency of Hulu Sungai Selatan Regency, as well as to provide strategic input in efforts to improve accountability, efficiency, and sharia compliance of regional zakat institutions.

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