

Management of Zakat Payment Based on Fintech for the Good Corporate Governance Improvement

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(✉) *Corresponding Author*

Pertiwi Utami¹

Basrowi²

dan Julianas³

^{1,2}Postgraduate Magisters in Sharia Economics UIN RadenIntan Lampung, Indonesia.

¹Email: utamipertiwi89@gmail.com

²STEBI, Lampung, Indonesia.

ABSTRACT

The researcher conducted a study of Fintech-based zakat payment legal knowledge at the National Zakat Amil Agency (BAZNAS) in Indonesia. This research basically addresses two main points. First, about how the 'aqeedah' and 'sharia' knowledge approaches to the use of Fintech-based zakat payments. Second, about how to implement the principles of good corporate governance in the management of Fintech-based payment zakat. Using an explorative methodology, researchers want to provide new insights in terms of legal studies with both approaches. From the results of analysis and discussion, revealed that Fintech's law itself is permitted, not binding because the contract is in the same direction, and as long as it does not conflict with sharia principles and does not contain elements of harm. While the implementation of the principles of zakat payment based on Fintech was able to create good corporate governance in BAZNAS quite well.

Keywords: *Islamic law, Zakat payment, Fintech, Good corporate governance.*

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Highlights of this paper

- This research basically addresses two main points.
- First, about how the 'aqeedah' and 'sharia' knowledge approaches to the use of Fintech-based zakat payments.
- Second, about how to implement the principles of good corporate governance in the management of Fintech-based payment zakat.

1. INTRODUCTION

As a national zakat management institution, BAZNAS continues to innovate on various zakat programs. The existence of practical scientific methods using the digit system has been used, especially the collection of zakat, zakat management, distribution and as a means of zakat education (BAZNAS, 2019) In the implementation of Fintech in the payment of zakat, Islamic law is needed to confirm whether or not Fintech-based payment zakah is permissible.

An evaluation of the productive zakat program in 2018 by the Baznas Strategic Study Center stated, ". In 2018 there was a decrease in the impact of zakat. The independence index is the lowest value in the BAZNAS Welfare Index (IKB), therefore zakat institutions can prioritize programs related to independence"(BAZNAS, 2019).

The principles of Good Corporate Governance can be an alternative strategy for empowering zakat institutions that prioritizes the benefits of zakat programs in the context of the benefit of the people. Soemitra explained that, "In terms of Islamic Law, the study of the instruments of detailed rules which are amoral and must be followed as Islamic provisions are called fiqh. Whereas, the study of the provisions, procedures and systematic efforts in producing detailed sets of regulations is called ushulfiqh" (Soemitra, 2017).

In the context of Islamic law, Fintech in zakat payment is still classified as a research that has not been done much by previous researchers. While Good Corporate Governance, here researchers use the perspective of Islamic corporate governance. Both are very important to see the development of Information and Technology, especially Financial technology (Fintech) in commercial and non-commercial Islamic Financial Institutions which are currently developing. Not only that, good corporate governance in zakat institutions is an interesting study when there are various themes related to various problems and challenges of empowering zakat by BAZNAS.

Muhammad (2008) explained, "The steps taken in building Islamic economic theory used are based on two legal aspects, namely sharia law and thabi'i law in society." Amir Syarifuddin in his book UshulFiqh explained that, "Study regarding Islamic law contains two main fields, each of which has a broad scope, namely: First, a study of the instruments of detailed rules that are amenable and must be followed by Muslims in religious life, or called Fiqh in the special sense; Secondly, a study that discusses provisions and systematic ways and efforts in producing detailed sets of regulations or called ushulfiqh or in another sense the fiqh methodology system. Fiqh and UsulFiqh are two separate discussions, but are interconnected and related."

A review of various literature explained that, "Fintech in Islamic financial institutions continues to grow" (Djafri, 2018). Zakat funds have a fairly good role in empowering mustahik especially in economic aspects" (Prahesti and Putri, 2018). One interesting study is, "Application of the concept of mardhatillah (to get blessings) on zakat payment by utilizing digital technology" (Doktoralina *et al.*, 2018). There is always an opportunity for amil zakat institutions to use financial technology (Friantoro and Zaki, 2018).

Research conducted by Rachman and Salam, "There are various threats and abuse using financial technology that continues to experience development and progress. Strengthening and monitoring the management of zakat using structured strategic steps by utilizing Fintech in zakat management is intended to realize the acceleration of

the development of zakat management. This process includes aspects of civil law compliance, compliance with sharia law, accountability, and security structures” (Rachman and Salam, 2018).

Brooks and Dunn (2012) stated that there is a need for training and development of cybersecurity, other than that it is important to address fraud risks related to ethics and human integrity (Ng and Kwok, 2017).

Despite advances in technology, a study revealed that, "the main media used to obtain zakat information is word of mouth. The findings of this study can be useful for zakat institutions to evaluate the efficiency of zakat management in meeting the needs of zakat recipients” (Ahmad *et al.*, 2015). A study of Brunei zakat institutions highlighted financial inclusion facilities in their practice and helped fulfill the savings motives of zakat recipients especially for the lower middle class. Findings required for special zakat recipient account and savings facilities (Salleh and Hasnol, 2015). This indicates that the zakat institution needs Fintech in facilitating zakat recipients.

Other studies related to the legal aspects of zakat in Indonesia were conducted by Januardi who concluded, "Law enforcement of Zakat is one of the important indicators to be able to realize a rule of law that can realize prosperity in Indonesia." In the study also explained, " law enforcement is the form of Islamic economic enforcement (Islamic Law Enforcement) (Januardi, 2018). Research studies conducted by Bariyah show that, "The legal codification of zakat in Indonesia occurs gradually. The new zakat codification regulates the management of zakat. The developmental aspects of the element of zakat consist of: Amil zakat institutions, muzaki, zakat objects, sanctions, and zakat as tax deductions” (Bariyah, 2016).

Fintech provides the possibility for an innovative and flexible organizational structure and business model to increase financial inclusion, in addition Fintech's application for financial services must have legal rules not only from jurisdiction but also emphasis on sharia governance (Djafri, 2018). Although information technology has been adopted by management zakat, but not many regulations and standard rules are related, so that legal guidelines and guarantees from the government are needed to encourage increased management of zakat, increase innovation, and foster public trust. These processes include aspects of legal compliance, sharia compliance, accountability, and security structures. This can be realized through institutional integrity, technology development systems, standardization, certification, and education (Rachman and Salam, 2018).

Islamic corporate governance has a significant influence on Islamic financial institutions (Endraswati, 2013). There is a strong positive relationship between Zakat and corporate social responsibility. This shows that Zakat contributes positively to the profitability and value of the company and can be considered as a strategy to maximize returns and improve performance and consider aspects of society as a whole (Javaid and Al-Malkawi, 2018). According to researchers, this can also apply to zakat management institutions that have not managed zakat for the purpose of advancing independence and community economy. The performance of religious institutions and the growth of zakat institutions shows a high positive relationship. This is because the characteristics of religiosity that are the source of innovation will reflect the management of zakat institutions (Ali *et al.*, 2015).

If the principles of good corporate governance are applied consistently, it will certainly further limit the ill will of the elements in the institution. This must also be added with concrete and explicit rules that force institutions to adopt the principles of good corporate governance as guidelines for governance of their activities (Aspan, 2017).

One of the advantages of the principle of good corporate governance is increasing the efficiency and effectiveness of the zakat institution program. A study reveals that using the mandatory savings method for recipients of productive zakat can increase the success of zakat institution programs (Hassan and Noor, 2015). The results of the research conducted show that motivation for income zakat payments is influenced by the application of corporate governance and the culture of zakat management organizations.

Based on research conducted by Farouk stated "The need for formulating policies to strengthen the intention of zakat payers to fulfill their obligations"(Farouk *et al.*, 2018). The results of Alam's research on corporate maintenance in an Islamic perspective state that, "Built-in openness and transparent nature of companies or Islamic financial institutions can increase effectiveness in product diversification and risk and in developing segmented markets of Islamic products"(Alam and Nurul, 2013).

2. THEORITICAL REVIEW

In the literature of Islamic legal thought, there are various views regarding the management of zakat. In this case the rules of Islamic law are aimed at knowing theories that support payment transactions and zakat receipts using financial technology (Fintech). Pradja (2012) in his book Sharia Economics argues that, "Using several approaches in understanding sharia economic transactions, among them uses theological, historical and philosophical approaches and Islamic culture."

Fintech in Zakat Payment in BAZNAS explains that, digital technology is used in the process of collecting and distributing zakat, zakat management, and as a means of zakat education. The specifications are as follows (BAZNAS, 2019).

First, the field of fundraising: There are three platforms available to raise zakat funds. First, the internal platform, is a platform developed into the form of a website or BAZNAS application, for example providing a zakat payment page on the website. Second, external platforms, are platforms provided by partners to raise ZIS funds. For example by using e-commerce, online, crowd funding, digital payment machines, also QR code. Third, the social media platform, is a ZIS collection platform through social media.

Second, the field of zakat management: There is blockchain technology that is used to increase the transparency of zakat management institutions and is expected to increase the trust of muzaki in channeling their zakat through BAZNAS.

Third, distribution of zakat: Use of an Independent Receiving Platform (ATM) Rice, mustahik can obtain rice only by attaching a Rice ATM card to the machine, then the rice will come out within the range specified by BAZNAS.

Fourth, zakat education: Virtual assistant zakat is a chatbot named @zakibaznas which is equipped with natural language process (NLP). This virtual assistant uses Artificial Intelligence technology that allows users to reply to messages with chatbots through the LINE application.

Related to Good Corporate Governance in an Islamic perspective, according to Endraswati (2013) "Corporate governance is a system that includes mechanisms and structures". Corporate governance as a system has basic principles that must be understood by all parties involved in the preparation and implementation of the strategy. Even though zakat institutions are not companies that manage shares, the principles used in corporate governance can be applied to zakat management institutions such as BAZNAS. Because in essence, zakat institutions have the obligation and responsibility for managing the assets of zakat. The main difference lies only in the goal, if the company has a commercial purpose, the zakat institution has a purpose for the benefit of Maqasid Shariah which aims at the welfare of the people. The principles of corporate governance according to OECD (2015) and include the following Komite Nasional Kebijakan Governance (2008):

First, transparency, which is to provide information needed by stakeholders. Second, accountability, emphasizes the system of creating effective supervision based on the division of power which includes monitoring, controlling, and evaluating management to ensure that management thinks and acts in the interests of stakeholders.

Third, fairness, intended for justice to avoid cheating and mistakes made by insiders. Fourth, responsibility or responsibility is defined as responsibility as part of the community in order to comply with applicable regulations and fulfill their social obligations to the community and its environment.

According to Bhatti in [Endraswati \(2015\)](#) Islamic corporate governance considers the effects of sharia law and Islamic economic principles on practice and policy. The term Shariah governance refers to the term [IFSB \(2009\)](#) which states that, "A set of institutional and organizational arrangements through which Islamic financial institutions ensure that there is an effective independent oversight of shariah compliant over the issuance of relevant sharia pronouncements, dissemination of information and an internal shariah compliance review. "

3. METHODOLOGY

Exploratory research design uses analysis of secondary data from the most up-to-date literature sources chosen by researchers to reveal the results of the discussion. The flexibility of this research design is the ease at which new ideas or insights are found.

Using the Islamic Law approach, researchers will reveal new insights about the law of payment transactions using Fintech in Zakat Payment at the BAZNAS Zakat Institution. The principles of Good corporate governance in an Islamic perspective are used to examine how the principles of institutional governance can contribute to the strategy of the zakat institution to strengthen the institutional structure and empowerment of zakat in responding to digital challenges in the future.

4. DISCUSSION ANALYSIS AND RESULTS

4.1. Overview the Law of Zakat Payment Uses Fintech in BAZNAS in an Islamic Perspective

Based on Islamic legal theories in the perspective of Islamic economics, the nine rules are obtained:

First, the Theory of Intention (Nadhariyat An-Niyat). In the fiqh principle mentioned, "al-ibratu fi al'uqudi li al-maqashidiwa al-ma'anilal i al-fadziwalmabani", the transaction contract is the intention and intention, not the lafadz and statement. The nature of all acts is permissible if intended correctly, then they are worth worship and bring merit. Dedicated intention as a beginning in achieving goals. Both in the distribution of zakat or management must meet certain requirements. Asmawi in the book Sharia Economics written by [Pradja \(2012\)](#) explains the following three conditions: (a) The stated lafazh must have broad meaning according to the use of Arabic, (b) there is equality in the meaning of lafadz outwardly with intention and there are signs that strengthen the position of intention (purpose) then the intention can not be used as a legal basis, and (c) the legal consequences that are born with the intention of lower (lighter) rows of the outward meaning of lafadz (utterance), if not, the intention is not cared for. Second, the theory of expression of desire (Nadhariyah Al-Ta'bir Al-rad'Iradat). Asmawi also said, "Desire is something that cannot be known, but it can be seen the signs such as in words, gestures or sayings. The provisions of the law must be based on the desires of the heart rather than based on words." A rule says, "I'mali al-kalam hall min ihmaalihi "(Holding people's words is more important than denying them). Third, theory of the Benefit of Maintenance (Nadhariya Al-Maslahah). Maslahah is generally a relative because many maslahah in it sometimes contain elements of mafsadat, and vice versa. In the fiqhiyah rule: "la dhararawaladhirara", (it is forbidden to cause harm and is forbidden to repay the same kind of harm). For example: (a) Prohibition of fraud, forgery and uncertainty (gharar), (b) Prohibition of people who have imperfect reason (sigh) from spending their wealth. Prohibition to al-Mufti al-Majiri not to give fatwa to people,). Fourth, legal theory of origin (Nadhariyat Al-Akhadzi bi Al-Istishhab). The original law (istishhab) is the same as continuing the validity of syara 'law which has remained in the past regarding a problem until there is another argument which states the loss of the provision. In

the rule, "al-yakinu la yuzalu bi ass-syaq" (a legal provision that has been believed to exist cannot be eliminated solely).

Table-1. Overview of the legal zakat payment using Fintech from nine rules.

Theory / Rules	Fintech in zakat payment	Analysis results
Intention (Nadharariyat An-Niyat)	Digitizing zakat is used in the process of raising funds, distributing zakat, managing zakat and means of zakat education	The actions of BAZNAS are in accordance with the literature of sharia law. However, the principle of intention cannot be used to discuss the act of paying zakat by muzakki, because it is not known whether there is Lafadz pronounced when using Fintech, so that it cannot be used as a legal basis that binds both parties.
Expressions of Desire (Nadhariya Al-Ta'bir Al-'Iradat)	ZIS Payments using e-commerce	Heart's desire is evident when muzakki uses e-commerce for ZIS purposes, this means that zakat payments are valid because of signs that indicate the heart's desire (iradah).
Benefit Maintenance (Nadhariya Al-Maslahah)	Digitizing zakat is used to provide easy zakat transactions	As long as it does not cause harm, then digitizing zakat can create benefits received by Islamic sharia.
Law of Origin (Nadhariyat Al-Akhdzi bi Al-Istihab)	Fintech is a tool for facilitating zakat payment transactions, amil is more organized to manage, helps the community to calculate the amount of zakat and mustahik receives benefits faster	Fintech is only a tool, no contract legally bind muzakki. If there is doubt or suspicion of misuse of zakat by mustahik or the manager. Then it is not necessary to replace the zakat. Because in essence BAZNAS only fulfills the mandate (yadamanah) and muztahik as those who are entitled to receive zakat. With evidence that Muzakki uses Fintech as a legitimate tool for ZIS payments so it cannot be canceled with the arrival of doubts.
Limits of Ijtihad (NadhariyatDhawabith Al-Ijtihad)	The advances in technology have led to the birth of Digitizing Zakah	1. Abdul WahabKhallaf explained about the possibility of Ijma 'due to technological advances. From Fatwa concerning Sharia Electronic Money No. 116 / DSN-MUI / IX / 2017 and Fatwa concerning Sharia-Based Information Technology Financing Service (Fatwa No. 117 / DSN-MUI / IX / 2018), ijma is obtained that Fintech in zakat payment is permitted.
Trustees (Nadhariyat Al-Walayah)	The Blockchain technology is used to increase the transparency of zakat management institutions. It is expected to increase muzaki's trust in channeling his zakat to BAZNAS.	If mustahik gives a guardian right to someone to take ZIS by fulfilling certain requirements using ATM Beras digital transactions, the action is valid. Whereas muzakki conducts zakat payment transactions with Fintech. Then the trustee management authority of zakat is BAZNAS. BAZNAS as guardianship of muzakki has legal force as a representative of others for the purpose of managing their zakat.
Terms of Jaliyah in the Zakat	Digitization Agreement by collecting zakat through Cashless, namely the ease of transactions using cellphones. More and more people use cashless and social media.	Jaliyah's requirements cannot be fully used in Fintech in Zakat Payment, because there is no agreement on the terms set by both parties. But as technology advances and becomes a tradition and habit, using Fintech is considered to fulfill the terms and legal transactions legally.
Tawabi	E-commerce answers are used as payment channels. Where muzaki can make ZIS payments while making online purchases.	ZIS payments and online learning using e-commerce are two transactions that have different purposes even though they use the same payment channel. So that the law is not binding with one another. The transaction is legal.
Guarantee (Nadhariyat Al-Dhaman)	There is no guarantee of payment transactions using Fintech.	Fintech in Zakat Payment is not a trade payment transaction or trade. Then the kharaj for BAZNAS does not apply and there is no guarantee of return if there is negligence or error during the Fintech transaction.

Source: Pradja (2012), BAZNAS (2019).

According to ushulfiqh experts, the induction is divided into five levels, namely: (a) Sure; something that will cause calm in the heart because of certainty, (b) Syak; doubt, is a position where we do not tend to the left or the right, (c) the powerful call to prayer; one of the two sides is stronger than the other, (d) strong call to prayer; one

from the stronger side, but that power does not necessarily defeat the other side as a whole or absolute, and (e) Wahm; is the weak side and defeated by the other side. That is, the side of the call to prayer is in conflict with the side of the wahm.

Fifth, the theory of the limitations of Ijtihad (Nadhariyat Dhawabith Al-Ijtihad). Ijtihad is interpreted to exert all energy and mind to get syara 'legal conclusions on certain problems by studying and examining the texts of the Qur'an and Sunnah according to Arabic rules or using (analogy) after knowing the reason (illat) for legal reasons. Ijtihad is divided into two parts. First, ijthid understands the meaning of nash (the text of the Qur'an and Sunnah), carried out if the text meaning of Al Qur'an and As sunah is not clear. Second, ijthid by sticking to a new law with the established law nash (the text of the Qur'an and Sunnah) through the qiyas path (analogy) problem or other than both of the types of contemporary propositions used within the boundaries of Ijtihad. Like, postal order (adat) and istishab. Sixth, Trusteeship Theory (Nadhariyat Al-Walayah). Trusteeship is an authority granted by Islamic law to someone to take binding action as a guardianship that has legal restrictions and provisions. In the fiqihyah rule: "tasarufi al-imani" ala al-ra'iyatimunawathi bi al-maslahah ", (the policy of the leader [imam] of the people must be based on benefit).

Seventh, Jaliyah Terms Theory in the Contract. The jaliyah requirement is a contract transaction requirement that is deliberately mentioned by both parties in addition to the provisions stipulated by the Shari'a. In the rules of jurisprudence: "yalzumumura'atusyarhibiqadri 'imkani", (must fulfill the requirements according to ability). With the provisions, if the conditions proposed have become customary and customary, these conditions can be accepted but if the opposite is not the condition accepted and the transaction law is facade. If the terms are removed, the transaction can be valid. Eighth, Tawabi Theory. In the fiqh rule: "at-tabi'utabi '," (something that binds [something to something] the law binds to something). Because an object binds to another object, the law also binds to something that binds the parent. Although not specifically mentioned when the contract is implemented.

Ninth, Guarantee Theory (Nadhariyat Al-Dhaman). Starting from the kharaj problem which means something that is produced or the output of something that is considered, guarded or used because it keeps the property or property of others. In the rule, "al-kharaj bi dhaman" (kharaj is bound by dependents).

From the results of the research developed from the theories discussed earlier, it identifies several weaknesses of Fintech in the payment of BAZNAS zakat, including:

- i. Intention (Nadhariyat An-Niyat) cannot be a binding legal backing from the muzakki, the manager or mustahik who accept ZIS. The obvious aspect is that there is no 100% guarantee that ZIS that has been accepted by the mustahik will be used to the maximum extent possible to fulfill its life needs. This is because the expression of desire (Nadhariya Al-Ta'bir Al-'Iradat) can be hidden. Because in essence the desire in the heart could be because of the desire for lust or could be a desire because of the necessities of life. Both of them clearly have different goals.
- ii. The use of Fintech in zakat payment transactions clearly has the purpose of the Shari'ah of Allah SWT. That is, there is benefit so that it can be accepted by the user as long as there is no obligation for the use of the Fintech. Fintech is only a means of payment, therefore there is no legal provision that requires the replacement of zakat by BAZNAS given muzakki through Fintech if there is a decrease in the welfare level of mustahik. Mustahik is also not legally bound, if after receiving productive zakat, it turns out that his welfare does not increase.
- iii. Fintech used by BAZNAS to obtain zakat from muzakki according to the purpose of the zakat. However, if in the use of digital technology it turns out that there are conditions that impose muzakki or mustahik, then the transaction law can be a facade (invalid). The issuance of halal certification by the MUI on zakat

payment transactions using Fintech, cannot guarantee that the transaction is safe, trustworthy and shari'a. According to OJK (Financial Services Authority) (2019) "The use of Fintech is vulnerable to data abuse, hackers, and fraud."

However, the results of the analysis use nine rules of Islamic law, and the results can be concluded that Fintech law itself is permitted, not binding because the contract is in the same direction, and as long as it does not conflict with sharia principles and does not contain elements of harm. Fatwa concerning Sharia Electronic Money No. 116 / DSN-MUI / IX / 2017 and Fatwa concerning Sharia-Based Information Technology Financing Services (Fatwa No. 117 / DSN-MUI / IX / 2018) support the development of Fintech in zakat payment.

4.2. Implementation of the Principles of Good Corporate Governance in BAZNAS

Based on the Table 2 it can be understood that, the implementation of the principles of good corporate governance in BAZNAS, gives quite good results, such as: 1) Information and technology transparency because the zakat digitalization continues to be developed by BAZNAS to improve the performance of zakat and professionalism, 2) as a form Responsibility by giving open access to the public to find out the results of the performance and impact of zakat on mustahik.

Table-2. Implementation of the principles of good corporate governance in BAZNAS.

Principles of GCG	Implementation	Analysis results
Transparency	Make public announcements of vacant positions, measure performance, develop information technology blockchain for increasing transparency of zakat management institutions, Artificial Intelligence technology allows muzakki to ask for information on zakat.	Develop accounting systems based on best practices and sharia accounting standards using more sophisticated digital applications
Accountability	The existence of monitoring, control, and management evaluation. Had Kifayah's study as the basis for the distribution and utilization of zakat funds. The Apostate Prone Index Study is used to measure the vulnerability of apostasy in a district / city in 34 provinces in Indonesia as the basis for distribution wah, as well as the Zakat Management Risk Management Study which is the basis for risk management of zakat institutions.	From the results of the zakat impact evaluation in 2018, the fulfillment of income reflected in the independence index, indeed there are still many mustahik who have precarious jobs, namely as much as 24.20%. And for new savings ownership as much as 41.90%. Management evaluation and the impact of zakat must always be carried out maximally, in order to convince muzakki that the zakat received is managed well.
Fairness	Fatwa concerning Sharia Electronic Money No. 116 / DSN-MUI / IX / 2017 and Fatwa concerning Sharia-Based Information Technology Financing Services (Fatwa No. 117 / DSN-MUI / IX / 2018).	The existence of legal protection governing Fintech in Zakat payment and all forms of actions that are not justified in sharia principles must continue to develop. This is done to create justice, especially to avoid negative things that are not desirable. For example, avoid conflict using Fintech in Zakat Payment
Responsibility	Publication The performance of strategic zakat studies is a form of accountability for BAZNAS.	Publication of the performance of the BAZNAS zakat one of which aims to avoid abuse of authority and power, professionals in carrying out zakat management, and the realization of sharia principles and the maintenance of a healthy zakat institution environment.

Source: OECD (2015), KNKG (2008).

5. CONCLUSION

The existence of Fintech in zakat payment clearly has an element of benefit to improve people's welfare. In terms of Islamic law, Fintech is used as a payment transaction instrument and zakat receipts are permitted with

certain conditions. The results of the analysis use nine rules of Islamic law, and the results conclude that Fintech law itself is permitted, not binding because the contract is in the same direction, and as long as it does not conflict with sharia principles and does not contain elements of harm.

The implementation of the principles of Good corporate governance at BAZNAS, provides good results in increasing transparency of information and technology so that the digitalization of zakat continues to be developed by BAZNAS in order to improve the performance of zakat and professionalism. In addition, the principles of Good corporate governance at BAZNAS are also a form of Responsibility by giving open access to the public to find out the results of the performance and impact of zakat on mustahik.

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