

Sharia Compliant in Private Zakat Institutions of Riau: Zakat Officers View

Devi Megawati

Universitas Islam Negeri Sultan Syarif Kasim

Paper to be presented at the 4th International Conference of Zakat (ICONZ)
7-8 October 2020, Surabaya, Indonesia

ABSTRACT

This study aims to understand the role of Sharia Supervisors in the private Zakat Institution (LAZ) as well as other aspects of sharia compliance, such as Zakat fatwa on the perspective of Zakat officers. According to Decree of the Minister of Religion Number 333 / 2015 that LAZ as register must have a sharia supervisor. Sharia compliance of an institution could rely on the role of the sharia supervisory board (SSB). Some literature discussing this topic is still dominated study on Islamic financial institutions (IFIs), especially in Islamic Banks. Therefore this article will contribute to the body of knowledge, especially in the zakat literature. Data were gathered from five presiding officers of private zakat institutions in one province in Indonesia which consists of three presiding officers from provincial LAZ representative and two presiding officers from LAZ district. The study found that Sharia compliance in LAZ had many weaknesses such as lack of sharia control by sharia supervisors, a member of the sharia supervisory board who does not follow the latest issues about Zakat or the absence of competency requirements to be a sharia supervisor at LAZ and also did not make Zakat fatwa issued by MUI as the primary reference by zakat officer. This information will be useful for stakeholders, including supervisory authorities and regulators.

Keywords: Sharia Compliance, Sharia Supervisory Board, Zakat Institutions

INTRODUCTION

LAZ as private zakat institutions in Indonesia contributed to the changing of Zakat management from traditional to modern where LAZ grew up massively in the 1990s. This change is marked by zakat officer working professional or full time. Another thing that can also be seen from the creativity and innovation of the zakat distribution program that is community economic empowerment or known in Indonesia as productive Zakat. At the same time, the opposite is called consumptive, where the distribution program is in the form of giving groceries and cash to zakat recipients. We can say that Zakat management in traditional approach put Zakat as a side job and also the zakat officer functions only as a cashier who does not require "good-management" (Sudewo, 2004).

Existence of LAZ as a Zakat institution was strengthened by the issuance of the Zakat Act Number 38 of 1999. A few years later, the first Zakat Act replace to new Zakat Act Number 23 of 2011. The issuance of the new regulation caused several LAZ and zakat payers to appeal to the constitutional court. The latest of Zakat Act has the potential to weaken LAZ as zakat institutions (Wibisono, 2015). Some issues, including LAZ, must be registered as a mass-based Muslim organisation which manage education, religious preaching, and social even though many LAZ were established before the Zakat Act came.

The role of LAZ cannot be ignored because almost 50% of Zakat collection in Indonesia is from LAZ namely 55.82%, 35.28% and 44.77% in 2016, 2017 and 2018 respectively (Indonesia Zakat

Outlook, 2017, 2018 2019). Hence, the government must learn from LAZ which has made many programs for empowering the poor through education and economic programs and do not make LAZ a competitor but make LAZ a partner in poverty alleviation (Lessy 2009). In line with that opinion, Wibisono (2015) recommends the consolidation of national Zakat without discrimination against BAZNAS (a government agency) and LAZ (private).

From the Zakat Act Number 23 of 2011 a new regulation was issued, namely the Minister of Religion Decree Number 333 of 2015 concerning the guidelines for granting permission for LAZ formation. This regulation is a rearrangement regarding LAZ; the permit is valid for a certain period of only five years. It can be extended; the permit process must obtain a recommendation from BAZNAS. Whereas previously LAZ and BAZNAS had the same position, namely only as Zakat operators. But now BAZNAS also has another function, namely as a regulator and coordinator.

Furthermore, LAZ must have sharia supervisors. Otherwise, there are no rules about having to have a sharia supervisor at BAZNAS. The number of sharia supervisors that LAZ must fulfil depends on the level at registration. Based on BAZNAS Regulation Number 3 in 2019, if LAZ is registered as a national level, then the number of sharia supervisors is at least three people. If LAZ is registered at the provincial and district level, the number of sharia supervisors is at least two people. National and provincial level LAZ can have a representative office where each one is maximum in each province for national level LAZ, and each is at least one in each district for provincial level LAZ. So National or provincial LAZ can have more than one operational office, and even National LAZ allows it to have 34 offices. Many LAZ representative office can be a

challenge for the sharia Supervisory Board (SSB) at LAZ to monitor. It is recommended that if charities more significant, the size of the boards will also increase in size (Mullins, 2014 cited in Cornforth and Simpson 2003). Therefore this research has a research question of how Zakat officer opinion on sharia compliance matters include the role of SSB in their institution and Zakat fatwa.

The organisational structure of several LAZ is a two-tier system (rumahzakat, 2020); (dompetdhuafa, 2020). The two-tier system is an organisation that separates management and supervision (Dienes and Velte, 2016). In other words, there is a separation between LAZ's board director or daily executive and the committee or trustee. Supervision can minimise problems such as conflicts of interest between management and other parties (Al-Nasser & Muhammed, 2017). Therefore SSB, in this case, acts as part of Zakat payers, Zakat recipients or other stakeholders.

The rapidly increasing amount of zakat collection causes zakat management to become increasingly complex so that the monitoring function for zakat institutions has higher demands. It means that the development of Zakat in Indonesia provides excellent opportunities for innovation and creativity so that the need for sharia opinions or sharia supervision. Furthermore, it should be followed by regulations governing sharia supervision to avoid public distrust of the sharia risks faced by zakat institutions. Zakat institutions in Indonesia highly rely on the level of trust. There is no power to force zakat payers to pay Zakat because Indonesia adheres to the voluntary Zakat system (Saad et al., 2014 cited in Ummulkhayr et al., 2017). Zakat institutions can show comply with Islamic values; it might increase the trust of zakat payers and stakeholders.

Moreover, SSB should also be involved in accounting policies and

prepare sharia reports (Erlane et al., 2018). The quality of full disclosure is also determined by the competence and role of SSB (Erlane et al., 2018). SSB competence is influenced by educational background, size, reputation, cross-membership, and the frequencies of meetings (Nugraheni, 2018 cited in Farook, Hassan, & Lanis, 2011; Rahman & Bukair, 2013). Hence, that SSB becomes an essential part of the governance mechanism (Aribi et al., 2018 cited in Besaretal., 2009)

Based on Government Regulation Number 14 of 2014, the zakat institution is obliged to be audited. A public accounting firm carries out the financial audit while the ministry of religion and affairs carries out the sharia audit. Twenty-four sharia auditors who have attended training and passed are currently auditing BAZNAS RI as their first assignment (*Ngobrolin audit syari'ah - bincang pengawasan ft abdul aziz noor & aeni farah*. 2020). It took a long time to audit all zakat institutions totalling more than 500 while the number of sharia auditors was only 24 people. Therefore the role of the sharia supervisor is vital where the sharia supervisor will act as a communication bridge later if the zakat institution is Sharia audited.

No regulation explains SSB's duties in Zakat institutions. So that to understand the role and responsibilities of SSB, this paper refers to the publication of SSB in Islamic Banks as defined by the following SSB: AAOIFI (2005) describes SSB as "shariah board refers to the independent body responsible for directing, reviewing and supervising on sharia compliance as well as legal rulings in Islamic financial institutions" (Rahman, N. A., & Jusoh, M. A. 2018). Sharia Supervisory Board (SSB) in sharia financial institutions was formed to ensure that all transactions are by following per under Sharia so that sharia compliance can increase the trust of the people (Alnasser and Muhammed 2012). SSB also plays a role in educating and advising

management so those organisation activities run by per under Sharia (Najwa et al., 2019). In general, all companies in Indonesia based on Islamic values must have sharia supervisors as to such in Article 109 paragraph (1) of Law Number 40 of 2007 on Limited Liability Company, it is stated that "The company that runs business activities based on sharia principles in addition to having the Board of Commissioners shall have Sharia Supervisory Board".

Zakat institutions are organisations that are based on Islamic values. This Islamic identity should not only be found on the organisational philosophy but also displayed and implemented in its products and services. Products and services in zakat institutions are zakat collection programs and even Zakat distribution programs. SSB is in charge of reviewing and overseeing the sharia conformity of these products and services as well as all organisational activities to achieve their goals.

The Indonesian scholar's Council (MUI) was given the authority to issue fatwas. For sharia finance, exclusive authority is given to the MUI-National Sharia Board (DSN-MUI) (Nurkhin et al., 2018). In comparison, the Fatwa on Zakat was issued by the MUI fatwa commission.

The scope of the Fatwa is related to products, activities and policies were undertaken by the institution. The Fatwa ideally an easy-to-understand or clear included some opinions are that are chosen, detailed (if needed), according to questions (requests) (Sahroni, 2017). Therefore the authority for fatwa makers must have a Takalluf attitude (impose the will of the text), Istitsaq (ensure the validity of references), choose an easy opinion, must not do Hilah Mamnu'ah (Hilah that is forbidden) and be careful (Ta'anni) (Sahroni, 2017)

Furthermore, Sahroni (2017) argue that SSB's attitude towards Fatwa is 1.

SSB must (Fardhu 'ain) answer the institution's questions / respond to phenomena that must be addressed from sharia aspects; 2. Institutions must ask about each product to SSB; 3. Institutions must implement Fatwa if the substance of the Fatwa must/ must not be carried out according to the prevailing norms. But if the essence of the Fatwa is permissible to do something, then the institution may not do the fatwa content, if it does not do so it is more beneficial; 4. The obligation is due to the contractual relationship between the two parties above that must be fulfilled.

The Fatwa is the opinion of the scholars which is a response to questions or situations that existed in this day which arose because of changes experienced by the community such as changes in lifestyle or because of technological developments (Mubarok, 2004 cited in Nasution 1975). Therefore, fatwas are legal provisions in new cases or situations and conditions that are different from the time of the Prophet Muhammad. Furthermore, Mubarok, (2004) claims that changes in fatwas cannot be separated from changes in perspective, adoption of values, and orientation of the people who lived in his day or shifts in fatwas due to cultural changes. In Other words, Zakat fatwa must be updated and could be answer of zakat institutions problem.

The number of fatwa zakat is not as much as Islamic financial Fatwa which has reached 109 fatwas. The number of Zakat fatwa is nine fatwas where the last Fatwa issued by the MUI fatwa commission was in 2011. Following are the existing fatwas of Zakat (Compilation of regulations and general supervision standards of zakat institutions, 2015):

1. Fatwa regarding the intensification of the implementation of Zakat, which was established on February 2, 1982. Fatwa decree stipulates: (a) income from services may be subject to Zakat (b) if one of the zakat recipients is absent, then part

of it can be given to the other zakat recipients (c) for the benefit of the society, if it cannot collect from Zakat, it can be requested on behalf of donation or alms (d) Muslims must obey the donation or charities regulated by the government for the above purposes according to their abilities. Point c and d can also be a legitimacy to the collection of *Infaq* and alms funds appraised through circular letters by the local government.

2. Fatwa regarding the conversion of zakat funds for productive activities and public benefit. Fatwa decisions stipulate: (a) Zakat given to the poor can be productive (b) Zakat funds in the name of *Fisabilillah* (one of zakat recipient) may be used for the *Maslahah'ammah* (public interest). This Fatwa was shown that Zakat officer has the goal to change Zakat recipient into Zakat payer by increasing abilities, mental and insight where the needy and other zakat recipients do not stand idly by waiting for mercy or help from others. Zakat funds received through business capital or working tools can support their lives
3. Fatwa regarding the giving of Zakat for scholarships established on February 19, 1996. This Fatwa stipulates that giving Zakat for educational needs, especially scholarships, is legal. However, students/scholarship recipients should have academic achievements, prioritising those who are less able and learning knowledge that is beneficial to the Indonesian people.
4. MUI Fatwa No. 3 of 2003 concerning zakat income. All forms of halal income must be issued Zakat after reaching a minimum amount of 85 grams of gold in one year. This kind of zakat level is

2.5%. In this Fatwa answer the doubts of various groups about Zakat income. The income category could come from state officials or private employees, doctors, lawyers, consultants, lecturers or from others which during the Apostle of these professions had not yet developed. Whereas at present, the occupations mentioned above include jobs that have large incomes. Even Zakat income is one of the most significant contributors to the source of zakat funds collected by BAZNAS and LAZ. Zakat income could come through deduction of Zakat from the salary system (payroll system) which has worked closely with the agency/company concerned. For example, some BAZNAS Province and district cooperates or does a salary deduction MOU at local government.

5. MUI Fatwa No.4 of 2003 concerning the use of zakat funds for *Istitsmar* (investment). In this Fatwa it is stipulated that the use of zakat funds for investment by taking into account the following principles: (a) Zakat must be distributed immediately, and can be withdrawn if they do not yet exist or more excellent benefits (b) *Maslahat* (Benefit) is determined by the government based on the *Syar'iyah Maslahat*. And if the Zakat invested must meet the following requirements: (a) Must be distributed to businesses that are justified by Sharia and applicable regulations (b) Invest in business fields that are believed to provide benefits based on a feasibility study (c) Fostered and supervised by parties who have the competence (d) Performed by institutions/institutions that are professional and trustworthy (e) Investment permits must be obtained from the

government and the government must replace them if there is a loss or bankruptcy (f) There are no poor people who are starving or need funds that cannot be postponed when the zakat property is invested (g) The distribution of Zakat that is neglected due to investment must be limited in time. However, is it possible for the government to a permit if there is a loss the government is responsible for replacing it? Which department who has to permit. All these questions might indicate the Fatwa is still not clear.

6. MUI Fatwa No. 8 of 2011 concerning Amil (Zakat officer). There are 9 points namely regarding a. definition of Zakat officer (b) Zakat officer requirements or qualifications (c) Zakat officer duty, next issue up to point his about operational costs as follows : (d) The operating costs of managing Zakat are provided by the government (e) If operational costs are not financed by the government or are insufficient, they can be taken from Zakat which is part of Amil (as zakat recipient) or part of Fisabilillah (zakat recipient) within reasonable limits or made from funds outside of Zakat (f) Activities to build zakat awareness such as advertising can be funded from Zakat which is part of Amil (zakat officers) or Fisabilillah within the fairness limit (g) Zakat officer may not accept gifts from Zakat payer (in connection with his duties as zakat officer) (h) Zakat officer may not give tips to Zakat payers who are from Zakat.
7. MUI Fatwa No. 13 of 2011 concerning the Zakat Law on illicit property. This Fatwa is based on the many questions from the public about whether people who have

illegal assets such as originating from bank interest, the proceeds of corruption, and the results of gambling should pay Zakat and how they should use these illicit assets. Fatwa decree stipulates that unlawful property is not an object of Zakat. The owner of the stolen property should is to repent with one of the steps to return assets that are not his right (such as taking or corruption) to the owner. If the owner is not found, it can be used for public benefit. Fatwa decree stipulates that illicit property is not an object of Zakat. However, in practice, when Zakat officer receives Zakat or Infaq/alms from zakat payers/ donors, is it Zakat officer can trace the exact origin of the assets. Because for Zakat officer, they might be happy that public awareness to tithe and give alms and must be served well. The donor usually fills in the form about the source of the property that is subject to Zakat or is donated. Often, the donor generally fills in general from salary/income, sales or inheritance. However, whether salary/income is mixed with corruption, transactions are carried out by fraud, or whether the calculation of heritage is not by following per under the Sharia, this is usually not known further by Zakat officer.

8. MUI Fatwa No.15 of 2011 concerning the distribution of zakat assets in the form of managed assets. Permitted distribution of zakat funds for assets (facilities or infrastructure) whose benefits are for Zakat recipients. But it has requirements including (a) There is no urgent need for the Zakat recipients (b) The benefits of the assets under management are only for Zakat recipients (c) Other than zakat recipients, it is permissible to

utilise assets under control by making reasonable payments to serve as benevolent funds. One case in Zakat institutions does not use Zakat to purchase property likes the Fatwa. However, the zakat institutions use fund from Waqf.

This study is to understand the phenomenon of sharia compliance from the zakat officer point of view so that the obstacles faced by this research is a few previous research about Sharia supervisory boards (SSB) especially in the context of zakat institutions.

The paper is structured as follows: section one describes private Zakat institutions and the role of SSB and the Zakat fatwa. Section two illustrates the research method using a depth interview, how to analyse data and research ethics. Section three display transcript interview and discuss the data. Lastly, the section concludes with a limitation of the study.

METHOD

A qualitative approach using a multiple-case study through the semi-structured interview was used. The meeting was carried out individual face-to-face and by phone, which is focused on learning about personal experiences and perspectives on a given set of issues (DiCicco-Bloom). Five respondents consisted of three LAZ Zakat officers representing the province and two zakat officers from LAZ who was registered at the district level. The five of them are from one area in Indonesia. Each interview will take about 30 minutes. The interview is recorded so that the researcher makes transcription of the interview. Then analyse it, exciting and unique data are put together on a theme.

Data analysis used thematic analysis manually without using the software. This research has weaknesses, including a short interview time because of the little scope of the topic so that little and

less information in the discussion. Even though the lack of a debate, this research essential and paves the way for further research on sharia compliance in Zakat institutions.

This research only focuses on private zakat institutions because only private zakat institutions (LAZ) are explicitly required to have a sharia supervisor. But unfortunately, the regulations regarding the duties of sharia supervisors at LAZ have not been regulated at all, so this research indirectly encourages regulators to pay more attention to this topic.

Even though the respondents did not fill in the inform concern, all respondents have been asked to be willing without coercion, and they know the purpose of this research informally through chatting and oral before the questions are submitted. The researcher used the anonymity strategy to protect the respondent's data because there was one respondent who was critical of the role of the SSB, such as the zakat officer no need to ask for advice and sharia opinions from members of the SSB who were not updated with the latest zakat issues. In other words, the respondent's name and LAZ's name were anonymous as part of research ethics (Saunders et al., 2019).

RESULT AND DISCUSSION

Related to there is no standardisation, then WZF (World Zakat Forum) meeting followed by 21 countries in 2017 agree to make the standard of zakat management on fiqh (law) aspects and technical direction of zakat institution (Permana, 2017). The absence of regulations regarding the duties and responsibilities of sharia supervisors in zakat institutions while the SSB regulation in Islamic Banks is available, this regulation can be used as a model for SSB in LAZ to carry out their duties. The development of zakat management and

innovation programs, especially the distribution program, should be followed by zakat fatwa as a guide and standardisation for zakat management.

The Role of SSB on the New Program of Zakat Distribution

Based on Bank of Indonesia Regulation Number 15/22 /DPbS, the duties of SSB in Islamic Bank are to propose to the Directors to request a fatwa from DSN-MUI in the case of new products and activities that have not been supported by a fatwa. SSB also reviews the features, mechanisms, requirements, provisions, systems and procedures of new products and events to meet the Sharia principles. Besides, SSB also provides opinions and explains in-depth and holistically the fulfilment of Sharia Principles for new products and activities developed by Islamic Banks.

Therefore, the interview question was what the role of SSB in the new program? The LAZ zakat officer answer is following: Zakat officer Andi: *"The new program obtains legalisation first from Sharia supervisor, and becomes the prototype program. If that program succeeds, then other representatives office can adopt it..."*....For example, the project of minimarket in (name zakat institution) distribute Zakat to recipients in the form of capital ownership in minimarkets. In specific periods, Zakat recipients will receive compensation for the purchase of capital"....." There is a basis of explanation "... " which regulates the shop and bookkeeping are carried out by (the name of zakat institution) because zakat recipients take time to understand and finally later slowly released by zakat institution". Zakat officer Budi: *"If there is product innovation, this new product can be proposed in the next budgeting meeting..... "....If approved at the meeting, then the new program can only be run next year"*. Zakat officer Santo: *"The programs and activities we did that are usually*

carried out by zakat institutions so that we do not need to ask permission and consideration from sharia supervisors”.

Zakat institutions run a universal Zakat distribution program or the program is well known on Zakat institutions in Indonesia. In line with Kasri & Putri, (2018) that "Talking about programs ... we have almost the same programs as other zakat organisations. We have education, healthcare, economic and socio-religious programs ..."

Zakat officer Dermawan: *“In my opinion, the fatwa was issued when something was confusing in the community”.* *“Regarding zakat, everything is clear, just like who is the recipient of zakat”.* ... *“Whatever type of program, if the recipient of zakat is by following per under the category (Zakat recipients), what else is the fatwa needed”* ... *“Do you see other institutions (LAZ) who has a program (new ones that need Fatwa). ... “As I explained at the beginning, if there are still many questions in the community about a matter, then it needs a fatwa”.*

Therefore, some LAZs that were the object of this research had new programs. Still, the latest programs were before being carried out through the previous discussion process, including sharia supervisor involved. Besides most recent programs, but the basic remains the same as the standard of the zakat distribution program.

Zakat officer Andi: *“In the internal document (the name of zakat institution) there is we called the opinion of the SSB”* ... *“there is a zakat chapter, a Kurban chapter, an Infaq chapter, a humanitarian chapter and others”* ... *“So, ...every leader approve financial authorisation refers to the opinion of the SSB”.*

If the products from IFIs are by following per under Sharia, then this will increase customer loyalty and will also improve the performance of the Bank (Nurkhin et al., 2018). Will the zakat

distribution program follow sharia principles, will the trust of donors and Zakat payers increase? There needs to be further research on this matter because the some Zakat officer considers that the renewal of the Zakat distribution program is only in name, the important thing is that the Zakat officer pays attention to the Zakat recipients whether it is by following per under the categories in the Koran. However, it cannot be denied that in the current era there is also a renewal regarding the interpretation of zakat recipients such as whether victims of the war can be categorised as slaves (Zakat recipients). The meaning of slaves today is far different from that of the Prophet era, so the cases of humanity that are currently occurring can be considered as the meaning of slaves that can receive Zakat (Khoiri, 2018).

Sharia Supervisory Board comes and visits LAZ office.

Five LAZs do not have routine visits from their SSB schedule. Zakat officer Dermawan: *“They (SSB) do not have to be present; it could waste funds too”.* *“In the Rakornas (annual meeting) the sharia supervisor gives a speech or when there is a joint event”* ... *“Even though the sharia supervisors do not come (visiting the LAZ office), there are work instructions”.* *“We are (zakat officers) based on the Instruction”.* Zakat officer Edi: *“No”* pause *“there is no schedule yet on what date the sharia supervisors come”.* Zakat officer Andi: *“Every month we do it, we called sharia halaqah”.* *“The sharia halaqah is a meeting of branch leaders and SSB”.* *“Meeting face to face once a year at the Rakornas”.* *“SSB visit may be possible, but it does not survey. “It depends on the moment, book review ... for example”....“But even if there are urgent problems”. It can be directed via email”.*

Typically, SSB meets around six times a year (Blokdiijk and Goodijk, 2012). Refer to SSB regulations in Islamic banks,

SSB needs to make regular visits to the office at least once a month. When visiting, the SSB included requesting a report from the Directors about the products and activities of the institution. Even up to inspection (sampling) at least as many as 3 (three) customers for each Islamic Bank product or service. Adjust to the zakat institutions; the SSB needs to ask the LAZ chairman about the zakat collection or fundraising program and the zakat distribution program.

Many of the benefits of regular visits by SSB include helping SSB to focus, pay attention and create learning opportunities (see Beck, chapter 6, reduce cognitive complexity and direct action (Hough et al., 2014) and also educate management on the value and Islamic ethics (Hasan, 2014). It is contrasted with people who think that the SSB focuses on giving legalisation towards the product and service from a fiqh perspective than has a role in educating. Furthermore, the investment of value, ethics, and Maqashid shariah is vital in running activities of management in an institution (Hasan, 2014).

The visiting and meeting as a control task of SSB while the advisory is a service task (Nugraheni, 2018 cited in Forbes and Milliken, 1999; Heemskerk et al., 2015). SSB can use the meeting to discuss and determine what activities and products are by following per under Islamic principles. The number of meetings conducted by SSB shows that SSB is carrying out its duties (Nugraheni, 2018) cited in Hameed et al., 2004). SSB meeting can also influence the activities carried out by management. As a result of Nugraheni's research, the increasing number of SSB meetings will have an impact on the level of social performance (in the context of Islamic banking) and also have a positive effect on CSR disclosure (Nugraheni, 2018) cited in Naseem et al. 2017).

Lack of SSB Expertise on Zakat Current Issue

Zakat officer Santo: *"Our member of SSB does not follow a current issue of Zakat in Indonesia. So we (the chairman) must explain a lot to him than getting advice or suggestion"*. To become SSB members at IFIs Indonesia, they must attend training. For those who pass the exam will get a certificate and can be appointed as a member of the SSB.

However, there is still no certification for SSB members in Zakat institution in Indonesia. Institutions should take initiatives to improve the competence of SSB members by allocating funds for this purpose (Hasan, 2014). The duty of SSB members is not only to supervise but also to give their opinion on the activities carried out by the zakat officer. Indeed, a good SSB member who can respond to questions and problems faced by zakat officers.

On the other hand, Zakat officer Andi: *"All sharia opinions (zakat institution name) refer to the MUI fatwa because the SSB member of (zakat institution name) is also a member of the MUI fatwa commission"*. In this LAZ, the SSB member involves in current issue on Zakat.

As in Islamic banks in Indonesia, SSB members are selected by the board of directors of Islamic Bank and also recommendations from the MUI. In addition to a good reputation, SSB members must be sufficiently knowledgeable about Islamic law, even as a significant consideration (Nugraheni, 2018) cited in (Rahman & Bukair, 2013). The SSB criteria stipulated by Bank Indonesia, namely number 6/24 /PBI/2004, are integrity such as good character and morals, competence and financial reputation such as never being listed in bad credit. These criteria are fundamental for an SSB member who can also be applied to the SSB criteria in zakat institutions.

Lastly, SSB Islamic Banking criteria are restrictions on being a member of SSB in 4 IFIs (Nugraheni, 2018). Being a member of the SSB in several places can make SSB not focus on its duties so that the role of the SSB in providing advice, educating Islamic values and overseeing the performance of the institution is not optimal. On the other hand, weak demands on the qualifications of SSB members can weaken the supervisory function (Tian, 2009)

It is hoped that the existence of criteria for SSB in Zakat institutions, will support institutional accountability to stakeholders with transparency on information regarding sharia compliance in both financial statements and activity reports. Not only monitoring activities but, SSB is also expected to monitor the information revealed by Zakat institutions. Reports can be relied upon if the Supervisory board member has expertise (Gad, 2015)

Zakat Fatwa is not as the Primary Reference of Zakat Officer.

Zakat officer Andi: "Zakat fatwa is not the first reference for the zakat management because generally, we refer to zakat law by Yusuf Qaradawi". In the interview, the researcher mentioned one of the fatwas, which is about taking Zakat for Zakat officer from Fisabilillah (other zakat recipients). If the operational funds for Zakat officer are still lacking, the operating fund could take from Fisabilillah. Zakat officer Dermawan: "Where is the fatwa from?" Explanation from the interviewer. Zakat officer Dermawan: "Oh if there is already a fatwa means it can already be the basis for zakat officer". "But in my opinion, the zakat officer has demanded professionals; the program is made to benefit the recipients of zakat so that the amount of zakat collection can increase, so there is no need to use zakat funds for the lack of zakat officer funds"This respondent

statement indicates this Fatwa is unknown and also the Fatwa is not used as a reference by the zakat officer.

Zakat officer Edi: "*Fatwa that we often use is to refer to some books like Yusuf Qardawi. The Fatwa from MUI I rarely read*". "*I also read books on zakat published by the ministry of religion*". "*This is because I am a new as Zakat officer, people before me may already know about Zakat Fatwa (MUI)*"Zakat officer Andi: "*Some fatwas in (the name of zakat institution) do not yet exist in the MUI fatwa "..."Among zakat institutions can vary*". "*They have a basis for ijtihad each*". *Some are contemporary, and the other is traditional*".

In contrast, Fatwa in IFIs which become the primary reference for management and member of SSB or they have the same text. Zakat Fatwa needs to be evaluated regarding whether zakat fatwa is up to date with the current problems faced by zakat officers in managing Zakat.

Recommendation for a New Fatwa related to Zakat

Zakat officer Dermawan: "*I think that's enough*" (no more fatwas). Zakat officer Edi: "*Yes I have; it is related to zakat recipients*". "*Can smokers receive Zakat? It is because smokers are considered rich, able to buy cigarettes*". "*I also do not know whether MUI has issued this fatwa".... .."Actually, we have applied this policy, but only on one program....."*" Zakat officer Andi: "*There must be an addition in this contemporary era ... many people ask about Zakat from rewards of online shopping or online games if they reach Nisab (amount threshold)*".

Khoiri (2018) suggested three things that need to be prioritised in the zakat fatwa, including the development of business and business sectors that have high economic value, zakat management aspects where the rapidly increasing

amount of Zakat causes more complex zakat management, a reinterpretation of zakat recipients where classical interpretations have different substances or criteria with current conditions. However, the first point needs explanation because zakat institutions are not profit-oriented. Zakat institutions are charity organisations.

There are zakat officers who think that the current conditions are ideal without the need for a Zakat fatwa because every LAZ also has an SSB that can be asked for sharia opinion on the programs or activities carried out by the zakat officers. On the other hand, there needs to be a new Zakat fatwa issued by MUI. Zakat fatwa from MUI should be the standard or uniformity for Zakat institutions in Indonesia.

Sharia opinion in LAZ is more numerous and developed than the Zakat fatwa in MUI. Zakat officer Andi: *"If the mechanism in (the name of zakat institution) is simple, only three people ... If the MUI is a large bureaucracy ... MUI wants to give a fatwa when the issue is large enough, or the content is viral".*

Or this could also because the zakat officer at LAZ has SSB, so it is not necessary to ask for the MUI fatwa for their problems or confusion about sharia matters. Zakat officer Andi: *"The zakat officers... don't think of it as a priority (ask for Fatwa from MUI) because they have their own SSB" ... "LAZ is comfortable with the current condition, if uniformed then the space for movement (zakat officer) is narrower". "The basic principles, such as Asnaf (zakat recipients) cannot change. The branch (it is not main topic/issue) back to their SSB".*

The management of Zakat in LAZ develops over time which requires sharia opinion. LAZ faced a particular condition and needed sharia opinion on their solution or decision. Zakat officer Andi: *... "In one night (name of zakat institution) collected funds (Zakat Al Fitr) of 7 billion rupiahs".*

"It is impossible for Zakat (Fitr) to be distributed in cash because banks have closed. Account point entered into zakat recipients' mobile phone. "Digital funds can be exchanged by Zakat recipients after Eid".

These conditions illustrate that the activities faced by Zakat officers are very complex and require quick and precise decisions and by following per under Sharia. The existence of SSB in each LAZ can facilitate the birth of this policy.

CONCLUSION

Implementing Sharia compliance in an institution is the existence of Sharia supervisory boards (SSB). This research focuses on private zakat institutions (LAZ) because this institution must have a sharia supervisor as a condition for operating permits. Research on SSB is very little and is dominated by SSB in IFIs. This research contributes to the study of SSB in zakat institutions.

Comparing the sharia compliance between IFIs and Zakat institutions is certainly not accurate, but as a first step, it needs to be done. From the study results, it was found that some weaknesses can be seen from the role of sharia supervisors such as weak monitoring; there is no qualification and accreditation for sharia supervisors in LAZ so that members of SSB might do not update and ultimately cannot give advice. Finally, Zakat fatwa which cannot be the reference yet in this case which needs evaluation whether Zakat fatwa is related to zakat officer challenges in daily zakat operation.

There are still many further studies that can be done, such as interviewing the sharia supervisors at LAZ so that understanding of the challenges they face. It will make this topic get other perspectives. The absence of an obligation for BAZNAS to have a sharia supervisor is also interesting to explore further. Is this

difference in rules correct? What is the impact? And how does BAZNAS convince the public that BAZNAS activities or operations are by following per under Sharia compliance?.

Therefore this research can be used as input to regulators in drafting rules regarding the duties and functions of sharia supervisors and also consider making limits on what things need to uniform the Fatwa for all Zakat institutions and what limitations are sufficient to get only a sharia opinion from sharia supervisors. Sharia compliance standards become legitimate for an institution, and it is also easy to compare and evaluate zakat institutions in Indonesia

REFERENCES

- Abozaid, A. (2016). The internal challenges facing islamic finance industry. *International Journal of Islamic and Middle Eastern Finance and Management*, 9(2), 222-235. <https://doi.org/10.1108/IMEFM-05-2015-0056>
- Alnasser, S. A. S., & Muhammed, J. (2012). Introduction to corporate governance from islamic perspective. *Humanomics*, 28(3), 220-231. <http://www.econis.eu/PPNSET?PPN=73041969X>
- Al-Nasser, S. A. S., & Muhammed, J. (2017). The relationship between agency theory, stakeholder theory and shariah supervisory board in islamic banking. *Humanomics*, 33(1), 75-83. <https://doi.org/10.1108/h-08-2016-0062>
- Aribi, Z. A. a., Arun, T. a., & Gao, S. (2018). Accountability in islamic financial institution. *Journal of Islamic Accounting and Business Research*, 10, pp. 98-114. <https://doi.org/10.1108/JIABR-10-2015-0049>
- Bank of indonesia regulation number 15/22/DPbS, (2013).
- Barbara DiCicco-Bloom & Benjamin F Crabtree, *The qualitative research interview*
- BAZNAS regulation number 3, (2019).
- BAZNAS. (2017). *Indonesia zakat outlook*. (). Jakarta: BAZNAS. www.baznas.go.id
- BAZNAS. (2018). *Indonesia zakat outlook*. (). Jakarta: BAZNAS. www.baznas.go.id
- BAZNAS. (2019). *Indonesia zakat outlook*. (). Jakarta: BAZNAS. www.baznas.go.id
- Dienes, D., & Velte, P. (2016). The impact of supervisory board composition on CSR reporting. evidence from the german two-tier system. *Sustainability (Basel, Switzerland)*, 8(1), 63-20. <https://doi.org/10.3390/su8010063>
- Dompét dhuafa. (2020). *Struktur organisasi*. Dompét Dhuafa Republika. <http://www.dompetedhuafa.org/id/tentangkami/detail/struktur-organisasi>
- Erlane, K. G., Asmah, A. A., Sakinah, M. T., & Nahla, S. (2018). Effect of board management and governmental model on zakat payers' trust on zakat institutions. *Global Journal Al Tha'afah*, 8(1), 73-86. <https://doi.org/10.7187/GJATSI2018-05>
- Gad, J. (2015). *The relationship between supervisory board and management and their communication processes in publicly listed companies in poland*. Versita. <https://doi.org/10.1515/cer-2015-0016>

- Government regulation number 14 , (2014).
- Hasan, Z. (2011). A survey on shari'ah governance practices in malaysia, GCC countries and the UK. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(1), 30-51. <https://doi.org/10.1108/1753839111122195>
- Hasan, Z. (2014). In search of the perceptions of the shari'ah scholars on shari'ah governance system. *International Journal of Islamic and Middle Eastern Finance and Management*, 7(1), 22-36. <https://doi.org/10.1108/IMEFM-07-2012-0059>
- Hough, A., McGregor-Lowndes, M., & Ryan, C. (2014). Board monitoring and judgement as processes of sensemaking. In C. Cornforth, & W. A. Brown (Eds.), *Nonprofit governance* (pp. 142-159). Routledge.
- Kasri, R. A., & Putri, N. I. S. (2018). Fundraising strategies to optimise zakat potential in indonesia: An exploratory qualitative study. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 10(1), 1-24. <https://doi.org/10.15408/aiq.v10i1.6191>
- Khoiri, N. (2018). Legal thoughts in measuring the strenght of qiyas as fikih zakat methodology in indonesia. *International Journal on Language Research and Education Studies*, 2(1), 149-161. <https://doi.org/10.30575/2017/IJLRES-2018010412>
- Lessy, Z. (2009). Zakat (alms-giving) management in indonesia: Whose job should it be? *La_Riba*, 3(1), 106-119. <https://doi.org/10.20885/lariba.vol3.iss1.art8>
- Ministry of Religious and affairs. (2015). *Compilation of regulations and general supervision standards of zakat institutions, 2015*. Ministry of Religious and affairs.
- Mubarok, J. (2004). *Perkembangan fatwa ekonomi syariah di indonesia* (1st ed.). Pustaka Bani Quraisy.
- Mullins, D. (2014). The evolution of corporate governance structures and relationship in english housing associations. In C. Cornforth, & W. A. Brown (Eds.), *Nonprofit governance* (pp. 210-228). Routledge.
- Najwa, N. A., Ramly, Z., & Haron, R. (2019). Board size, chief risk officer and risk-taking in islamic banks: Role of shariah supervisory board. *Jurnal Pengurusan*, 57. <https://doi.org/10.17576/pengurusan-2019-57-01>
- Nugraheni, P. (2018). Sharia supervisory board and social performance of indonesian islamic banks .22(2), 137-147.
- Nurkhin, A., Rohman, A., Rofiq, A., & Mukhibad, H. (2018). The role of the sharia supervisory board and corporate governance mechanisms in enhancing islamic performance – evidence from indonesia. *Banks and Bank Systems*, 13(4), 85-95. [https://doi.org/10.21511/bbs.13\(4\).2018.08](https://doi.org/10.21511/bbs.13(4).2018.08)
- Permana, F. E. (2017). *3 target world zakat forum*. <https://khazanah.republika.co.id/berita/dunia-islam/wakaf/17/03/15/omumz5313-3-target-world-zakat-forum>
- Rahman, N. A., & Jusoh, M. A. (2018). A Review of Board of Director, Shariah Supervisory Board and Zakat Distribution Performance in Malaysia. *International Journal of*

- Academic Research in Business and Social Sciences, 8(2), 770–779
- rumahzakat. (2020). *Manajemen. Rumah Zakat*. <https://www.rumahzakat.org/entang-kami/manajemen-2/>
- Saad, R. A. J., Aziz, N. M. A., & Sawandi, N. (2014). Islamic accountability framework in the zakat funds management. *Procedia - Social and Behavioral Sciences*, 164, 508-515. <https://doi.org/10.1016/j.sbspro.2014.11.139>
- Sahroni, O. (2017). *Ushul fikih muamalah kaidah-kaidah ijtihad dan fatwa dalam ekonomi islam* (1st ed.). Rajawali Pers.
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2019). In Thornhill A.,author (Ed.), *Research methods for business students* (Eighth edition.. ed.)
- Sudewo, E. (2004). *Manajemen zakat tinggalkan 15 tradisi terapkan 4 prinsip dasar*. Institute Management Zakat.
- The minister of religion decree number 333, (2015).
- Tian, X. (2009). Analysis of the functions of supervisory board system in modern chinese companies. *International Journal of Law and Management*, 51(3), 153-168. <https://doi.org/10.1108/17542430910959236>
- Wibisono, Y. (2015). *Mengelola zakat indonesia* (1st ed.). Prenadamedia Group.
- Zakat act number 23, ActU.S.C. (2011).
- Zakat Act number 38 , ActU.S.C. (1999).

Devi Megawati
Shariah and Law Faculty
Universitas Islam Negeri Sultan Syarif
Kasim Riau Province, Indonesia
devimegawati@uin-suska.ac.id