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Good Governance in Strengthening the Performance of Zakat Institutions in Indonesia

Euis Amalia, Ahmad Rodoni, and Hani Tahliani

UIN Syarif Hidayatullah Jakarta, Indonesia

Abstract

Good governance is a crucial issue in strengthening the performance of zakat institutions. This research aims at elaborating good governance from the perspective of Islam and analyzing factors contributing to good corporate governance in a number of zakat institutions in Indonesia. Confirmatory Factor Analysis (CFA) is applied to measure the contribution of each indicator to five principles of *Good Governance* in Zakat institutions; namely, *transparency, accountability, responsibility, independence and fairness*. With the assistance of *Partial Least Square* (PLS), version 3, it is shown that the principle of *transparency* contributes 60.4 percent; the principle of *accountability* 4.82 percent; the principle of *responsibility* 6.41 percent; and the principle of *independence* 53.3 percent. Therefore, it can be concluded that good governance in zakat institutions has been well implemented in some aspects, but have not yet been implemented comprehensively. This research is significant in that it contributes guidelines on zakat management, it provides teaching materials for higher education and a reference for formulating policies and regulations related to the standardization of good governance in zakat institutions.

Keywords: good governance, zakat institutions, performance, Confirmatory Factor Analysis (CFA)

1. Introduction

Good governance is a crucial issue in the context of strengthening the performance of zakat institutions. As a public organization, the performance of zakat institutions especially in management and service are the benchmark for the growth of public trust. Urgency of implementation of good governance in various public institutions is aimed to promote effective and efficient managerial performance to protect the interest of board of directors, management staffs, stakeholders, shareholders and customers.

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Principles of *transparency, accountability, responsibility, independence and fairness* are dimensions shaping the framework in achieving good governance in public institutions.

As public entities, zakat institutions are expected to perform well especially in their role to provide service to the poor and underprivileged. In the concept and system of Islamic economy, zakat institutions are a pivotal instrument especially in redistributing wealth from the rich (*muzakki*) to the poor (*dhuafa*). As an Islamic institution, the zakat institution should comply with the ethical and moral values of Islam. The principles of *amanah* (trustworthiness), transparency, accountability and Sharia compliance are among the characteristics differentiating zakat institutions from conventional institutions. Islam does not have specific concepts on corporate governance, but it has ethical and moral values that can be constructed as a framework of good governance. As explained in the article by Maria Bhatti and Ishaq Bhatti (200) entitled Development in Legal Issues of Corporate Governance in Islamic Finance, Islamic legal approaches and business ethics based on *maqashid Sharia* (the noble purposes of Sharia) provide a framework for Islamic corporate governance. The basic principles taken from Islamic values supporting this framework are: the concept of *hisbah*, shura (shuratic decision-making process), disclosure and transparency, bookkeeping and final account, and religious audit. These values can be used to formulate policies and regulations for Islamic institutions, thereby helping to achieve good corporate governance.

In the context of zakat management in Indonesia, Islamic values have been incorporated into a specific law, Law No. 23 of Year 2011 on Zakat Management. Based on this law, there are two models of zakat management in Indonesia: (1) Zakat managed by the State through specific government bodies and (2) Zakat managed by Non-government Organizations [10]. Based on the law, zakat in Indonesia should be managed professionally by accommodating values and principles of good governance. Good governance in zakat management is a system for organizing and controlling the company to create value-added for all stakeholders [20]. Professional management is expected to improve the performance of zakat institutions in Indonesia by maximizing their potential. Based on the research conducted by IPB, Indonesia has the potential to annually collect zakat valued at IDR 217 trillion. The chairman of the National Zakat Management Board (BAZNAS), Bambang Sudibyo, mentioned that with several adjustments, BAZNAS estimated that the potential value of zakat nationally increases from 217 to 274 trillion [22]. Unfortunately, this potential is not realized. Based on BAZNAS data, the zakat collected at the national level is an estimated 3–4 trillion per year. Responding to this situation, Irfan Syauqi Beik (2009) states that a number of government policies are not yet effective in realizing the full potential value of zakat.

On the other hand, there is no specific regulation providing guidelines for measuring good governance in Indonesian zakat institutions. Therefore, good governance is still interpreted differently by different zakat management institutions, especially due to different indicators that they apply. In other words, good governance has been applied only partially and sporadically. Therefore, it is urgent to study the implementation of good governance in a number of Indonesian zakat institutions. This research focuses on analyzing factors contributing to good governance in several Indonesian zakat institutions. These factors can be used as a reference in designing standards of good governance in Indonesian zakat institutions with the aim of improving their performance.

Research on zakat has been conducted by various Muslim scholars. Norazlina and Abdul Rahim set forth their findings in an article titled—The Framework Efficiency of Zakat Institutions in Malaysia: An Application of Data Envelopment Analysis. The result shows that zakat institutions in Malaysia on average have an 80.6 percent efficiency. In addition, by using the Spearmen and Person Correlation Models, it is determined that in several countries, a high Muslim population correlates positively with zakat collection and turn out. Another study conducted by Emily (2016) is titled—Corporate Governance in Islamic Financial Institutions. The study shows that corporate governance has become a major issue because general failure in business institutions is mostly caused by their failure to implement good corporate governance. Enforcement of good governance principles in an integrated manner is essential to business institutions because it allows them to compete globally, to meet the demands of investors and policymakers, and to serve customers better. Furthermore, specifically for Islamic financial institutions, corporate governance is important to help them compete with conventional financial institutions.

Chapra and Ahmed (2002) have conducted a survey related to corporate governance in various Islamic institutions at three levels; namely, regulator, Islamic bank and depositors. In their view, the growth and development of Islamic banking require good governance to reach large markets in financial sectors and to promote moral integrity in managing and using funds. Corporate governance is implemented through specific mechanisms and instruments that promote effective and accountable managerial performance to maximize benefits for shareholders and customers. In this context, all functions will be able to run well including internal surveillance, risk management, transparency, accountability, fairness, Sharia compliance, external audit, regulation and supervision enforcement. Existing research on good governance focuses more on Islamic financial institutions more than non-financial institutions like zakat institutions.

Different from other research, this article analyzes implementation of good governance in zakat institutions with a different approach; namely, Confirmatory Factor Analysis (CFA). This approach is used to identify factors contributing to good governance in a number of Indonesian zakat institutions. This research aims to enrich perspectives on good corporate governance in zakat institutions on a theoretical level. It also aims to serve as a teaching resource reference for universities, especially on the subject of zakat, as well as a reference for policy makers in developing regulations on good governance for zakat institutions.

2. Methods

This research involves the collection of qualitative data and quantitative statistical analysis of data [8]. Statistical analysis applies the *Second Order* CFA model, which is a measurement model consisting of two levels. At the first level, *CFA* demonstrates connections between variables as indicators of related latent variables. At the second level, *CFA* demonstrates connections between latent variables at the first level as indicators of latent variables at the second level. *CFA* modeling in this research examines each indicator's contribution to the dimensions of good governance and measures the contribution of each dimension, namely, principles of *transparency, accountability, responsibility, independence and fairness* toward the realization of principle of *Good Governance* with the assistance of *Partial Least Square* (PLS), version 3.

This research uses a structured questionnaire where the respondent can choose among the answers provided. The questionnaire includes 27 indicators classified in accordance with the five principles of *Good Governance*; namely, (1) *transparency* (2) *accountability* (3) *responsibility* (4) *independence* and (5) *fairness*. These principles are taken from various sources and theories adapted from previous research. Respondents in this research are leaders and staff of zakat institutions. The sampling uses a purposive sampling method; namely, *non-probabilistic* sampling based on certain criteria or considerations (Masri Mansoer, 2009). Out of 10 existing zakat institutions, only 4 were willing to share their data and information. These were BAZIS Jakarta Capital Region, BAZNAS Municipality of Bogor, BAZNAS District of Karawang and BAMUIS BNI.

3. Results and Discussion

The questionnaire was distributed to all staff of the zakat institutions, from the directorates to the lower-level staff in all four zakat institutions who agreed to participate.

A total of 55 questionnaires were distributed and 42 were answered. Out of the 42 questionnaires answered, 2 were not suitable for data processing and analysis. In total, 40 questionnaires went to data processing and analysis. In a period of three weeks, questionnaires were distributed, and replies were received. The 40 questionnaires which went into data processing consisted of replies from four zakat institutions. BAZIS DKI returned 20 questionnaires or (50%). BAZNAS Municipality of Bogor returned nine questionnaires or (22.5%). BAZNAS District of Karawang returned six questionnaires or (15%). BAMUIS BNI returned five questionnaires or (12.5%). These institutions were selected in accordance with particular criteria. All are legally recognized, have been operating for more than five years, and were willing to participate as respondents in the research.

3.1. Building theoretical-based model

By using the CFA method [9], this good governance research is identified as exogenous latent variable that is a second-stage factor that is not measured by the indicator. The five principles of good governance (*transparency, accountability, responsibility, independence* and *fairness*) are identified as Endogenous latent variables that are the first-stage factors, in which the five dimensions of this first-stage factor are measured by 27 indicators as shown in Table 1.

TABLE 1: Research instrument.

Variable	Dimension	Indicator	Item Code	Item Number
Good Corporate Governance	**Transparency**	Mechanism of openness and standardization of all processes.	i1x1	**1–9**
		Website is available as part of implementation of principle of transparency.	i2x1	
		Mechanism facilitating public questions and grievances	i3x1	
		Availability of information on the amount of funds collected.	i4x1	
		Availability of information on growth of the number of *muzakki* (people obliged to give zakat)	i5x1	
		Availability of information on growth of the number of *mustahik* (people entitled to receive zakat)	i6x1	
		Availability of financial reports (collection, distribution, utilization)	i7x1	
		Availability of sufficient knowledge to improve efficiency, effectiveness, and innovation in institutions	i8x1	

Variable	Dimension	Indicator	Item Code	Item Number
		In implementing the principle of transparency, the zakat institutions publish their financial reports on their website	i9x1	
	Accountability	Clarity in the function and structure of zakat institutions	i1x2	**1-10**
		Availability of a Supervisory Board specifically appointed to ensure that zakat institutions complied with Sharia law and other regulations	i2x2	
		Zakat institutions develop professional standardization for Human Resources (*amil*)	i3x2	
		Complies with the applicable standard of ethics and values	i4x2	
		Able to be responsible for every authority given to every division	i5x2	
		Audit conducted by an external auditor	i6x2	
		Policy on procedures and documents enabling financial accountability	i7x2	
		Audit/evaluation on managerial performance (internal/external)	i8x2	
		Availability of data and information on the size and primary indicators of accountability of the institution and the trust from related stakeholders	i9x2	
		Availability of a policy supporting development of zakat	i10x2	
	Responsibility	Availability of data and information on compliance with laws and regulations (minimum violation of service code of ethics)	i1x3	**1-3**
		Implementation of regular internal and external audits (financial, managerial and Sharia)	i2x3	
		Availability of analysis and research for evaluating the performance of their institution for the purpose of improving it	i3x3	
	Independence	Professional management of zakat institutions	i1x4	**1-3**
		No pressure from unauthorized parties based on existing regulations	i2x4	
		Objective and independent decision-making, free from pressure or intimidation from any party	i3x4	
	Fairness	Fairness for all stakeholders (Human Resources, *Muzakki*, *Mustahik*)	i1x5	**1-2**

Variable	Dimension	Indicator	Item Code	Item Number
		Zakat institution provides opportunities to all stakeholders to give input and suggestions for the betterment of the institution	i1x5	
Source: Taken from various sources				

Measuring is done by matching available data on good governance in zakat institutions.

3.2. Results of estimation parameter and path diagram

Below is a path diagram of CFA in two levels along with parameter of result estimation that describes connections between indicators and the dimensions of *transparency, accountability, responsibility, independence* and *fairness*. It also describes the connection of the five dimensions with the implementation of good governance. An indicator is said to be valid at *first-order CFA* and *second-order CFA* if its *loading score* exceeds 0.5. If the *loading score* is less than 0.5, this means that the indicator will be erased as it cannot be *loaded* to the construct representing it (Willy Abdillah dan Jogiyanto, 2015).
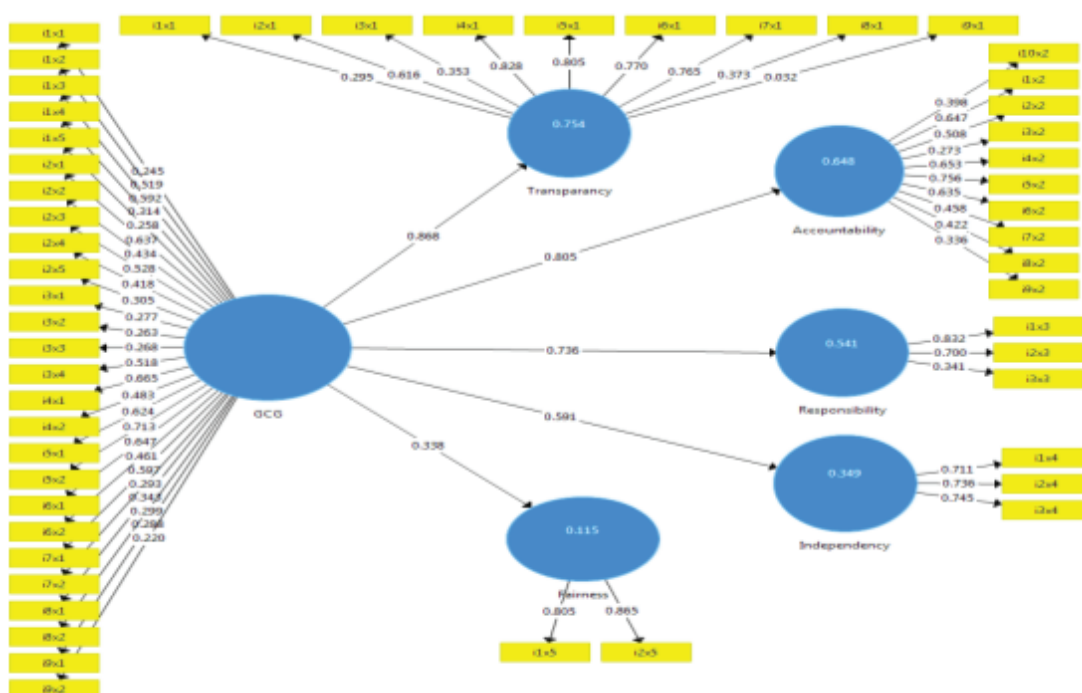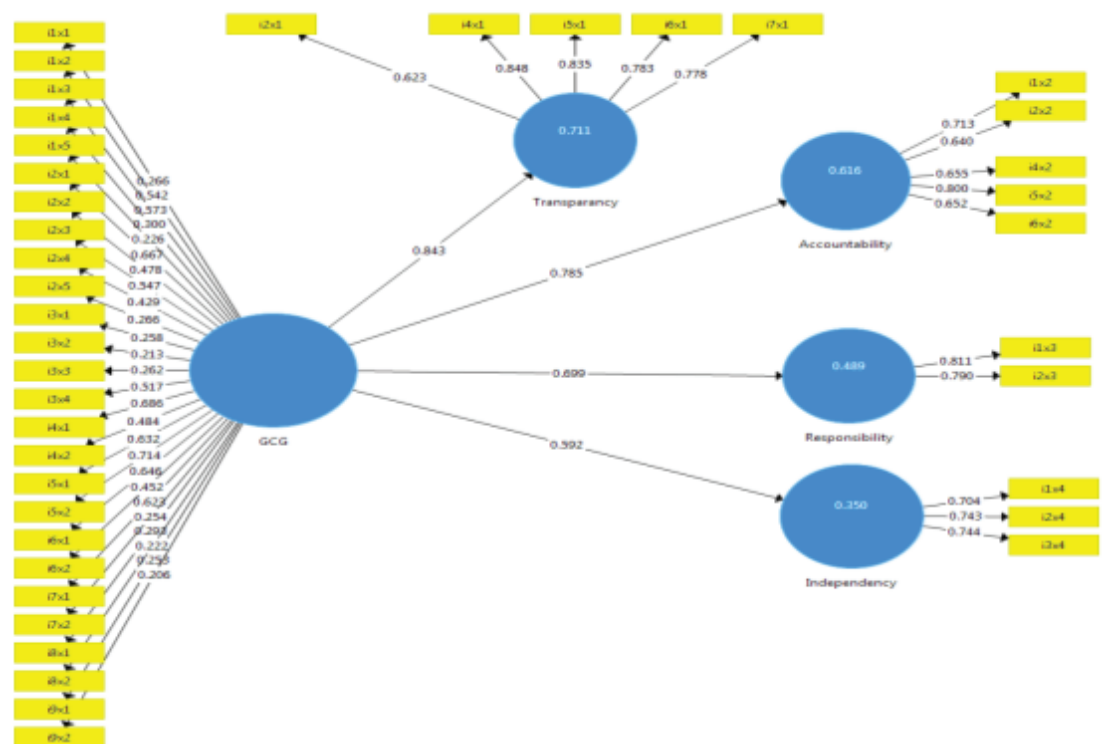

Figure 1: Path diagram results of estimation parameter.

In Figure 1, the path diagram shows that at the *first-order CFA*, there are 10 indicators with a loading score less than 0.5; namely, i1x1, i3x1, i8x1, i9x1, i3x2, i7x2, i8x2, i9x2,

i10x2, i3x3. At the *second-order CFA*, there is one construct in the dimension of fairness with a loading score less than 0.5. Hence, there are 10 indicators that are not valid for *first-order CFA* and they must be erased and taken out of the analysis. At *second-order CFA*, there is one specific dimension (fairness) with a loading score below 0.5 and two other indicators that are also erased from the model because of their weakness in explaining the construct. Hence, re-running must be done. Figure 2 shows the result of running of path diagram on the result of estimation parameter.

Figure 2: Test running path diagram result of estimation parameter. Source: Output Smart PLS, Version 3 (Student Version).

Figure 2, test on *running* path diagram result of estimation parameter, shows that all indicators and constructs related to the dimensions of *transparency, accountability, responsibility and independence* have loading score above 0.5. This means that all indicators and constructs are valid. It can be concluded that the observation variables can measure the constructs well.

3.3. Estimation of the outer model

The Outer Model is a test model that includes the validity and reliability model. To test the validity of the outer model, the study uses the hypothesis: Ho = insignificant/ invalid loading factor parameter coefficient and Ha = significant/valid loading factor

parameter coefficient. With test criteria using statistic test t: if t count $\geq t$ table (1.96), then Ho is rejected and if t count $t \leq t$ table (1.96), then Ho is accepted. As for the reliability test, it is indicated by two measurements; namely, *Composite Reliability* (CR) and *Average Variance Extracted* (AVE). A construct (latent variable) has a good reliability if the CR score is $\geq$ 0.7 and AVE score is $\geq$ 0.5. Table 2 describes the output of statistics scores on *standardized loading factor* and statistic $t_{count.}$

Table 2 shows that standardized loading factor has a good validity, where the value t factor load factor > critical value (t count > 1.96) and the value of standardized loading factor > 0.5. Therefore, it can be concluded that observation variables can measure their constructs accurately. The next test from *convergent validity* is the reliability of constructs by looking at *output composite reliability*. A criterion is said to be reliable when the *CR* is above 0.7. The following is the **CR** and **AVE** score of *Good Governance* at zakat institutions.

Table 3 shows that all CR scores of the four latent variables are above the benchmark of 0.7. Hence, it can be concluded that the constructs have good reliability as a measuring instrument and their AVE scores are above the benchmark of 0.5. This indicates that the level of reliability of each construct is quite high. Thus, it can be said that indicators of each construct are consistent to measure the construct.

3.4. Estimation of the inner model

After evaluating the outer model, the next step is to evaluate the inner model using the model purposed, where there are four dimensions (*transparency, accountability, responsibility, independence).* Evaluation of the compatibility of the *inner model* or the entire model can be measured using *Q-Square predictive relevance.* The higher the R^2 score, the better the predictive model of the research model purposed. According to Chin, an R^2 score of 0.67 is categorized as substantial, an R^2 score of 0.33 is categorized as moderate and an R^2 score of 0.19 is categorized as weak (Jonathan Sarwono and Umi Narimawati, 2015). However, R^2 is not an absolute parameter in measuring the precision of the prediction model because the basis of the theoretical relation is the primary parameter explaining this cause and effect relation (Willy Abdillah dan Jogiyanto, 2015). The following is the R^2 score of each dimension (*transparency, accountability, responsibility, independence*).

Following the *outer model* evaluation, the next step is to conduct the evaluation. Table 4 shows that the evaluation of the compatibility of the inner model out of all models can be measured using the R Square score with the following formula:

Table 2: Outer Model.

Variable	Loading Factor	t_{test}	.
1st CFA			
Transparency			
i2x1	0.623	3.076	Valid
i4x1	0.848	5.141	Valid
i5x1	0.835	4.383	Valid
i6x1	0.783	4.949	Valid
i7x1	0.778	7.124	Valid
Accountability			
i1x2	0.713	2.875	Valid
i2x2	0.640	2.381	Valid
i4x2	0.655	3.190	Valid
i5x2	0.800	4.943	Valid
i6x2	0.652	2.013	Valid
Responsibility			
i1x3	0.811	3.946	Valid
i2x3	0.790	2.684	Valid
Independence			
i1x4	0.704	2.743	Valid
i2x4	0.743	2.116	Valid
i3x4	0.744	3.178	Valid
2nd CFA			
GCG			
Transparency	0.843	13.300	Valid
Accountability	0.785	10.327	Valid
Responsibility	0.699	7.032	Valid
Independency	0.592	5.556	Valid
Source: Output Smart PLS, Version 3 (Student Version)			

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)(1 - R_3^2)(1 - R_4^2)$$

$$Q^2 = 1 - (1 - 0.711)(1 - 0.616)(1 - 0.489)(1 - 0.350)$$

TABLE 3: Test on the Reliability of the Outer Model.

Construct	Composite Realiability (CR)	Average Variance Extracted (AVE)	Summary
Transparency	0.883	0.604	Reliable
Accountability	0.822	0.582	Reliable
Responsibility	0.782	0.641	Reliable
Independence	0.774	0.533	Reliable
2nd CFA			
GCG	0.845	0.648	Reliable

Source: Output Smart PLS, Version 3 (Student Version)

TABLE 4: Inner Model Test.

Construct	R square R^2
Transparency	0.711
Accountability	0.616
Responsibility	0.489
Independence	0.350

Source: Output Smart PLS, Version 3 (Student Version)

Q^2 = 0.9632

The result shows that the *R square* score of the four principles of *Good Governance* produced a Q^2 square that is close to 1. Therefore, it can be concluded that the inner model compatibility is good.

3.5. The outer model analysis on the transparency dimension

Outer Model (*first-order* CFA) is interpreted as a measuring model between latent variable endogenous transparency with each indicator. The result of the estimation of the standardized loading factor parameter for transparency outer model from the five indicators is as follows:

Table 5 describes the loading scores of the five indicators on the dimension of transparency. It can be seen that all five indicators provide valid and good contributions in measuring the dimension of transparency. The following is an analysis of the level of contribution given by each indicator toward the dimension (transparency), namely:

TABLE 5: Standardized Loading Factor Score on Transparency Dimension.

Dimension	Item	Indicators	Score
Transparency	i2x1	Website is available to implement the principle of transparency	0.623
	i4x1	Availability of information on the amount of funds collected	0.848
	i5x1	Availability of information on the growth of the number of *muzakki* (people obliged to give zakat)	0.835
	i6x1	Availability of information on the growth of the number of *mustahik* (people entitled to receive zakat)	0.783
	i7x1	Availability of financial reports (collection, distribution, utilization)	0.778
Source: Output Smart PLS Smart, Version 3			

1. i2x1 (Website is available to implement the principle of transparency) contributes to the dimension of transparency as much as 0.623.

2. i4x1 (Availability of information on amount of fund collected) contributes to the dimension of transparency as much as 0.848.

3. i5x1 (Availability of information on the growth of the number of *muzakki* (people obliged to give zakat)) contributes to the dimension of transparency as much as 0.835.

4. i6x1 (Availability of information on growth of number of *mustahik* (people entitled to receive zakat)) contributes to the dimension of transparency as much as 0.783.

5. i7x1 (Availability of financial report (collection, distribution, utilization)) contributes to the dimension of transparency as much as 0.778.

On the dimension of transparency, it can be seen that the indicator that contributes the most to transparency is i4x1 (Availability on amount of fund collected) with the score of 0.848. The lowest contribution is i7x1 (Availability of financial report: collection, distribution, utilization) with the score of 0.778. Taken together, the total contribution of the five indicators in the outer model of transparency is as much as the AVE score. Previous calculation shows that the AVE score for the dimension of transparency is 0.604. This means that all five indicators applied to measure the dimension of transparency can explain the dimension as much as 60.4 percent.

3.6. The outer model analysis on the accountability dimension

The *Outer Model* (*first-order* CFA) is defined as a model of measurement between latent variables of endogenous accountability with each indicator. The result of estimating the standardized loading factor parameter for accountability in the outer model from the five indicators is as follows:

TABLE 6: Standardized Loading Factor Score on Accountability Dimension.

Dimension	Item	Indicators	Score
Accountability	i1x2	Clarity in the function and structure of zakat institutions	0.713
	i2x2	Availability of a Supervisory Board specifically appointed to ensure that the zakat institutions comply fully with Sharia law and other regulations	0.640
	i4x2	Comply with standards of ethics and values applied	0.655
	i5x2	Able to be responsible for every authority given to every division	0.800
	i6x2	Audit conducted by external auditor	0.652

Source: Output Smart PLS, Version 3 (Student Version)

Table 6 shows the loading score of the five indicators on the dimension of accountability. It can be seen that all five indicators have a significant loading score (above 0.5). This means that they provide valid and good contributions in measuring the dimension of accountability. The following is the analysis regarding each indicator's contribution to the dimension of accountability:

1. i1x2 (Clarity in the function and structure in zakat institutions) contributes as much as 0.713.

2. i2x2 (Availability of Supervisory Board specifically assigned to ensure that the zakat institutions comply fully with Sharia law and other regulations) contributes as much as 0.640.

3. i4x2 (Comply with standards of ethics and values applied) contributes as much as 0.655.

4. i5x2 (Able to be responsible for every authority given to every division) contributes as much as 0.800.

5. i6x2 (Audit conducted by external auditor) contributes as much as 0.652.

Regarding the dimension of accountability, it can be seen that the indicator that contributes most to accountability is i5x2 (Able to be responsible for every authority given to every division) with the score of 0.800. The lowest contributor is i2x2 (Availability of Supervisory Board specifically assigned to ensure that the zakat institutions comply fully with Sharia law and other regulations) with the score of 0.640. Taken together, the total contribution of the five indicators in the outer model of accountability is as much as the AVE score. Previous calculation shows that the AVE score for the dimension of accountability is 0.582. This means that all five indicators applied to measure the dimension of accountability can explain the dimension as much as 58,2 percent.

3.7. Outer model analysis on the responsibility dimension

The *Outer Model* (*first-order* CFA) is defined as a model for measuring the relationship between the latent variable of endogenous accountability and each indicator. The result of estimating the standardized loading factor parameter for accountability in the outer model from the two indicators is as follows:

TABLE 7: Standardized Loading Factor on Responsibility Dimension.

Dimension	Item	Indicators	Score
Responsibility	i1x3	Availability of data and information on compliance with law and regulation (minimum violation of service code of ethics)	0.811
	i2x3	Implementation of regular internal and external audit (financial, managerial and Sharia)	0.790

Source: Output Smart PLS Smart, Version 3

Table 7 shows the loading score of the two indicators with respect to the dimension of responsibility. It can be seen that the two indicators have a significant loading score (above 0.5). This means that they provide valid and good contributions in measuring the dimension of accountability. The following is an analysis of each indicator's contribution to the dimension of responsibility.

1. i1x3 (Availability of data and information on compliance with law and regulation (minimum violation of service code of ethics)) contributes in measuring responsibility as much as 0.811.

2. i2x3 (Implementation of regular internal and external audit (financial, managerial and Sharia)) contributes in measuring responsibility as much as 0.790.

Regarding the dimension of responsibility, it can be seen that the indicator that contributes most to responsibility is i1x3 (Availability of data and information on compliance with law and regulation (minimum violation of service code of ethics)) with the score of 0.811. The lowest contributor is i2x3 (Implementation of regular internal and external audit (financial, managerial and Sharia)) with the score of 0.790. Taken together, the total contribution of the two indicators in the outer model of responsibility is as much as the AVE score. Previous calculation shows that the AVE score for the dimension of responsibility is 0.641. This means that the two indicators applied to measure the dimension of transparency can explain the dimension as much as 64.1 percent.

3.8. The outer model analysis on the independency dimension

The Outer Model (first-order CFA) is defined as a model for measuring the relationship between latent variables of endogenous accountability and each indicator. The result of estimating the standardized loading factor parameter for accountability in the outer model from the two indicators is as follows.

TABLE 8: Standardized Loading Factor on Independence Dimension.

Dimension	Item	Indicator	Score
Independence	i1x4	Professional management of zakat institutions	0.704
	i2x4	No pressure from unauthorized parties based on existing regulation	0.743
	i3x4	Objective decision-making and free from pressure or intimidation from any party	0.744

Source: Output Smart PLS, Version 3 (Student Version)

Table 8 shows the loading score of the three indicators on the dimension of independence. It can be seen that the three indicators have a significant loading score (above 0.5). This means that they provide valid and good contributions in measuring the dimension of independence. The following is an analysis of each indicator's contribution to the dimension of independence.

1. i1x4 (Professional management of zakat institutions) contributes as much as 0.704.

2. i2x4 (No pressure from unauthorized parties based on existing regulation) contributes as much as 0.743.

3. i3x4 (Objective decision-making and free from pressure or intimidation from any party) contributes as much as 0.744.

Regarding the dimension of independence, it can be seen that the indicator that contributes most to independence is i3x4 (Professional management of zakat institutions) with the score of 0.743. The lowest contributor is i1x4 (No pressure from unauthorized parties based on existing regulation) with the score of 0.704. Taken together, the total contribution of the three indicators in the outer model of responsibility is as much as the AVE score. Previous calculation shows that the AVE score for the dimension of responsibility is 0.533. This means that the three indicators applied to measure the dimension of transparency can explain the dimension as much as 53.3 percent.

Based on the data processing conducted using software *Smart PLS, version 3*, it can be concluded that factors establishing *Good Governance* in zakat institutions along with their indicators and contributions are able to measure/evaluate good governance in zakat institutions as described in Table 9.

TABLE 9: Factors for Establishment of Good Governance in Zakat Institutions and the Contributions.

Construct	Contribution of Highest Indicators	Contribution of Lowest Indicators
Transparency	i4x1 (Availability of information on amount of fund collected) contributes 0.848 to the dimension of transparency	i7x1 (Availability of financial report (collection, distribution, utilization)) contributes 0.778 to the dimension of transparency
Accountability	i5x2 (Able to be responsible for every authority given to every division) contributes 0.800	i2x2 (Availability of Supervisory Board specifically assigned to ensure that the zakat institutions comply fully with Sharia law and other regulations) contributes as much as 0.640
Responsibility	i1x3 (Availability of data and information on compliance with law and regulation (minimum violation of service code of ethics)) contributes much as 0.811 in measuring responsibility	i2x3 (Implementation of regular internal and external audit (financial, managerial, and Sharia)) contributes 0.790 in measuring responsibility
Independency	i3x4 (Objective decision-making and free from pressure or intimidation from any party) contributes 0.744	i1x4 (Professional management of zakat institutions) contributes 0.704

Source: Output Smart PLS, Version 3 (Student Version)

4. Conclusion

Good governance is a crucial issue in the context of strengthening the performance of zakat institutions. *CFA* was conducted to evaluate each indicator's contribution to the

five principles of *Good Governance* in Zakat Institutions; namely, *transparency, accountability, responsibility, independence* and *fairness*. With the assistance of PLS version 3, it has been shown that the principle of transparency contributes 60.4 percent; the principle of accountability 4.82 percent; the principle of responsibility 6.41 percent; and the principle of independence 53.3 percent. It has been demonstrated that the four factors are able to measure/evaluate GCG in zakat institutions and to evaluate the lowest and highest contribution from each indicator.

First, the highest contribution in *transparency* is i4x1 (Availability of information on amount of fund collected) that contributes as much as 0.848 and the lowest contribution is i7x1 (Availability of financial report (collection, distribution, utilization)) that contributes 0.778. *Second*, the highest principle in *accountability* is i5x2 (Able to be responsible for every authority given to every division) that contributes 0.800 and the lowest contribution is i2x2 (Availability of Supervisory Board specifically assigned to ensure that the zakat institutions comply fully with Sharia law and other regulations) that contributes 0.640. *Third*, the highest contribution in *responsibility* is i1x3 (Availability of data and information on compliance with law and regulation (minimum violation of service code of ethics)) that contributes 0.811 and the lowest contribution is i2x3 (Implementation of regular internal and external audit (financial, managerial and Sharia)) that contributes 0.790. *Fourth*, the highest contribution in *independence* is i3x4 (Objective decision-making and free from pressure or intimidation from any party) that contributes 0.744 and the lowest contribution is i1x4 (Professional management of zakat institutions) that contributes 0.704. Therefore, it can be concluded that good governance in zakat institutions has been well implemented in some aspects, but has not yet been implemented comprehensively. This research is significant in that it contributes guidelines on zakat management, it provides teaching materials for higher education, and it provides a reference for formulating policies and regulations related to the standardization of good governance in zakat institutions.

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