



Advancing Governance Innovation in Zakat Institutions: A Good Corporate Governance Model for Improving Compliance and Social Impact at LAZISMU, Indonesia

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ABSTRACT

Zakat has great potential if managed professionally. However, there are still many zakat institutions that have not been optimal in their management, so that good governance is needed, one of which is the principle of Good Corporate Governance (GCG). The purpose of this research is to find out how the management of zakat funds in the Amil Zakat Muhammadiyah Yogyakarta Special Region (LAZISMU DIY) in Indonesia is based on GCG principles. This research uses a descriptive qualitative method to deepen understanding of the practice of applying the principles of Good Corporate Governance (GCG) in the management of zakat funds at LAZISMU DIY. In collecting data, researchers used the triangulation method and analysed it using the inductive-deductive method to analyse the extent to which the management of zakat funds in LAZISMU DIY is based on GCG principles. The results of this study indicate that the management of zakat funds in LAZISMU DIY has been in accordance with sharia provisions and GCG principles. This is evidenced by the publication of activities and financial reports of the institution in the mass media (transparency); pay attention to the interests of all stakeholders (accountability); comply with applicable regulations (responsibility); no interference from other institutions and fairness (independence); refers to fair treatment of all company stakeholders (justice). Thus, the management of zakat funds in LAZISMU DIY has been in accordance with GCG principles and provides benefits to the community, especially mustahik. Researchers suggest that zakat institutions synergise more to increase public awareness of giving zakat.

Keywords: zakat, good corporate governance, lazizmu.

INTRODUCTION

In Islam, efforts to overcome poverty are carried out through two ways: first, to encourage the poor to work hard and second, encouraging the rich to

help the poor.¹ The Qur'an calls upon the wealthy to give some of their wealth to others. Indonesia has a Muslim majority population of 237,558,000 people in improving the well-being of the people of the Islamic financial system as an alternative in the economy in Indonesia, Zakat as a potential resource of the Muslims need to be managed professionally to help the government in overcoming social disparities. The Zakat Maintenance Institution in Indonesia consists of two groups of institutions namely the National Zakat Amil Body and the Amil Zakat Institute.²

Some factors are not optimum management of funds in institutions, among them is the lack of transparency of financial reports, low socialization of institutions to the public, low public confidence in the institutions that manage zakat so that still a lot of people pay zakat without through institutions.³ The optimization of the management of zakat can be achieved if there is a good system of governance in a zakat institution, then automatically the zakat institutions will get added value that will increase the trust of muzakki.⁴

One of the principles of governance in an institution is that it is based on GCG principles: accountability, transparency, fairness, responsibility, and independence.⁵ Therefore, applying these GCG principles is basically the first step towards building public confidence in any institution or organization. In the management of zakat institutions should be based on the Islamic sharia in terms of usability, justice, integrity and honesty, it is in line with the principles of GCG: transparency, accountability, responsibility, independence and fairness.⁶

Muhammad Riza Aminuddin investigated that the Amil Zakat Institute of Pekalongan City has implemented the principles of good corporate governance in a comprehensive way using the GCG principle, although its implementation is still simple and has not been implemented to the maximum extent, such as the management of information sources and publications that do not reflect the

¹ Noor Leena Haniffah, Mohammed Sharaf Shaiban, Pervaiz Ahmed, "Development and validation of a performance measurement system based on Islamic principles", *Heliyon*, Vo. 9 Issue 5, 2023 <https://doi.org/10.1016/j.heliyon.2023.e16095>.

² Sumarno Yulinartati, Adella Lagareta, "Prinsip-Prinsip Good Corporate Governance dan Tingkat Kepuasan Muzaki dalam Menyalurkan Zakat Pada Lembaga Amil Zakat di Kabupaten Jember," *Liquidity* 9, no. 1 (2020): 29.

³ Anggit Kartika Candraningsih, Endang Masitoh Wahyungsih, and Purnama Siddi, "Analisis Implementasi Good Corporate Governance Dan Penerapan PSAK No.109 Tentang Akuntansi Zakat Pada Lembaga Amil Zakat Yayasan Solopeduli Ummat," *Jurnal Ilmiah Edunomika*, 2020, 2, <https://doi.org/10.29040/jie.v4i02.1171>.

⁴ Nida Maulida Adyanti, Ima Amaliah, and Westi Riani, "Penerapan Good Corporate Governance (GCG) Pada Lembaga Pengelola Zakat Dalam Perspektif Masyarakat (Studi Kasus Pada BAZNAS Dan LAZ Di Indonesia) Implementation of Good Corporate Governance (GCG) at Zakat Management," 2019, 22.

⁵ Shinta Puspita Sari, "Pembentukan Pengaturan Tentang Good Corporate Governance (Gcg) Pada Bank Pembiayaan Rakyat Syariah," *Legal Spirit*, 2018, 28, <https://doi.org/10.31328/ls.v2i1.755>

⁶ Silvi Anggun Pertiwi, "Analisis Pendayagunaan Zakat Produktif Dalam Upaya Mengentaskan Kemiskinan Di Kota Medan (Studi Pada Badan Amil Zakat Nasional (BAZNAS) Kota Medan)," 2019, 16.

principle of transparency and good accountability to each organizer and are still implemented as they are.⁷

The National Zakat Amil Body and the National Amil Zakat Institute are institutions that act as the managers of zakat funds. As a national standard manager, he must have corporate added values, such as professionalism, religiousness, transparency, accountability, independence, fairness, integrity, service and trust. Among those values, to build a good institution, there are five basic principles of good corporate governance that are the benchmark of the trust of financial institutions. Implementing the GCG is expected to improve the quality of service and performance in the organization.⁸

The rate of accumulation of zakat in Indonesia, which is still low, may be due to several factors, among others: Compliance with paying zakat remains low. Many muzakki channel their own zakat, not through the body or organ of the amil zakat so that it is not.⁹ It's not an optimal body. The sanctions for the evaders and the obscurants are not yet firm. There is no adequate incentive for obedient societies.¹⁰ There is still the belief in some people that zakat is equal to tax so that if you have paid taxes then it is the same as paying zakat. The system of tax administration is not as optimum as the tax administration. The pledge is not considered a duty, but it is considered a bond of goodness.¹¹ There are still a number of people who do not know how to calculate the zakat. There are also some people who have not understood the difference between zakat, infaq and waqf and how to count the rate of zakat maal. The government has not made zakat an important fiscal instrument for the state's finances.

Of some unoptimal factors, the majority are related to systemic and institutional factors. In this case, the zakat manager has a very important role to play in empowering zakat and supporting the establishment of Islamic rucun, in this case an effective internal control system, in which can play a role in the realization of good governance.¹²

This research aims to measure and evaluate the performance of an institution on the GCG principle in terms of the management of zakat funds in

⁷ (Aminuddin, 2019, P. X)

⁸ Eha Nugraha, "Kualitas Pelayanan Lembaga Pengelola Zakat Terhadap Komitmen Muzakki : Kepercayaan Muzakki Sebagai Variabel Intervening" 13, no. 2 (2019): 14.

⁹ Muhammad Syahbudi, Zainal Arifin, and Andri Soemitra, "Zakatech: Readiness and Development of Zakat Fundraising in Indonesia", *IQTISHODUNA: Jurnal Ekonomi Islam* 12 (1), 2023:157-80, <https://doi.org/10.54471/iqtishoduna.v12i1.1987>.

¹⁰ Siti Nur Adila, Maritza Putri Nabila, Mulyono Jamal, Khurun'in Zahro', "The Role of Zakat in Maintaining Economic Stability Under the Threat of Global Economic Recession", in *Annual International Conference on Islamic Economics (AICIE)*, Vol. 3 Jan-Dec 2024: 279 <https://prosiding.iainponorogo.ac.id/index.php/aicie>

¹¹ M. Ridwan Umar, Muhammad Syahbudi, Sri Rahayu, Venny Fraya Hartini Nasution, and Reza Nurul Ichsan. 2025. "Optimizing Zakat Potential Management to Achieve SDGs: Case in BAZNAS of North Sumatera, Indonesia". *IQTISHODUNA: Jurnal Ekonomi Islam* 14 (1):261-86. <https://doi.org/10.54471/iqtishoduna.v14i1.3425>.

¹² Raja M. Almarzoqi, Walid Mansour, and Nouredine Krichene, "Zakat," *Islamic Macroeconomics*, 2018, 33, <https://doi.org/10.4324/9781315101583-4>.

order to increase the confidence of the muzakki who wants to commit to an institution so that the benefits are given greater. By applying good corporate governance is expected to improve the quality of services and performance in the organization.

This research is based on the argument that the GCG principle is a key factor in determining good governance in an institution. Nevertheless, this research is for the renewal of previous researchers because of the data taken from the object directly, because some previous researches did not find some evidence in their research. This is what encourages researchers to research in the Zakat institute further.

METHODS

This study employs a qualitative research design to explore the governance dynamics of Islamic philanthropic institutions within the global discourse on transparency and accountability. The research was conducted at LAZISMU Special Region of Yogyakarta (DIY), Indonesia, a zakat management organization operating in an environment shaped by increasing global demands for Good Corporate Governance (GCG) in faith-based financial entities.

The research subjects include key institutional actors—namely the director, managerial officers, and the finance division—whose perspectives are central to understanding the operationalization of GCG principles in zakat fund management. Data were collected using methodological triangulation, involving non-participant observation, semi-structured interviews, and comprehensive document analysis.

Interviews were conducted to elicit in-depth insights into governance practices, internal control mechanisms, risk management procedures, and compliance with national and international zakat governance standards. Documentary evidence consisted of financial reports, standard operating procedures, organizational policies, and audit-related documentation.

The data analysis followed Miles, Huberman, and Saldaña's interactive qualitative model, consisting of (1) data condensation, (2) data display, and (3) conclusion drawing and verification. This iterative analytic process allowed the researchers to develop a grounded understanding of how GCG principles—such as transparency, accountability, responsibility, independence, and fairness—are integrated into zakat fund management.

The research was carried out over a three-month period, enabling continuous engagement, iterative validation of findings, and cross-checking across data sources to ensure credibility, transferability, and confirmability within internationally recognized qualitative research standards.

RESULT AND DISCUSSION

Zakat Funds in LAZISMU DIY

LAZISMU DIY is administered in accordance with the principles of Islamic Sharia and the rules established by Muhammadiyah itself. The measures

for the management of zakat funds in LAZISMU DIY, receive from those who are obliged to issue zakat according to the Islamic shariah. Zakat fund collection can be done in various ways, such as bank transfer, direct payment in the office of Zakat Factor Foundation, or through the Zakat collection program organized by LAZISMU DIY.

After the surrender of the money, Amil Zakat LAZISMU DIY recorded the money of the zakat, including determining the type of zakat such as zakat fitrah, zakat money, which carries the size of money, and equate the fund of the Zakat. LAZISMU DIY performs verification against potential beneficiaries who qualify to ensure that they are eligible as beneficiaries and conduct verification to make sure that the aid is genuinely channeled to the beneficiary who qualifies.

Zakat Fundraising is tasked with monitoring and evaluating the programmes funded by Zakat funds to ensure the effectiveness and efficiency of the use of the funds. This is done to verify that the Zakat fund is beneficial to the person entitled and consistent with the purpose of Zakat collection. LAZISMU DIY prepares financial reports and programmes periodically to announce the use of Zakat funds to the public. This is done to maintain transparency and accountability in the management of the mortgage fund.

There are two ways of paying money, offline and online. If offline then payers can pay directly in the office of LAZISMU DIY and prepare payment of money money online, such as the official website or a special application, which makes it easier for the public to pay the money. Through the LAZISMU DIY platform, individuals can donate their gifts in just a few clicks, without having to go to LAZISTMU DIY. Partnership programs with companies and other institutions, collaborating with various companies and financial institutions as well as other agencies to raise Zakat funds through partnership programs. In this cooperation, the organization can hand over Zakat funds and use them for humanitarian programs.

In addition, LAZISMU DIY can use various other strategies, such as social media activities, fundraising, or collaborating with local community figures, to raise funds more widely and effectively. All of these systems work in accordance with the principles of transparency, accountability, and adherence to Islamic Shariah principles. Working with other companies and institutions in the LAZISMU DIY neighborhood to raise donations through a partnership program. It can help increase fundraising and expand the coverage of social programs funded through zakat.

The collection of funds organized periodically at LAZISMU DIY is an effective way to collect direct payments from the community. By organizing charities, bazaars and social activities, LAZISMU DIY can establish direct contact with the community and increase participation in zakat. In addition to the main strategies mentioned above, LAZISMU DIY also uses various other strategies, such as social media campaigns and charitable campaigns, to increase fundraising. It shows a comprehensive and innovative approach to the challenge of fundraising. The evidence is increased community involvement and increased funds raised. It is in line with the principles of transparency, accountability, and

adherence to Islamic Sharia principles, which are essential to preserve public confidence and ensure effective and profitable management of zakat funds.

After receiving the allowance, the agency documents it, including details of the type and amount of allowance as well as the data of the payer. LAZISMU DIY verifies the interests and qualifications of beneficiaries to ensure that the zakat is properly distributed. LAZISMU DIY monitors and evaluates the programs funded by Zakat to ensure the effective use of funds. LAZISMU DIY provides advice and education to the public about the importance of paying zakat in accordance with Islamic law, with the aim of raising awareness and encouraging participation in payment of zakat. Zakat payments are available online and otherwise. Individuals can do so through the official website or application of the organization, so they can deliver the gifts easily and comfortably.

Determine the type of aid to be given to the beneficiary according to their needs and circumstances. Such aid may be cash aid, charitable aid, education scholarships, health aid, or aid to productive economic activities determine the type of aid, LAZISMU DIY will channel the zakat fund to the entitled in accordance with the provisions in force. The funds can be transferred directly to the recipient or through intermediaries such as bank transfers or direct payments. Preparing periodic reports on the use of Zakat funds and the outcomes of programmes channeled to the public. This report is submitted to donors and stakeholders to maintain transparency and accountability in the management of Zakat funds.

Implementation of good corporate governance in the management of the Zakat funds carried out in LAZISMU DIY has applied the principle of transparency in collecting and circulating Zakat Fund. They provide regular information on financial statements through various social media and official sites, in addition to providing receipts to the zakat recipients as proof of receipt of zakat. Accountability: The organization has demonstrated reliability by organizing the organizational structure and responsibilities of the staff according to their expertise and fields, as well as taking responsibility in carrying out operational activities and helping the community and the surrounding environment. Justice: The foundation of justice is achieved by directing the zakat to the most need first, such as the poor and the needy, besides the possibility of incorporating the opinion of the donors or recipients of zakat in the management of the fund. The principle of responsibility has been well implemented by LAZISMU DIY, by adhering to the regulations of the laws, carrying out responsibilities to society and the environment, as well as responding to donors both in working hours and outside of working hours. Independence: LAZISMU DIY has demonstrated independence by acting as a non-hierarchical governmental body that does not depend on anybody or anyone else, and manages the funds professionally without pressure from any party.

The potential of zakat in Indonesia reaches Rp327 trillion per year,¹³ but realization is still very far if compared with the Muslims in Indonesia so there needs to be improvement and improvement of the competence of the zakat manager related to the importance of Zakat, to know the management of funds zakat on LAZISMU DIY first we must know the financial report of LAZISTMU DIY, here is the audit report 5 years ago.

Table 1. LAZISMU DIY Five Year Audit Report

Financial Statement Audit	Collection	Distribution
2018	Rp. 189.144.859	Rp. 118.572.843
2019	Rp. 337.235.715	Rp. 245.519.764
2020	Rp. 550.952.974	Rp. 334.704.375
2021	Rp. 788.229.517	Rp. 606.048.410
2022	Rp. 813.655.446	Rp. 1.045.135.598

Source: <https://lazismudiy.or.id/>

From a series of calculations that have been made, it is known that realisation of zakat funds in Indonesia is increasing every year, but the realisation is not in line with the existing zakat potential, the factors that cause still low zakat collection in Indonesia among them many people who have not fully believed in the record of amil zakat and the society also believes not to have a database that must be accurate and also the length of the program cannot be felt by the public as well as the lack of education or socialization regarding the calculation of Zakat fund.

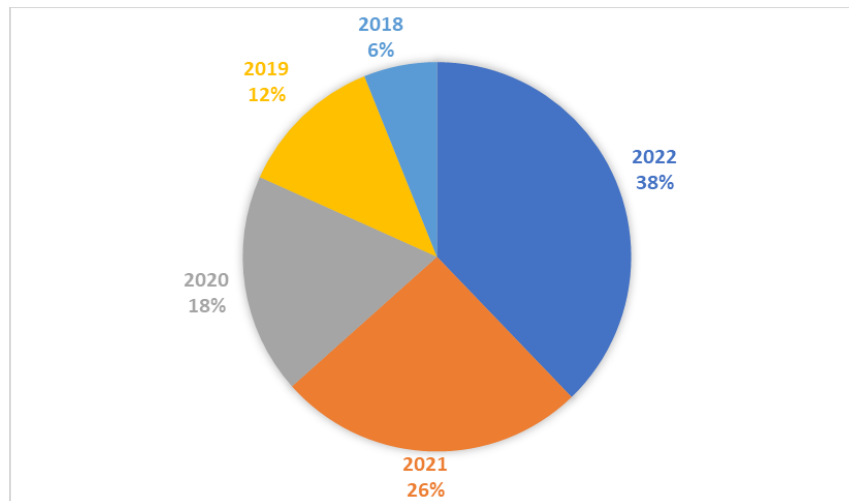


Figure 1. LAZISMU DIY 2019-2022 Zakat Potential Comparison

Source: <https://lazismudiy.or.id/>

¹³ Amin Wijaya Tunggal, *Internal Audit Dan Good Corporate Governance*, (Jakarta: Erlangga, 2023).

Discussion

Linguistically, zakat means growing and increasing (zayadah). If it is said, "Zaka al-Zar" means that the plant grows and grows. It is given to those who are worthy of it. The Zakat is one of the obligations of Islam, which has been established in the Qur'an, Sunnah and Islam.¹⁴

Zakat from an etymological point of view has whatever meaning, among other things the god of "development". The wealth handed over by the zakat, blessing the remainder of the wealth so that it is more qualitatively valuable even though it is less quantitatively. In fiqh terminology, zakat is generally defined as a certain portion of the wealth that God obliges to a number of people who are entitled to receive it.¹⁵

In Islam, zakat is considered one of the five rites of Islam, and is a financial obligation imposed by God on Muslims who are able and have reached a quorum to distribute wealth among members of the community. Evidence of the validity of zakat varies and comes from the Qur'an, the Sunnah of the Prophet, and consensus. This is the following: In Islam, zakat is considered one of the five rites of Islam, and indeed a financial obligation imposed by God on the able Muslims who have reached their quorum, with the aim of distributing wealth among the members of the community, alleviating the needs of the needy, and achieving social and economic balance. The validity of the zakat depends on the principles of the law that come from the Qur'an, the Sunnah of the Prophet, and the consensus. Among such indications are as follows:

يَا أَيُّهَا الَّذِينَ آمَنُوا أَنْفِقُوا مِنْ طَيِّبَاتِ مَا كَسَبْتُمْ وَمِمَّا أَخْرَجْنَا لَكُمْ مِنَ الْأَرْضِ وَلَا تَيَمَّمُوا الْخَبِيثَ
مِنْهُ تَنْفِقُونَ وَلَسْتُمْ بِأَخْذِيهِ إِلَّا أَنْ تَغْمُضُوا فِيهِ وَاعْلَمُوا أَنَّ اللَّهَ غَنِيٌّ حَمِيدٌ (سورة البقرة: 267).
(خذ من أموالهم صدقة تطهرهم وتزكيهم بها وصل عليهم إن صلواتك سكن لهم والله سميع عليم
(سورة التوبة: 103)). وللترميذي عن ابن عمر رضي الله عنهما: من استفاد مالا فلا زكاة عليه
حتى يحول عليه الحول والراجح وقفه.¹⁶

It is a good thing to be given to the rightful; it is to be fulfilled according to the provisions of the law, which are: Merdeka, Islam, Baligh and berigh; the good that is issued is obligatory in Zakati; the wealth that is decreed has reached the measure or the value with it; the property that is entirely owned; the estate that has attained a year, according to count of years. If a man has a wealth that he has at the beginning of a year, and it remains intact until the end of the year, he shall pay a zakat, not a debt.¹⁷

¹⁴ Achmad Muzammil, *Tunaikan Zakat* (Jakarta: Ikatan Keluarga Muslim, 2003), 2.

¹⁵ Muzammil, *Tunaikan Zakat*.

¹⁶ Al-Hafiz Ibnu Hajar Al-'Asqalani, *Bulūgh Al-Marām* (Jakarta: Dār al-Kitāb al-Islāmiyyah, 1449), 130.

¹⁷ Ahmad Tajuddin, *Berzakat Itu Mudah Fikih Zakat Praktis* (Semarang: Lawwana, 2021), 13.

The Zakat is divided into two categories: Zakat Fitrah and Zakat Maal, which every Muslim, male and female, both adult and child, and the free and slave must pay before the idol and in the month of Ramadan. One barrel is equal to two and a half pounds of rice, or two and half percent of the food in the area concerned.¹⁸ The Zakat of Ma'al is obligatory for a Muslim who has his wealth fulfilled, as he has reached his nisab and his haul and his conditions. The treasures that belong to the category of goods are business, agriculture, mining, seafood, livestock, discoveries, gold and silver. Each type has its own calculation.¹⁹

The poor are those who have no wealth and work that can afford their daily needs, the poor are the ones who have a living but not enough for their own needs or for their families, the affluent is the one who collects and distributes the money, the muallaf is the person who comes to Islam with a strong hope of faith, the Islamic riqaab is the man who buys the money from the slave to save it, the Gharim is a person who owes to the people for an interest and does not pay for it, and is unable to repay it.²⁰

Definition of good corporate governance: Organization for Economic Cooperation and Development and Forum of Corporate Governance of Indonesia (Forum for corporate governance di Indonesia). The GCG is defined as a set of rules that define the relationship between shareholders, management, creditors, governments, employees and other stakeholders in relation to their rights and obligations. In other words, the system that directs and controls the company.²¹

According to Tsing, good corporate governance is a system that regulates, manages and monitors business control processes to increase the value of stocks, as well as a form of concern to stakeholders, employees, and society.²² According to Agus, good corporate governance is a system that regulates the relationship between the roles of the board of directors, directions, shareholders, and other stakeholders.²³ Good corporate governance is generally determined by the International Finance Corporation.²⁴

The provisions concerning good corporate governance in the area of Sharia banking are codified in the Sharia Banking Act Article 34 Paragraph (1) which explains as follows: "Sharia banks and Sharia enterprise units are obliged to implement good governance which includes the principles of transparency,

¹⁸ Heri Sugianto, "Analisis Pendapat Mazhab Tentang Zakat Fitrah Dengan Uang Tunai" (Universitas Islam Negeri Raden Intan, 2017), 26.

¹⁹ Muh Ali Muhyiddin, "Analisis Pemikiran Yusuf Qardhawi Tentang Zakat Mal Untuk Pembangunan Masjid" (Universitas Islam Negeri Walisongo, 2015), 22.

²⁰ Qurratul Uyun, "Zakat, Infaq, Shadaqah Dan Wakaf Sebagai Konfigurasi Filantropi Islam," *Islamuna 2* (2015): 227.

²¹ Hendrik Manossoh, *Good Corporate Governance Untuk Meningkatkan Kualitas Laporan Keuangan* (Jakarta: PT. Norlive Kharisma Indonesia, 2016).

²² Tunggal Wijaya, *Internal Audit Dan Good Corporate Governance* (Jakarta: Erlangga, 2013), 58.

²³ Agoes Sukrisno, *Etika Bisnis Dan Profesi* (Jakarta: Salemba Empat, 2011), 66.

²⁴ Sutedi Adrian, *Good Corporate Governance* (Jakarta: Sinar Grafika, 2011), 54.

accountability, responsibility, professionalism and fairness in carrying out their business activities".²⁵

According to these provisions, LAZISMU DIY as part of the Shariah financial institutions is obliged to implement a good governance system that includes the principles of transparency, accountability, responsibility, independence and fairness in the implementation of its business activities. Good corporate governance is good governance in an organization based on professional ethics. The principles of the GCG are:

1. Transparency is clarity in providing substantive and relevant information, as well as transparency in decision-making processes. This principle is necessary to ensure that the activities of LAZISMU DIY are conducted objectively and professionally, as well as to protect the interests of the Institute. Transparency includes elements of openness and provision of information in a timely, adequate, clear, accurate, comparable, and easily accessible by stakeholders and the public.
2. Accountability is the clarity of the functioning and implementation of the responsibilities of the financial institution to be managed effectively.
3. Responsibility includes the element of clarity of the institution's function and the manner in which responsibility is assumed. This is a basic requirement for achieving sustainable performance of the financial institution's efforts. It requires company leaders and management to take responsibility for their actions and decisions, and to provide clear and accurate reports on company performance.
4. Independence: Ensure that the members of the corporate board and committees are independent and free from conflicts of interest, thus enabling them to take objective decisions and monitor the management of the company properly.
5. Fairness: Ensuring that the rights of all stakeholders are recognized and respected, and that company decisions and policies are made taking into account the interests of all parties involved and a situation where the organization is managed professionally without conflicts of interest and influence of other parties that are not in accordance with applicable laws and regulations.

The Urgency of Good Corporate Governance Implementation

Good corporate governance is very important in its application in financial institutions. Here are some reasons why good corporate governance is important:

1. Transparency and Accountability: Good corporate governance helps ensure that financial institutions operate in a transparent and accountable manner. This is important for building trust with shareholders, customers and the general public.

²⁵ Undang-undang Republik Indonesia, "Undang-Undang Republik Indonesia Perbankan Nomor 21 Tahun 2008 Pasal 34 Ayat 1" (2008).

2. **Effective risk management:** By implementing good corporate governance, financial institutions can manage risks more effectively. This helps protect the interests of shareholders and other stakeholders.
3. **Improved corporate performance:** Good corporate governance promotes best practices in corporate management, including better decision-making and more effective performance monitoring. This can improve the long-term performance of financial institutions.
4. **Protecting the interests of all parties:** Good corporate governance is designed to consider the interests of all relevant parties, including shareholders, employees, customers and the general public. By implementing good corporate governance, financial institutions can maintain a good balance between the interests of all these parties.
5. **Compliance with laws and regulations:** Good corporate governance helps financial institutions comply with applicable laws and regulations. This is important to maintain reputation and avoid consequences.

Overall, the implementation of good corporate governance in financial institutions helps to ensure that their operations are conducted with integrity, transparency and compliance, which supports long-term growth and sustainability.

Good Corporate Governance in Zakat Fund Management

The benefits of implementing good corporate governance in the management of zakat funds include: By applying the principle of transparency, zakat institutions will be more open in conveying information regarding the collection, management, and distribution of zakat funds to the public and other stakeholders. This transparency will build public trust in zakat institutions.

The implementation of good corporate governance will encourage zakat organizations to be accountable for every decision and action they take. With a clear mechanism of tracking and reporting the use of zakat funds, zakat institutions will be more accountable to the public and donors.

Good corporate governance principles help zakat institutions manage risks better. Through a strong supervision and control structure, zakat institutions can effectively identify, evaluate and manage risks, thus reducing the risk of misuse or misappropriation of zakat funds and the implementation of good corporate governance will improve the performance and efficiency of zakat institutions.

Some of the objectives of good corporate governance are to improve the efficiency, effectiveness, and continuity of the organization that contributes to creating prosperity for shareholders, employees, and other stakeholders, and is considered an elegant solution to meet organizational challenges in the future. Increase the legitimacy of the managing organization by being open, fair and accountable. Recognize and protect the rights and obligations of shareholders and stakeholders. Therefore, the implementation of good corporate governance

not only improves the performance of zakat institutions, but also strengthens, trusts and sustains them in the future.

Good corporate governance is good management in an organization based on professional ethics. The basic principles of good corporate governance are: Transparency is clarity in providing substantive and relevant information, as well as clarity in the decision-making process. This principle is needed to ensure that Zakat Foundation activities run objectively and professionally, and protect the interests of stakeholders. This principle is needed to ensure that Zakat Foundation's activities are carried out objectively and professionally, as well as to protect the mustahik's matters. Transparency includes elements of openness and the provision of information in a timely, adequate, clear, accurate, comparable, and easily accessible manner by stakeholders and the public.²⁶

The issue is the clarity of the functions and implementation of the responsibilities of financial institutions to be managed effectively.²⁷ Responsibility includes the element of clarity on the functions of the institution and the manner in which responsibility is assumed. This is a basic requirement for achieving sustainable performance of the financial institution's efforts. This requires the company's leaders and management to take responsibility for their actions and decisions, and to provide clear and accurate reports on the company's performance. Independence: Ensuring that members of the company's board of directors and committees are independent and free from conflicts of interest, enabling them to make objective decisions and properly monitor the management of the company. Fairness: Ensuring that the rights of all stakeholders are recognized and respected, and that company decisions and policies are made with the interests of all parties involved in mind and that the organization is managed professionally without conflicts of interest and influence from other parties that are not in accordance with applicable laws and regulations.²⁸

Good corporate governance is very important in its application in financial institutions. Here are some reasons why good corporate governance is important²⁹. Transparency and Accountability: Good corporate governance helps ensure that financial institutions operate in a transparent and accountable manner. This is important for building trust with shareholders, customers and the general public. Effective risk management: By practicing good corporate governance, financial institutions can manage risks more effectively. This helps protect the interests of shareholders and other stakeholders. Improved corporate performance: Good corporate governance promotes best practices in corporate management, including better decision-making and more effective performance

²⁶ Komite Nasional Kebijakan *Governansi*, *Pedoman Umum Tata Kelola Perusahaan yang Baik* Indonesia. Jakarta: KNKG. 2006. <https://knkg.or.id/>

²⁷ Komite Nasional Kebijakan *Governansi*, *Pedoman Umum...*

²⁸ A R Wahyuni, S Basalamah, and M Mursalim, " Analisis Implementasi Good Corporate Governance (GCG) Pada Bank Sulselbar Syariah," *Jurnal Ekonomika*, 2020, 18.

²⁹ Deddy Mulyana et al., *Metode Penelitian Komunikasi*, 2013, 84.

monitoring. This can improve the long-term performance of financial institutions. Protecting the interests of all parties: Good corporate governance is designed to consider the interests of all relevant parties, including shareholders, employees, customers and the general public.

By implementing good corporate governance, financial institutions can maintain a good balance between the interests of all these parties. Compliance with laws and regulations: Good corporate governance helps financial institutions comply with applicable laws and regulations. This is important for maintaining reputation and avoiding adverse legal consequences.³⁰ Overall, the implementation of good corporate governance in financial institutions helps to ensure that their operations are conducted with integrity, transparency and compliance, which supports long-term growth and sustainability.

The benefits of implementing good corporate governance in the management of zakat funds include: By applying the principle of transparency, zakat institutions will be more open in conveying information regarding the collection, management, and distribution of zakat funds to the public and other stakeholders. This transparency will build public trust in zakat institutions.³¹ Penerapan tata kelola perusahaan yang baik akan mendorong organisasi zakat untuk dapat mempertanggungjawabkan setiap keputusan dan tindakan yang diambilnya. Dengan adanya mekanisme pelacakan dan pelaporan penggunaan dana zakat yang jelas, maka lembaga zakat akan lebih akuntabel kepada masyarakat dan para donator.³² Good corporate governance principles help zakat institutions manage risks better. Through a strong supervision and control structure, zakat institutions can effectively identify, evaluate and manage risks, thereby reducing the risk of misuse or misappropriation of zakat funds and the implementation of good corporate governance will improve the performance and efficiency of zakat institutions.³³

Some of the objectives of good corporate governance are to improve the efficiency, effectiveness, and continuity of the organization that contributes to creating prosperity for shareholders, employees, and other stakeholders, and is considered an elegant solution to meet organizational challenges in the future. Increase the legitimacy of the managing organization by being open, fair and accountable. Recognize and protect the rights and obligations of shareholders and stakeholders³⁴. Therefore, the implementation of good corporate governance not only improves the performance of zakat institutions, but also strengthens, trusts, and sustains them in the future. Zakat Institutions have implemented good corporate governance in the management of zakat funds in LAZISMU DIY with the following evidence:

³⁰ Chiriyah, "Bagus Tata Kelola Perusahaan Dalam Lembaga Keuangan Islam," *Jurnal Islamic Banking* 1 (2019): 22.

³¹ Forum for Corporate Governance in Indonesia. *Corporate Governance Tantangan dan Kesempatan bagi Komunitas Bisnis Indonesia*. Jakarta: Prentice Hall. 2001.

³² Forum for Corporate Governance in Indonesia..

³³ Komite Nasional Kebijakan *Governansi*, 2006, p. 5.

³⁴ Manossoh, *Good Corporate Governance Untuk Meningkatkan Kualitas Laporan Keuangan*.

The principle of transparency has been implemented in the collection and distribution of zakat funds. They provide regular information about financial statements through various social media and official websites, in addition to providing Kuwaiti citizens to zakat recipients as proof of zakat receipt. Accountability has shown reliability by arranging the organizational structure and duties of employees in accordance with their expertise and fields, in addition to taking responsibility for carrying out operational activities and helping the community and the surrounding environment. The principle of justice is implemented by directing zakat to the most needy parties first, such as the poor and people in need, in addition to the possibility to include the opinions of the givers or recipients of zakat in the management of zakat funds.

The principle of responsibility has been well implemented by LAZISMU DIY by complying with laws and regulations, responsibility for the community and the environment, and responsiveness to donors both during working hours and outside working hours. The principle of independence of LAZISMU DIY has shown independence by acting as a non-hierarchical governing body that does not depend on other bodies or people, and managing Zakat funds professionally without pressure from any party.

CONCLUSION

LAZISMU DIY has implemented GCG principles in the management of zakat funds both in collecting and distributing zakat funds. In its management, the institution of zakat funds offline and online, after receiving zakat, the institution documents and reports all managed zakat funds. For future researchers, it is hoped that research will be more specialized in the principle of transparency. According to researchers, LAZISMU DIY must improve the principle of transparency in its financial statements because there is a 2022 report that is not immediately reported or published on the mass media or website of the institution but is published on December 26, 2023, it would be nice to publish it earlier to increase muzakki trust.

Author's Contribution

Khoirul Umam, Mulyono Jamal: Contribute to formulating research ideas, supervision and validation.

Khurun'in Zahro': Contribute to formulating research ideas, research methods and the language proofread.

Nabilla Rahmani: Contribute to formulating research ideas, writing systematics, collecting data, and analyzing interpretation results..

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Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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