



## INFLUENCE OF *TAQWA* (PIETY) ON SUSTAINING CORPORATE GOVERNANCE OF ZAKAT INSTITUTIONS

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### ABSTRACT

This study examines the influence of *taqwa* (piety) on sustaining corporate governance. *Taqwa* (piety) manifests sincerity, integrity, wisdom, and persistency in generating ethical decisions and actions. Organizational corporate governance is in the hands of gatekeepers, employees, and other stakeholders of organizations. Any inadequacy of ethical decisions and actions is a reflection of deficit in *taqwa* (piety). This study uses personal interview to solicit the views of selected gatekeepers and executives of zakat institutions in Southeast Asia pertaining to the influence of *taqwa* (piety) level of the gatekeepers in sustaining good corporate governance in zakat institutions. The gatekeepers argued that professionalism and transparency are embedded in the code of conduct for professionals. The legal abiding behavior is confined within the scope of the code of conduct. Beyond legal obligation is the social obligation. The executives contended that *taqwa* (piety) is the essential spiritual strength to sustain ethical action through corporate governance. The study argued that *taqwa* (piety) in ethical leadership sustains organizational corporate governance.

**Keywords:** Corporate governance; ethical leadership; *taqwa* (piety).

### INTRODUCTION

There have been scepticisms about zakat administration governance. The main issue is due to no visibility about the transparent

governance in *zakat* administration. This is essential for the public to see the governance and performance. The *maqasid al-shariah* in getting truth about Islamic religious institution is essential (*daruriyat*) to avoid harm (*mafsadah*) in the form of negative public opinion (Kamil et al., 2010; Kamali, 2011).

Corporate governance is a system in governing and managing an organisation. The system is made up of objective of the organisation, structure and system of the organisation, and membership of people in the organisation (Kamil et al., 2010; Bhatti et al., 2015). The nerve of the system is in the heart and mind of people who are managing the organisation. The good or bad governance will be depending on the quality of heart and mind of the people. This is where *taqwa* (piety) plays a significant role to assure the peace of heart and mind of the people.

*Zakat* institutions are not spared from the organizational forms and behaviour. The religiousness of *zakat* institutions is on the *maqasid* (objective) of the formation which is related to the *hikmah* (wisdom). Kamali (2011) argued that *maqasid* to include *hikmah* (wisdom). In the organizational context of *zakat* institutions, the management of *zakat* collection services requires more than just management with efficiency and effectiveness.

This study examines the influence of *taqwa* (piety) on sustaining corporate governance in *zakat* institutions. *Taqwa* (piety) manifests sincerity, integrity, wisdom, and persistency when generating ethical decisions and actions. Organizational corporate governance is in the hands of gatekeepers, employees, and other stakeholders of organizations. Any inadequacy of ethical decisions and actions is a reflection of deficit in *taqwa* (piety).

## LITERATURE REVIEW

The philosophical dimension of *maqasid* is due to *hikmah* (wisdom). Kamali (2011) argued that *maqasid* to include *hikmah* (wisdom), which is wisdom in searching for positive, truth and purpose of conduct. Indeed, the philosophy dimension is in line with Allāl al-Fāsī in defining the *maqasid* as “the hidden meanings (*al-asrār*)”. Likewise, Ibn ‘Āshūr mentioned about four conditions of *maqasid shari‘ah*,

namely firm (*thābit*), evident (*ẓāhir*), general (*‘āmm*), and exclusive (*tard*) (Masud, 2006; Soualhi, 2008; Kamali, 2011).

*Hikmah* (wisdom) is related to knowledge allows for more sense of duty to make good things (Abd Wahab, Hashim & Abd Ghani, 2019). The sense of wisdom is accompanied with compliance manifests responsible to carry out religious duty beyond merely compliance (Embi & Shafii, 2018). Accountability may be related to compliance (Masruki, Hssaine & Aly, 2018). However, standards may be good but not lead to sense of duty (Sa'adan & Pauzi, 2017).

The ontological analysis of *maqāṣid* with *hikmah* (wisdom) can be found from the evident (*ẓāhir*) in the saying of the authority. Good governance has been a real issue. Even Selangor *Zakat* Board chairman Tan Sri Syed Anwar Tuanku Syed Putra Jamalullail said:

*“Good governance will earn the people’s trust in that the funds they send us are spent well and following our mandate of helping the [neediest]...When people entrust you with their money, you must really look after every single cent of it and use that money properly”* (Rahim, 2020).

The statement reflects the *maqāṣid* with *hikmah* (wisdom) in the form of “people’s trust” and “mandate of helping.” The statement also met the four conditions for *maqasid shari‘ah*, namely firm (*thābit*) [“will earn the people’s trust”], evident (*ẓāhir*) [“following our mandate,”], general (*‘āmm*) [“when people entrust you,”], and exclusive (*tard*) [“you must really look after every single cent of it”].

There have been calls for institutionalisation and formalization for *zakat* institutions with visible transparent governance. *“In countries like Malaysia, Indonesia, Egypt, and many other Middle Eastern countries, distribution of Zakat funds [has] been institutionalised through government and non-government organisations. Recipients of Zakat funds have been benefitting from the institutionalised system”* (Islam, 2019). The statement reflects the *maqāṣid* with *hikmah* (wisdom) in the form of firm (*thābit*) [“...has been institutionalised...”], evident (*ẓāhir*) [“Recipients of Zakat...”], evident (*ẓāhir*) [In countries like Malaysia...”], and exclusive (*tard*) [“...through government and non-government organisations”].

The ontological analysis shows that having good corporate governance is evident as *maqāsid* with *ḥikmah* (wisdom) in the form of “people’s trust” and “mandate of helping” (Rahim, 2020) and *maqāsid* with *ḥikmah* (wisdom) in the form of firm (*thābit*) [“...has been institutionalised...”], evident (*zābir*) [“Recipients of Zakat...”], evident (*zābir*) [In countries like Malaysia...], and exclusive (*tard*) [“...through government and non-government organisations”] (Islam, 2019).

*Taqwa* (piety) is a state of integrity, sincerity, and accountability in oneself due to conscious feeling of responsibility and obedience. The state of *taqwa* (piety) is related to ethical and moral development about the sense of responsibility and obedience (Kamil et al., 2010; Triuwono, 2016; Mukuria, 2020). The higher the sense of responsibility and obedience will translate into the higher level of *taqwa* (piety) (Kamil et al., 2010; Mukuria, 2020). The sense of *taqwa* (piety) is related to efforts, activities and surrounding that making *taqwa* (piety) to reach at a certain level (Kamil et al., 2010; Bhatti et al., 2015).

In the context of moral development, it begins with the fear of punishment for disobedience. By being obedient, one may get reward and can avoid from punishment (Gibbs, 2019; Mathes, 2019). The reality about human behaviour is that when applying the control mechanism to reach the obedience, there is a need in the presence of reward and punishment (Tahira, Kazmi, & Zahid, 2020; Mathes, 2019). The *maqāsid* with *ḥikmah* (wisdom) in the evolutionary morality development is evident in the reward and punishment (Kamil et al., 2010; Tahira et al., 2020).

The second level of moral development is the sense of compliance. The presence of reward is appreciated, but more importantly is to avoid from punishment (Tahira, Kazmi, & Zahid, 2020; Mathes, 2019). The sense of compliance is related to the value of the rewards and the severity of the punishment. This level is not far from the first level. However, the fear is attached with the sense of compliance. The third level of moral development is the sense of expectations. One behaves well for the expectation of the stakeholders. The sense of *taqwa* (piety) here is attached to the moral expectation.

The highest level of moral development is the sense of duties and responsibilities for well-being, welfare, and wellness (Tahira, Kazmi, & Zahid, 2020; Mathes, 2019). At this juncture, *taqwa* (piety) is attached to the execution of duties and responsibilities without expecting rewards or avoiding punishment. Likewise, there is no need to comply to certain standards and expectations of the stakeholders.

The level of *taqwa* (piety) from moral development is determined by reward-punishment, compliance, expectations, and duties. At the first level, the fear is at high when one is avoiding punishment and aiming for rewards (Tahira, Kazmi, & Zahid, 2020; Mathes, 2019). However, the fear is higher when one is doing things for the sake of compliance to certain standards. Failure to comply is a miserable to one's dignity.

When one is expected to behave in accordance to the expectation of the stakeholders, the fear is escalated. One should be striving very hard to meet the expectation as much as possible (Tahira, Kazmi, & Zahid, 2020; Mathes, 2019). The fear is getting worse when one feels obliged to execute duties and responsibilities in his or her roles. There is no excuse accepted to oneself when one is unable to execute duties and responsibilities.

Corporate governance of *zakat* institutions in Southeast Asia is based on Shariah governance (Hakim et al., 2019). There have been traditional *shari'ah* mechanisms in managing *zakat* institutions. The traditional approach in Thailand (Brown, 2013) is related to religious educational institutions. In fact, various institutions and individuals are managing *zakat* institutions on voluntary basis (Ahmad & Kado, 2019; Hassama, Nuh & Petchkaew, 2019). Likewise, in the Philippines, there is no formal authority or centralised authority managing *zakat* collection and distribution (Brown, 2013; Gamon & Tagoranao, 2018). Indeed, the Philippines *zakat* administration is on community and voluntary basis (Abubakar, 1991) and of community economic driven (Andam, 2016; Podder, 2012).

The study argued that *taqwa* (piety) influences on sustaining corporate governance of *zakat* institutions. The argument is based on the philosophy or knowledge inquiry of *taqwa* (piety) as an influencer to sustain good corporate governance for *zakat* institutions. *Maqasid al-Shariah* is the objective of *shari'ah* (Islamic law), which has

philosophy foundation, namely ontology, epistemology, and methodology components. The ontological component of *maqasid al-shariah* in this study is based on the grounding or reality of the study, that is the influence of *taqwa* (piety). The reality is about the situation of corporate governance in *zakat* institutions. The ontological evidence is based on the inability of the *zakat* institutions to show the transparency visibly to the public. The problem of the good governance practice in *zakat* institutions is that it cannot be observed visibly. Likewise, it manifests the policy of good governance for *zakat* institutions.

### METHODOLOGY

This study uses personal interview with five (5) informants, three gate keepers (labelled as GK) and two executives (labelled as EK) of zakat institutions from Thailand, Indonesia, and Brunei. These informants are selected on random basis in a few events in Malaysia. The feedback from these informants is not to generalize but to understand the context of *zakat* institutions in Southeast Asia pertaining to the influence of *taqwa* (piety) level of the gatekeepers in sustaining good corporate governance in *zakat* institutions. This study could not specify the zakat institutions that the informants represented due to the informed consent specified by the informants. The informants were asked one main question, “How to sustain good corporate governance in *zakat* institutions?” It was a non-structured interview. By asking one question, then study requested the informants to deliberate and verify the answers.

The study uses notetaking for 30 to 40 minutes personal interview sessions. The respondents verified the interview transcripts before analysis. The verification process is to ensure accuracy of the notes (Natow, 2020; Tavery, 2020). There is no verbatim for notetaking. The accuracy of the note is important. After the verification of the interview transcripts, the study approaches independent researchers to review the verified interview transcripts. This process is to ensure the interview transcripts is acceptable. Since there is no specific measurement to assure reliability and validity of the interview results, this study uses triangulation through the review by

independent researchers to assure the reliability and validity of the interview results.

The study uses manual thematic analysis on the interview transcripts. The analysis has several coding stages, namely open coding, axial coding and selective coding. From the interview transcripts, the open coding stage will conceptualise labelling and categorizing of the data (Holton, 2007; Birks & Milss, 2015). As for axial coding, the categories and labels are axed to find the relationship between the categories (Scott & Medaugh 2017; Richards & Hemphill, 2018).

## RESULTS

This section presents the results of the personal interviews with gatekeepers and executives of *zakat* institutions. The study asked the main question, “How to sustain good corporate governance in *zakat* institutions?” The study allows free flow of answers from the respondents.

In sustaining good corporate governance, the individuals must have merit in academic credential and ethical assessment. Gate Keeper 1 (GK1) argued that apart from the strict selection process, there must be on-going monitoring system. GK1 said:

*The authority must appoint executives who are qualified, credible and trustworthy to manage the zakat centres. The selection process must emphasis on the merit. This is not the end. There must be on-going training and monitoring. Some people might say that we do not trust people. No, for us, we trust people who have merit and we must also place monitoring system.*

As an organization, there is a need to have good governance system. The governance system is not just to assure good corporate governance, but also to add value to the organization. Gate Keeper 2 (GK2) contended that *zakat* organizations should place both processes and outcomes. The same question asked to GK 2, “How to sustain good corporate governance in *zakat* institutions?” GK2 mentioned:

*We must make sure the individuals who will run the zakat centres are qualified and ethical. The academic qualification alone is not enough. We have to make sure the individuals are ethical. So, there will be tests for qualification and ethics. No short cut. We must use comprehensive method to screen people before employing them as our executives. Our board members too, must go through the same screening and monitoring. Once they are in the zakat centres, we must provide a professional and ethical environment. There must be no chance for anyone to practice malpractice.*

The corporate governance for public institutions must not be compromised. GK 3 has been asked the same question to GK1 and GK2, “How to sustain good corporate governance in zakat institutions?” Gate Keeper 3 (GK3) argued that zakat centres are not just public institutions, but religious institutions as well. There should not be a compromise on the corporate governance for zakat centres. GK 3 said:

*Zakat centres are public institutions, at least for Muslim community. This is religious duty. Whether we are in majority Muslim community or minority Muslim community, we must not allow our zakat centres to be managed by not qualified, unethical and unprofessional people.*

The gatekeepers argued that the sustainability of corporate governance for zakat centres can be done through strict selection process with good monitoring stem. The influence of *taqwa* (piety) can be institutionalised with the external mechanism through strict selection process and good monitoring system (Tahira, Kazmi, & Zahid, 2020). Accountability may be related to compliance (Masruki, Hssaine & Aly, 2018). However, standards may be good, but not lead to the sense of duty (Sa'adan & Pauzi, 2017). With the external mechanism, there will be internal mechanism to assure good governance in every individual.

Executives of zakat centres have the same concerns about corporate governance in zakat centres. Executives of zakat centres argued that those who are entrusted to take care of important



religious institutions for Muslims must uphold the trust. Executive 1 (EK1) also being asked the same question, “How to sustain good corporate governance in *zakat* institutions?” According to EK1, corporate governance of *zakat* centres and mosques should not be compromised. EK 1 argued:

*The service at zakat centre is a religious duty. Like those serving mosques. It should be institutionalized and formalized. The mosques are using public fund to pay the salary of the staff. They are given clear job description and job scope. The board of governors are monitoring the operations of the mosques. Likewise, zakat centres. Zakat and solat are linked very closely. Those who are steadfast in performing solat will pay zakat on time too. The god-fearing sense is embedded in every staff of mosques and zakat centres.*

While annoying with the scepticism of the public about zakat centres, Executive 2 (EK 2) contended that corporate governance of zakat centres should be visible to the public. EK2 being asked the same question, “How to sustain good corporate governance in *zakat* institutions?” EK 2 said:

*Why people are talking about zakat personnel's integrity and the need to have good corporate governance? Are you saying that zakat personnel misused the zakat collection? With this imagination in mind will make the public becomes sceptical to zakat personnel. Zakat collection is one part. Another part is zakat distribution. Everything is publicised in the reports. Integrity has been placed in zakat centres. ISO system has been placed too. Audit exercise is a continuous process. Not just financial audit. Management audit as well. Continuous improvement is emphasised in all the audit report. Yes, people might argue all the efforts are just external mechanism. How about internal mechanism? Yes, zakat centres do provide training to improve internal mechanism in every staff. The corporate culture uses buddy system to remind everyone about the work in zakat centres is unlike working in banking or commercial sectors.*

The executives argued that the influence of *taqwa* (piety) comes from corporate governance system that is transparent and visible to the public (Masruki, Hssaine & Aly, 2018; Tahira, Kazmi, & Zahid, 2020). This is emphasised by the executives that corporate governance of *zakat* centres and mosques should not be compromised and must be visible to the public.

The gatekeepers argued that professionalism and transparency are embedded in the code of conduct for professionals. The legal abiding behavior is confined within the scope of the code of conduct (Sa'adan & Pauzi, 2017). Beyond legal obligation is the social obligation. The executives contended that *taqwa* (piety) is essential spiritual strength to sustain ethical action through corporate governance.

## CONCLUSION

This study examined the influence of *taqwa* (piety) in the forms of corporate governance system. A system that is embedded with *taqwa* (piety) will mobilise values in governing and managing an organisation. The value system that is part of the *maqasid* or objective of the organisation will control the structure and system of the organisation, including the membership of people in the organisation. The influence of *taqwa* (piety) through values in governing and managing *zakat* organization can sustain corporate governance. *Taqwa* (piety) manifests sincerity, integrity, wisdom, and persistency in generating ethical decisions and actions. Organizational corporate governance is in the hands of gatekeepers, employees, and other stakeholders of organizations. Any inadequacy of ethical decisions and actions is a reflection of deficit in *taqwa* (piety).

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