

## **ZAKAT CORE PRINCIPLES (ZCP)-BASED GOOD AMIL GOVERNANCE IN PALEMBANG CITY'S AMIL ZAKAT INSTITUTIONS**

**Bunga Mar'atush Shalihah<sup>1</sup>**

<sup>1</sup>Universitas Islam Negeri Raden Fatah Palembang

### **ABSTRACT**

#### ***Purpose***

*The purpose of this study is to determine whether the zakat amil institutions in Palembang City have implemented PPZ 8—good governance of amil amil—in accordance with the governance standards established by BAZNAS in the Zakat Core Principles (ZCP). The muzakki who distribute their zakat to be delivered to the mustahiq who have been recorded and can be assured to meet the governance values that apply to zakat amil institutions in Palembang city will effectively respond to this study.*

#### ***Design/Methodology/Approach***

*This study used an inductive approach and a descriptive qualitative research methodology. In-depth interviews with chosen informants, specifically the Zakat Collection Institutions (LAZ), were used for primary data collection. LazisMU, Dompot Dhuafa, and the Infaq Management Institution (LMI) were the three LAZs chosen. The management of each LAZ who were aware of the zakat collection institutions' governance structure served as the informants. This qualitative study's data analysis procedure was done iteratively, beginning with the first phases of data collection and continuing all the way through the writing stage. An orderly and systematic search through interview transcripts, field notes, and other materials collected from the field constitutes data analysis.*

#### ***Findings***

*According to the findings of this study, the amil's use of good management practices at the three zakat institutions under investigation has been very successful, despite the fact that two LAZ have failed to meet standards. It is hoped that future research will look into other LAZ with a larger number to better represent results at a higher level. Furthermore, the BAZNAS-established principles for zakat institutions must be updated.*

#### ***Research limitations/implications***

*This research only studied three LAZ that located in Palembang's City as a sample, for further researcher to adding more LAZ to studied for the best result about implementation of Good Amil Governance in amil zakat institutions.*

#### ***Practical implications***

*The result about implementation of Good Amil Governance in LAZ could be practice to every level of amil zakat institution. However, the policy to Amil certification could held and taken by regional or local BAZNAS and informed to amil zakat institution belong to private or non-government.*

#### ***Social implications***

*This study impacted the social result as LAZ is the place for society to distribute their zakat, infaq and shadaqah to be shared to those in needs. To maintaining the society trust, every LAZ should apply the zakat core principles by BAZNAS and fulfilling the indicator of Good Amil Zakat criteria.*

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<sup>1</sup> **CONTACT** Bunga Mar'atush Shalihah: bungamaratushshalihah\_uin@radenfatah.ac.id; Universitas Islam Negeri Raden Fatah Palembang Kampus B Jakabaring Jalan Pangeran Ratu, Seberang Ulu I, Jakabaring Palembang

**Originality/value**

*This study is using non-government amil zakat institutions such as LazisMu, Dompot Dhuafa and Lembaga Manajemen Infak (LMI) as a study samples with hope meets all of indicators for fulfilling Good Amil Governance conducted by BAZNAS.*

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

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**I. INTRODUCTION**

In Islam, poverty is a problem that needs to be addressed, especially through the existence of philanthropic institutions such as zakat institutions, which play a role in distributing zakat funds to the poor. The growth of Indonesia's Zakat Collection Institutions (LAZ) is displaying progressively positive data. Potential community zakat funds can be gathered through LAZs and distributed to those in need. The Indonesian Ministry of Religious Affairs reports that there are 170 officially licensed LAZs, broken down into three categories: district/city, provincial, and national.

In Indonesia, regarding 2025 data regarding the number of LAZ shows 45 national LAZs, 39 provincial LAZs, and 86 district/city LAZs in total. Minister of Religious Affairs, Yaquut Cholil Qoumas said that LAZs also contribute to reducing poverty and enhancing community welfare at the 2024 National Coordination Meeting of Zakat Collection Institutions, which was organized by the Indonesian National Zakat Collection Agency (BAZNAS) on October 15, 2024. However, a strong management system must go hand in hand with the growing number of LAZs created by community organizations. The governance system that is put in place will reflect a good zakat management system.

Fatmawati stated that the growth of zakat management organizations and institutions does not optimize zakat management, especially zakat collection (Fatmawati et al., 2023). This is demonstrated by the fact that Indonesia's zakat potential is still far greater than the amount of ZIS funds collected. Only IDR 41 trillion of Indonesia's IDR 327 trillion zakat potential has been realized as of 2024 (BAZNAS, 2024).

Furthermore, Permana and Baehaqi (2018) argue that LAZ requires strong governance to improve professional performance and fulfill stakeholder interests. (Permana & Baehaqi, 2018). According to Masrurroh et al., if Zakat Agencies/Institutions are able to internalize the values of Good Amil Governance (GAG) and apply them methodically in line with accepted principles (Masrurroh et al., 2023).

Under the direction of BAZNAS, every LAZ have a great deal of potential for collecting zakat, but they are still poorly run for a number of reasons. The lack of professionalism of zakat institutions, the incompetence and poor work ethic of zakat fund managers, and the lack of integration of bureaucratic and governance systems within the zakat institutions can all contribute to these issues (Fadillah, 2011).

Additionally, based on Fatmawati et al. the public's perception of low credibility, the growth of LAZs, and the lack of synergy between institutions and stakeholders are all factors in the subpar execution of LAZ governance. The essential component of efficient and open zakat management is the application of sound amil governance (Fatmawati et al., 2023). Numerous studies have demonstrated

the importance of organizational culture, information technology, internal controls, and the application of accounting standards in facilitating successful implementation.

Published by BAZNAS, the Zakat Core Principles (ZCP) establish a comprehensive governance framework aimed at enhancing accountability, institutional performance, and the overall effectiveness of zakat management. The 18 Zakat Core Principles (PPZs), which are derived from the Basel Core Principles, are governed by the ZCP. The goal of this modification is to make sure that the PPZs adhere to global norms for high-level guidelines for carrying out and assessing zakat supervision procedures. The authority, duties, and functions of zakat supervisors are represented by PPZs 1–7, which are the primary categories for the main group. The rules and prudential requirements for zakat institutions in the second group are represented by PPZs 8–18.

The authority of zakat supervisors to make corrections and impose sanctions is described in PPZ 7, and good *amil* governance is described in PPZ 8 to illustrate the application of good zakat governance. However, because the goal of this study is to observe how good *amil* governance is implemented in LAZ in Palembang City, it only uses PPZ 8. PPZ 8: The goal of good *amil* governance is to oversee zakat institutions. To do this, each LAZ must have strong *amil* governance policies and procedures that include Sharia compliance, strategic tools, a control environment, an understanding of zakat management, and the duties of zakat institution administrators.

The purpose of this study is to determine whether the zakat *amil* institutions in Palembang City have implemented PPZ 8—good *amil* governance in accordance established by BAZNAS in ZCP. The muzakki who distribute their zakat to be delivered to the mustahiq who have been recorded and can be assured to meet the governance values that apply to zakat *amil* institutions in Palembang city will effectively respond to this study.

## II. LITERATURE REVIEW

Sakapurnama et al. demonstrated that transparency is a fundamental tenet of good governance by highlighting the significance of transparency and the factors influencing the Public Information Disclosure Law's implementation in Surakarta and Lombok (Sakapurnama & Safitri, 2013). According to Fatmaningrum, the implementation of good governance in zakat institutions is positively impacted by internal control, information technology use, and total quality management. By combining these three elements, zakat management can be more effective (Fatmaningrum, 2015).

Fadilah et al. stated that to improving the ability of *amil* (collectors) to apply good governance principles requires socialization and training related to zakat fund management, including elements of internal control and organizational cultures (Fadilah et al., 2011).

Based on Rahman and Koesmawan research, the successful implementation of good governance in zakat institutions is facilitated by the application of PSAK 109 and the improvement of financial management generally (Rahman & Koesmawan, 2023). Additionally, Maulana et al. evaluated how LAZ Nurul Hayat Surakarta's implementation of good *amil* governance principles based on the Zakat Core Principles showed how organizational culture and a principles-based approach can enhance governance effectiveness (Maulana & Zuhri, 2020).

Depending on Candraningsih et al. research, zakat organizations like the Solopeduli Foundation consistently implement PSAK 109 and good corporate governance principles, which shows that following these guidelines can boost the organization's credibility and accountabilities (Candraningsih et al., 2020). Majid emphasized that applying ISO 9001 quality standards can enhance zakat institutions' overall performance, highlighting how international standards in quality management can promote effectiveness, efficiency, and higher service standards (Majid, 2020).

Enhancing the efficiency and reliability of Indonesia's zakat management institutions requires Good *Amil* Governance (GAG). The application of GAG principles—transparency, accountability, and

integrity is essential for maximizing zakat distribution and collection, which eventually helps to reduce poverty.

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

### **III. METHODOLOGY**

This study used an inductive approach and a descriptive qualitative research methodology. In-depth interviews with chosen informants, specifically the Zakat Collection Institutions (LAZ), were used for primary data collection. LazisMU, Dompot Dhuafa, and the Infaq Management Institution (LMI) were the three LAZs chosen. The management of each LAZ who were aware of the zakat collection institutions' governance structure served as the informants. This qualitative study's data analysis procedure was done iteratively, beginning with the first phases of data collection and continuing all the way through the writing stage. An orderly and systematic search through interview transcripts, field notes, and other materials collected from the field constitutes data analysis.

Transparency, accountability, responsibility, independence, fairness, Sharia compliance, and service quality at zakat institutions are among the Sharia governance indicators that were used in the interviews. The 8 Zakat Core Principles regarding sound zakat governance were also adopted. The following table displays interview questions that correspond to each indicator.

a. Indicator of Implementation of good sharia governance:

1. Transparency
2. Accountability
3. Responsibility
4. Independency
5. Fairness
6. Shariah Compliance
7. Service Quality

b. Indicator of Implementation of Zakat Core Principle 8 – Good Amil Governance:

1. Amil is given the right to your Amil Zakat Institution (LAZ) in the amount of 12.5% of the total zakat collected.
2. There is a Human Resource Development Program for Amil.
3. There are procedures for propriety and eligibility in the recruitment process for Amil HR at Zakat Amil Institution (LAZ).
4. The Amil at Zakat Amil Institution (LAZ) has been certified by an official institution and is recognized.
5. There is active supervision of the implementation of directions, evaluation of amil governance practices, and supervision of zakat strategies through regular and scheduled leadership meetings/plenary meetings.
6. There are standards in managing conflicts of interest (such as recruitment of amil, procurement of goods and services, distribution and utilization, muzakki, and financial services).
7. Zakat Collection Institution (LAZ) has obtained an ISO Certificate

## IV. RESULTS AND DISCUSSION

### 1. Implementation of Good Sharia Governance

Based on the indicators provided, the study's findings demonstrate that LazisMu, Dompot Dhuafa, and LMI have fully implemented Sharia governance in compliance with the principles of good governance, which include transparency, accountability, responsibility, independence, fairness, Sharia compliance, and quality of service. The LAZ (Islamic Zakat Institution) study showed outstanding openness and transparency, as evidenced by the publicly available financial reports. The LAZ website provides access to these reports, which have also been reported to the Ministry of Religious Affairs and the National Zakat Agency (BAZNAS) as authorized agencies. This shows that LAZ has put the transparency principle into practice, which is a crucial sign of sound governance.

Since each component was given tasks and responsibilities based on their ability and competence, the LAZ study successfully applied the principle of accountability. LAZ's many program activities, which are divided into the education, economics, environment, and social sectors and are distributed to the qualified recipients (mustahiq), demonstrate the concept of responsibility, which is based on sound Sharia governance. These initiatives are carried out by LAZ in order to facilitate the zakat recipients' selection of programs and to account for the zakat funds disbursed by the zakat payers.

The independence indicator in the LAZ under study is able to fulfill its responsibilities while still operating in accordance with BAZNAS and government regulations because of the independence of LAZ, which permits activities to be carried out without intervention or interference from outside parties. The zakat amil institution oversees zakat funds submitted by muzakki and disbursed to mustahiq in accordance with eight asnaf, according to the Fairness indicator. 12.5% of the total zakat money collected is used to fund the rights of an amil employed in LAZ. Apart from the zakat rights of the amil, there is an additional infaq portion whose amount is deducted in accordance with the MUI fatwa and the sharia council's directives.

Nonetheless, the institution's operating expenses are currently covered by the rights of amil from zakat. Every LAZ has undergone recurring sharia audits from both the foundation owner and outside auditors in order to put the concept of sharia compliance into practice. In terms of service quality, LAZ consistently upholds the standard of service to the community by making it simpler to make payments via a variety of online platforms, e-commerce, QRIS, or zakat that can be picked up right at the muzakki's residence.

### 2. Implementation of Zakat Core Principle 8 – Good Amil Governance

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

Two of the three LAZs that have assigned amil's rights have successfully implemented the first main criteria, which stipulates that amil's rights are 12.5% of all zakat funds collected. This could be influenced by the policies of the leadership or the foundation overseeing the LAZ, so in the future, recommendations can be given to allocate 12.5% of zakat funds for amil.

The existence of human resource development programs and amil recruitment practices that have been successfully implemented in compliance with the rules and requirements of each LAZ are the subject of the second and third main criteria.

Regarding the fourth main criterion, Amils working at LAZs have been certified by a competent certification body. One LAZ still lacks Amil competency. This may be due to the LAZ's position as a representative office of the central LAZ, where Amils are also located at the head office, not the representative office. Based on the results of the fifth and sixth main criteria, all LAZs that were the

objects of the research have implemented supervision from the leadership through regular meetings and have also met the standards in handling conflict of interest management in LAZ.

Finally, the seventh main criteria statement states that in the LAZ studied, there are still some that do not have an ISO certificate, which is a sign that the quality and performance of an organization has been maintained. The absence of ISO certification may be due to the lack of funds to carry out the certification process from the ISO issuing body, and it is hoped that this can be realized in the future, as ISO is one of the performance indicators of well-certified institutions.

## V. CONCLUSION AND RECOMMENDATION

The findings of this study indicate that the implementation of good management practices by amil across the three zakat institutions under investigation has generally been effective, although two LAZ have not yet fully met the established standards. These results suggest the need for broader empirical studies involving a larger number of LAZ to provide more representative and generalizable insights at a higher level. Furthermore, the principles established by BAZNAS for zakat institutions require continuous review and updating to ensure their relevance in addressing evolving governance and performance challenges.

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