

THE MEANING OF GOOD CORPORATE GOVERNANCE PRINCIPLES FOR ZAKAT MANAGERS ON ASH SHOHWAH SOCIAL CHARITY FOUNDATION

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ABSTRACT

Zakat management organizations are required to guarantee both transparency and accountability of their Organization properly. Transparency and accountability are part of the Good Corporate Governance principles. Other principles are Responsibility, Independent, and Fairness. Good corporate governance is a system, process and set of rules that are built to direct and control the company. Data retrieval for this study is done by means of interviews, observation and documentation at the Ash-Shohwah Social Charity Foundation. The results of the study show that the foundation has applied the principles of Good Corporate Governance even though there is one principle that has not been fully implemented that is independency due to the collaboration in running the program.

Keywords: Foundation, Good Corporate Governance

INTRODUCTION

Generally, In Indonesia organizations are divided into two that are profit and non-profit organizations. There are differences between the two in carrying out their activities, profit organizations focus on maximizing profits while nonprofits emphasize social aspects. One form of a non-profit organization is a foundation. Foundations are legal entities consisting of wealth that is separated and intended to achieve certain goals in the social, religious and humanitarian fields, which do not have members (Law No. 16 of 2001). The existence of the foundation is currently growing rapidly in various fields, of course the existence of the foundation to this day is still needed by all levels of society (Supriyono, 2015).

Based on data obtained by the Central Statistics Agency in 2017, the poverty rate in Indonesia reached 10.64 percent of the total population which means that there are around 27.77 million poor people in Indonesia. The government effort is to reduce poverty in the Islamic perspective with the existence of zakat because the majority of the population of Indonesia is Muslims. Zakat is one of the third pillars of Islam that must be carried out for Muslims if someone has been able to fulfill it to purify his wealth by giving to the recipient of zakat or the needed community. As explained in Al-Quran Al-Baqarah verse 110 which gives the message that Islam encourages those who are capable of doing charity by donating a portion of their wealth.

The purpose of zakat in addition to carrying out the commands of Allah Subhanahu wa Ta'ala is to improve welfare and reduce social inequality in society. Research conducted by Beik (2009) shows that zakat has potential that can reduce poverty inequalities and income gaps. In order to realize sustainable zakat development there is a need for strong commitment and cooperation among all stakeholders of zakat, both the government, amil zakat agencies and institutions, and the community as a whole.

The effort is supported by the government with the establishment of zakat management organizations which aim to collect, manage, and distribute zakat funds provided by donors. Thus, the task of the zakat management organization is to communicate the importance of zakat to prospective muzzaki (donors), receive zakat given by muzzaki, then channel it to those who are entitled. The government issued a regulation with the enactment of Law Number 23 Year 2011 which replaced Law Number 38 of 1999 concerning the management of zakat. With the existence of regulatory reform, it is expected that it can provide new certainty and responsibility to zakat management organizations in managing the amil zakat body and be able to coordinate the interests of donors.

However, in reality not all zakat management organizations are ready to face the regulation, especially in providing public transparency (Yulinartati, Roziq and Ekaningsih, 2013). The current phenomenon is that there are still many people who choose to give zakat, infaq and shadaqah directly. This is partly due to the low level of public trust in zakat management institutions. Another problem is the lack of optimal performance of zakat management organizations, especially related to institutions, coordination, and human resources. In addition, the system of supervision of zakat management organizations is still weak. So that this can open a gap in misuse of zakat funds (Ministry of Religion, 2012). According to data compiled by BAZNAS in 2016 the potential for zakat in Indonesia is very large that consist of 217 trillions with a very small zakat collection of around 4 trillion, so that it is necessary to reform the management of zakat management organizations.

One of the zakat management organizations is Ash-Shohwah Social Charity Foundation (YASA). This foundation is the Amil Zakat Regional Institution (LAZDa) in Malang City which makes zakat and waqf as the focus of its management. The YASA board has made a notary deed and completeness as a form of legality of the Amil Zakat Institution (LAZ) under the name Amal

Sosial Ash Shahwah Foundation. In addition to the legality of the zakat institution, it also requires the trust of donors. Trust of donors in zakat management organizations is the key to success in the course of programs planned by zakat management organizations.

Financial statements are an integral part of organizations, both profit-oriented organizations and non-profit organizations. Financial reports that comply with this standard are needed so that the foundation continues to run well and gain public trust. Public trust in zakat management organizations is very important because it is related to the management of funds obtained from the community. Therefore, the zakat management organization is required to guarantee the transparency and accountability of its organization. Transparency and accountability are a part of the principles of Good Corporate Governance. Other principles are Responsibility, Independent, and Fairness. Good corporate governance is a system, process and set of rules that are built to direct and control the company. The aim is to create good, fair and transparent governance among various parties that are related and have interests in the company (Dwiridotjahjono, 2010).

With good organizational governance zakat payers will feel confident that the zakat they pay is used properly so that the organization can develop well and trustfully. From this background, researchers are interested in conducting research on how to administer Zakat, Infaq and Sadaqah to the Charity Foundation Sosial Ash Shohwah means the principles and implementation of Good Corporate Governance in its management.

LITERATURE REVIEW

1. *Shariah Enterprise Theory*

This theory is a theory developed from the theoretical basic concept of accounting that holds the concept of Enterprise Theory. The focus of the Enterprise Theory concept is that the whole party is involved or has interests both directly and indirectly with the company or entity, for example the owner, management, community, government, creditor, tax authorities, regulators, employees, and other interested parties. Enterprise Theory considers interested parties in the presentation of financial information, not only prioritizing information for owners but also other parties who contribute directly or indirectly to the existence of companies or institutions (Harahap, 2001).

Shari'ah Enterprise Theory has three stakeholder groups that are direct, indirect, stakeholder and nature. Direct stakeholders are those who are involved and contribute directly or indirectly to companies, such as employees, customers, management, and the government. While indirect stakeholders are parties that do not have a direct relationship with the company and do not contribute to the company, but the company has an obligation to consider their interests while sharing their welfare with them. This group is actually the most extensive group of stakeholders that is the community. Meanwhile, stakeholders are third nature or environment. Nature in the view of Islam is a sign of "existence" of God (Triyuwono, 2006). Shariah Entrepreneurship in this research is to support the disclosure of the principles of Good Corporate Governance which include accountability, transparency, responsibility, independence and fairness at the Ash Ash-Shohwah Social Charity Foundation.

2. *Good Corporate Governance*

Cadbury Committee (1992) stated that Good Corporate Governance is a system that serves to direct and control an organization. According to the Finance Committee on Corporate Governance (FCCG), defining Corporate Governance is a process and structure used to direct and manage business and company activities towards increasing business growth and corporate accountability. Another understanding of GCG by the Forum for Corporate Governance in Indonesia (FCGI) stated that good corporate governance is a set of rules that regulate relations between shareholders, company managers, creditors, governments, employees, and other internal and external stakeholders related to their obligations.

Therefore, a good corporate governance is a system that controls the company and regulates relations between interested parties to create added value for all parties.

2.1 *Good Corporate Governance Principles*

The Minister of State-Owned Enterprises (SOEs) has issued a regulation Number: Kep-117 / Mbu / 2002 Article 3 concerning the Implementation of Good Corporate Governance Practices stating that there are 5 Principles of Good Corporate Governance that are transparency, accountability, responsibility, independence and fairness.

1) **Transparency**

It means openness in carrying out the decision making process in presenting material and relevant information about the company.

2) **Accountability**

It is the clarity of functions, implementation and accountability of the organization so that company management is carried out effectively.

3) **Responsibility**

It is conformity in the management of the company to applicable laws and regulations and sound corporate principles.

4) **Independence**

It is a situation where the company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with the applicable laws and regulations and sound corporate principles.

5) **Fairness and Fairness**

It is a justice and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations.

3. Amil Zakat Institution

Amil Zakat Institution (LAZ) is a zakat management institution formed by the community engaged in the field of da'wah, education and social. The establishment of this LAZ must obtain permission from the Minister or an official who has been appointed by the Minister. The amil zakat institution has a function in helping BAZNAS to socialize, collect, distribute, utilize and manage zakat assets.

RESEACH METHOD

The type of research used in this study is qualitative research. A qualitative approach was chosen in this study because qualitative research is a method for exploring and understanding meaning (by a group of people) based on a problem that is not to look for a generalization, but seeking truth that is more specific to a location and a holistic context (its nature views an object of research in this case the meaning of Good Corporate Governance as a whole that consists of several principles, namely: Transparency, Accountability, Responsibility, Independent and Fairness).

The types of data used are primary data and secondary data. Primary data is the main data obtained by researchers from observations and interviews with internal parties (staff from managers) and external parties (donors) of Ash-Shohwah Social Charity Foundation who can provide all information related to research. While secondary data obtained through journals, laws, books and field notes.

The location to be used in this study is at the Ash Shohwah Social Charity Foundation (YASA). Key informants in this study, as presented in the table:

Table of Key Informants

No	Name	Position
1	Andi Tricahyono	Directur
2	Rizal Taufani	Finance Manager
3	Dyah Palupi	Donor

The data analysis used consists of preparing and organizing data to be analyzed, reading the entire data, analyzing in more detail by coding data, applying process data code, showing descriptions and themes, and interpreting or interpreting data.

RESULT AND DISCUSSION

1. The Profile of the Ash Shohwah Social Charity Foundation

Yayasan Amal Sosial Ash Shohwah (YASA) Malang is known as a non-profit organization that aims to empower poor people and other zakat mustahik by focusing on the fields of education, da'wah, health, economics and social humanity, by synergizing all the potential of Muslims, especially the potential funding through zakat funds , infaq, alms, and endowments.

2. Meaning of the Principles of Good Corporate Governance

The discussion in this study will be divided based on five principles of Good Corporate Governance to answer the focus of research that are the meaning and implementation of the principles of Accountability, Transparency, Responsibility, Fairness and Justice by the manager of the Ash Shohwah Social Charitable Foundation.

A. Accountability

Accountability is needed by the Amil Zakat Institution (LAZ) as a form of accountability to the zakat stakeholders. The intended zakat stakeholders are various parties related to LAZ such as donors (muzakki), the community and the state demanding that LAZ be more transparent and accountable in the report on the use of these funds. This is in line with Nikmatuniayah (2015) in his research stating that LAZ must be accountable to various parties, namely funders, beneficiaries, and the organization itself. Accountability in funders is upward, in the form of relations between organizations and donors, government agencies intentionally "giving and specifically for special purposes" to LAZ.

The Yayasan Amal Sosial Ash Shohwah defines accountability as an accountability in the process of managing funds, which includes receiving funds, channeling funds and reporting funds. The following is a description of the meaning of the management of funds in the YASA

a. Accountability of Fund Distribution

Accountability for receiving funds is the process of receiving zakat funds provided by muzakki to YASA. For managers, funds received from muzakki are mandates that must be maintained (channeled) in accordance with the wishes of muzakki. To maintain the mandate in receiving YASA funds distinguishes between receipt of zakat, infaq and shadaqah. Receipt of zakat funds is obtained from individuals, worship and fitrah while for receipt of infaq / alms funds obtained from infaq / alms funds are not bound and bound. Because of the accounting treatment for zakat funds, infaq / shodaqah from different acknowledgments and measurements. This is in accordance with the Statement of Financial Accounting Standards (PSAK) No. 10 that the receipt of

zakat funds received by amil will be recognized as an addition to zakat funds, and for receipt of infaq / shodaqoh funds recognized as an increase in infaq / shodaqoh funds: a) if in the form of cash it is recognized in the amount received and b) if it is non cash then is recognized at the fair value of non-cash assets (IAI: 2016).

The responsibility for receiving funds made by the YASA is that there is proof of acceptance given to muzzaki in the form of receipt of donations. According to the documentary data obtained, the receipt consists of three sheets, namely the first sheet for muzzaki, the second sheet for the distribution section and the third sheet for the receipt file with the receipt proving that the fund has been received and recorded by YASA. Provision of proof of payment in accordance with regulations imposed by the government in law no. 23 of 2011 in chapter 3 article 23 paragraph 1.

With the receipt of these funds, the YASA is obliged to account for donors (muzzaki) and other interested parties (Director and BAZNas). The responsibility for receiving funds can be done by recording transactions.

b. Accountability of Funds Distribution

The manifestation of the accountability of the distribution of funds applied at YASA by managers is through YASA accountability to mustahiq (people who receive zakat) in the form of programs carried out by YASA. The program includes educational programs, da'wah, happy orphans, health, social humanity, economic empowerment, orphaned Islamic boarding schools and the newest program, catering to the poor. Funds collected from muzzaki (donors) by YASA will later be channeled in accordance with the existing governance in YASA. Accountability from the distribution of zakat funds is given to 8 groups in accordance with the At-Taubah letter verse 60. Whereas the accountability for the distribution of infaq and shadaqah funds will be channeled to the program to be carried out by YASA.

PSAK 109 also explains that mustahiq has the right to receive funds from zakat, namely destitute, poor, amil, riqob, ghorim, converts, people on the journey, and fisabilillah (IAI, 2016). The responsibility for channeling funds by YASA is in accordance with PSAK 109, but YASA has not implemented overall fund distribution. Accountability from the distribution of funds carried out by YASA is distributed to only 7 groups, while for 1 group cannot be run by YASA. Factors that affect the unrealized responsibility of spending funds on this group are riqob (slaves) because YASA believes that riqob is no longer found.

c. Fund Reporting Accountability

Accountability for fund reporting is a form of YASA accountability as an amil zakat institution that collects funds and manages the infaq and shadaqah zakat funds shown in the financial statements. Amil zakat institutions must use the correct accounting system and are ready to be audited by public accountants. Although muzzaki argues that 'pays zakat' because Lillahita'alla (sincere) zakat managers must not ignore accountability in the report on the use of these funds. However, zakat managers still bear moral integrity to the community itself (Nikmatuniayah, 2015).

A form of accountability through the making of financial statements and reports on YASA programs or activities. This is in accordance with PSAK 109 which states that this form of accountability of an institution for its performance as a collector and management of funds to parties interested in the institution in the form of financial statements. The interested parties in question are the Management Board (Board of Trustees, Supervisory Board, Sharia Supervisory Board, Chair of the foundation, Divisions), Muzzaki as the source of funds and BAZNas as the official appointed by the government. Financial statements provided to the public and muzzaki in the form of magazines that contain cash flow for one month. Whereas for administrators and supervisors in the form of financial statements that contain balance sheets and cash flows.

B. Transparency

Transparency is openness in carrying out the decision making process and openness in presenting financial statement information. For YASA managers, transparency is conveyed by information about the collection and distribution of funds to stakeholders. Funds collected come from the community, so they are entitled to know the funds that go in, the funds channeled and also the reporting. Therefore, YASA employees understand the obligation to deliver financial statement information to muzzaki regarding YASA financial management in an open and objective manner. This is in line with the research of Nikmatuniayah (2015) that this transparency becomes the control of muzaki or the community towards LAZ so that transparency is associated with access for the community to get as much information on the use of funds as possible.

The more open financial statement information in an institution, shows that the level of transparency of the institution is high. The wider community has the right to obtain access to information related to its acceptance and use both in distribution and in its utilization programs. Open submission is realized with easy access for muzzaki to get that information. Based on information from the results of the research that the YASA manager understands transparency is the delivery of information about the funds obtained and their distribution to donors, mustahiq, administrators and other stakeholders, namely the government. Submission of information about managing funds to the muzzaki should adhere to the principle of honesty (siddiq), all information delivered honestly and no lies.

C. Responsibility

Accountability is conformity in the management of the foundation against the applicable laws and regulations. Zakat management organizations must be able to be responsible for all forms of performance both to stakeholders and the community. Responsibility at YASA is applied in terms of working professionally and upholding the ethical code and organizational code of ethics.

D. Independence

Independence is a situation where the organization is managed professionally without conflicts of interest and influence or pressure from outside parties. A good organization must be able to be independent and not depend on anyone, which means free from influence and interests such as government, political parties and anyone who can eliminate the independence of the organization in acting in the public interest. According to Law No. 23 of 2011 concerning the management of zakat there are two institutions that have the task of managing, distributing, and utilizing zakat, namely the National Zakat Agency (BAZNAS) and the Amil Zakat Institution (LAZ).

YASA is an amil zakat institution which is confirmed, fostered and protected by the government. Even though under the auspices of the government, namely BAZNAS, in the management of its organization YASA is independent because there is no interference from the government in its decision making. Every planning program and activity carried out by YASA is independent free without any interference from outside parties that are not in accordance with their organisation's working principles so that the management cannot be intervened by outside parties.

E. Justice

This principle explains about justice and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations (Effendi, 2016). YASA as a social-religious sharia institution that manages community funds, management of zakat funds should adhere to the principle or principle of justice. The application begins with the determination of candidates for mustahiq (who receive zakat) to determine who will be entitled to receive zakat. The survey method is used to assist in its determination. YASA volunteers conducted a field survey to see the conditions of actual mustahiq candidates so that donations were given on target. To determine it YASA has a standard that is used as a reference in choosing recipients. The standard is an economic standard that shows that the person does have economic limitations so that he is entitled to receive funds.

CONCLUSION

From the research that has been done, it is concluded that the application of the principles of Good Corporate Governance consisting of Transparency, Accountability, Responsibility, Independent, and Fairness has been carried out by YASA.

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