

Good Corporate Governance with Religiosity Approach in Realizing Accountability at Sharia Financial Institution

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Abstract

Introduction to The Problem: The issue of Good Corporate Governance (GCG) develops along with the occurrence of several types of conflicts that occur between groups of stakeholders. So the company encourages business people to present a good corporate management mechanism.

Purpose/Objective Study: This research aims to build an efficient corporate governance system, effective management, disclosure in accurate financial reporting, as well as fair and transparent accounting records so as to create accountability to God, Man, and Nature.

Design/Methodology/Approach: This study uses a descriptive writing method with a qualitative approach.

Findings: The results of this study explain that the concept of Good Corporate Governance (GCG) with the Sharia Enterprise Theory and Hahslm Theory approaches will reflect transparency to achieve harmonious relations related to the interest of the company, people, nature, and Allah SWT.

Keywords: Good Corporate Governance; Sharia Enterprise Theory; Hahslm Theory.

Introduction

The term Corporate Governance was first discovered in 1984 in the writings of Robert I. Tricker in his book *Corporate Governance – Practices, Procedures, and Power in British Companies and Their Board of Directors*, UK, Gower (Tricker, 2015). The Organization for Economic Co-Operation and Development (OECD) defines GCG as a system used to direct and control the company's business activities. This encourages business people to present a mechanism for good corporate management, and according to (Ntim, 2018) suggest that effective Corporate Governance in the long term can improve company performance and benefit shareholders. The separation of owners (shareholders) and management, in the accounting literature, is known as agency theory which sees the relationship based on the concept of principal and agent. In the assumption of agency theory, there are selfish and materialistic values arising from the basic assumptions of agency theory, namely that humans have self-interest (Parker et al., 2018). The development of Good Corporate Governance (GCG) using agency theory is understood as the natural action of an agent (stakeholder in an Islamic financial institution) to ensure that his interests in an institution are running well and by following per under established rules (Susilowati et al., 2022).

There are several based on of stakeholder theory used in the implementation of corporate governance. Criticism in particular comes from Muslim scholars and economists who consider that conventional corporate governance that uses a stakeholder theory perspective has

fundamental deficiencies (Jan et al., 2022). That this theory does not cover the fundamental relationship in this life, namely the relationship of everything with God. This has encouraged Muslim scholars to dig deeper into how the actual concept of Islam views and implements business processes. Not only that, there are several phenomena and problems related to corporate governance, including: 1) There is insider trading or the practice of utilizing confidential information to obtain personal gain (Prastiwi, 2020); 2) Lack of transparency in managing customer funds, especially regarding the use of investment funds; 3) Ignore of the principle of prudence and speculative actions that have the potential to harm the bank and its customers (Usanti & Shomad, 2022); 4) Corrupt and collusion practices that can harm bank finances and shareholders; 5) Discrepancies between actual performance and the financial reports submitted, which may give rise to investor distrust; 6) Unfair and unbalanced remuneration policies between management and employees, which can reduce motivation and productivity; 7) Violation of applicable regulations and rules which can result in fines and legal sanctions; 8) Low literacy and awareness of good corporate governance among bank employees and related parties, which can cause non-compliance with these principles (Hidayah, 2023).

Implementing GCG to make sharia companies more syaria, so its application must comply with sharia principles (sharia compliance) (Apriliani Astuti et al., 2019). It is a requirement that must be strived for attainment and is not a symbol, the status attached to a sharia-based business, because it could be that the incompatibility of corporate governance with sharia principles will have the potential to cause various risks, as a result of which trust, justice, morality and others are not realized, both by principal agents and by other stakeholders towards the creator. Few people are aware that there will be accountability in the afterlife. As in the word of Allah SWT in (Ali, 2014) there is QS. Al-Muddassir 74: 38 which means: "Each person is responsible for what has been done". Islamic business management always links all the concepts and behaviors of business management with transcendent and immanent things (Driscoll, Mclsaac, & Wiebe, 2019). This is a consequence of a Muslim's faith in Allah SWT. So that the concept of SET was born as an effort to build GCG by internalizing the values of monotheism, trustworthiness and sharia values into GCG principles, to produce principles that are more humane, and transcendental. This it can be said, that the concept of Sharia Enterprise Theory (SET) was born based on the *syahadatain* creed (the value of monotheism) which acknowledges the existence of the Oneness of Allah and There is no God but Allah (Handoyo et al., 2019).

Sharia Enterprise Theory is a theory that is internalized with Islamic values to make a theory that is transcendental and more humane (Risal, 2022). This SET is the main supporting theory in sharia compliance and Islamic corporate governance which aims for a socio-economic centered on Allah SWT as the highest stakeholder. SET is strengthened by the theory of Salat or the theory of Hahslm in this study which is also used as a theory to explain the nature and purpose of all orientations for the implementation of human life including business in Islamic Financial Institutions which are framed in the perspective and purpose of creation, namely worship and achieving falah (worldly happiness and hereafter) by using the perspective of

prayer (Aziz, 2016). Salat can be included in any aspect related to corporate governance, because of its impact on culture. Corporate culture is well-formed if the company has a high-value culture, namely one that carries religious values (Yuliani & Kisno Saputra, 2020).

Salat is a form of cultural expression of worship habits that are carried out every day (Bowen, 1989). Then, salat is intangible because its size is difficult to calculate, but this can be internalized to all indicators of governance or GCG and risk management in the company. Salat can also be included in the performance of GCG's success which has an impact on customer trust and can make the value of prayer internalize the customer's religious factors owned by the company's. It is clearly stated that salat is a form of mitigation management (*tanha*) of loss of integrity (*al-fahsya*) and risk of life (*al-munkar*). One form of evil is disobedience, disobedience, and ugliness, which in the context of Islamic Financial Institutions can be in the form of fraud. GCG which consists of elements of accountability, independence, transparency, responsibility, fairness and equality is an inherent element in the theory of Salat or the theory of Hahslm (Aziz, 2016). Accountability in the theory of Salat or the theory of Hahslm is described by prayer which has the mission of worshipping Allah SWT (Aziz, 2016). Have a target to remember Him, "Establish prayer to remember Me" (*aqim al-salah li zikri*). As an institution that receives deposits from customers, Islamic financial institutions are obliged to account for the vision, mission and goals as a form of transparent and periodic accountability. Islamic financial institutions must have an internal audit function that monitors sharia compliance, such as prayers according to fiqh rules based on arguments understood by Islamic scholars (Khalid et al., 2018).

Independence in the theory of prayer or the theory of hahslm is described by Salat or worship which means freeing oneself from the attachments of the world (Aziz, 2016). Islamic financial institutions can reflect the independence of a servant in prayer in managerial attitudes and actions that are impartial to anyone and do not prioritize corporate funding which causes problematic financing in these banks (Visser, 2019). Transparency in the theory of Salat or the theory of Hahslm is described by elements that must be fulfilled. What prayers, obligatory or not, facing where, alone or in the congregation (Aziz, 2016). The application of GCG in Islamic financial institutions can be realized by explaining the vision, mission goals, and schemes, to transparent financial products for the benefit of customers (such as the freedom of a musalli to have a mosque and an imam (Saputra & Ihsan, 2021). Responsibility in the theory of Salat or the theory of Hahslm is described by our obligation as human beings to pray (Aziz, 2016). A ummah who does not pray intentionally and consciously, then the responsibility lies with him, not anyone else. So in conditions of a fluctuating national and global financial climate, with the increasing potential impact on the stability of the world economic system, the performance of Islamic financial institutions must focus on building a halal ecosystem in the financial sector (Khan, 2021). Fairness and Equality in the theory of Salat or the theory of Hahslm are described by prayer which is an activity of worship (Aziz, 2016). The Prophet forbade the attitude of ruhbaniiyah (monk, excess in worship). Then, the morning prayer is not valid if it is carried out with four cycles, even if you are in a state of enthusiasm. Prayer teaches reasonable

obedience, and obedient reasonableness. Fairness and equity are realized by fulfilling the rights of customers or shareholders (Suparnyo et al., 2023).

Several previous studies have explained GCG in the Islamic concept, namely: *First*, (Lakir & Amine, 2023) “Sharia and Good Governance of Islamic Banks”. This research explain that result is corporate governance within the realm of Islamic finance encounters a multitude of obstacles, notably pertaining to the fulfillment of sharia compliance requisites and safeguarding the entitlements of stakeholders. The Islamic banking sector grapples with governance challenges. Notably the absence of governance privileges for investment account holders as compared to shareholders. *Second*, (Darul, 2022) “The Effect of Islamic Intellectual Capital on the Financial Performance of Islamic Banking and Islamic Corporate Governance as Intervening Variables (Study of Islamic Commercial Banks in Indonesia, 2011-2020)”. This study uses the Hahslm Theory approach which suggests that the Islamic Banking Value Added Intellectual Coefficient (iB-VAIC) affects the financial performance of Islamic banking. In this study, it is expected that Islamic Commercial Banks can reduce the problems examined in their research. *Third*, research by “The Concept of Good Corporate Governance in Sharia Perspective to Overcome Problems of Banking Corporate Governance in Indonesia” this research uses the Sharia Enterprise Theory approach which suggests that Sharia Enterprise Theory helps in building Modern GCG positioned on the Islamic concept. GCG in an Islamic perspective shows that it is not only to achieve material gains, but to achieve spiritual values as well. *Fourth*, (Nasution et al., 2022) “Implementation of Good Corporate Governance in Sharia Financial Institutions (Banking Sharia)”. This study explain that result is GCG plays a vital role in fostering trust within the community and facilitating the progress and performance of the Islamic banking sector. Islam mandates that all aspects of life be governed by a system and structure that adheres to the exemplary practices outlined by Allah SWT. *Fifth*, (Sari et al., 2022) “Application of GCG Principles in Islamic Banking Institutions from Sharia Perspective in Indonesia”. This study explain that result is the establishment of effective corporate governance practices, commonly referred to as GCG, holds significant importance in ensuring the triumph of Islamic banking within the Indonesian context. Consequently, the incorporation of these GCG principles within Islamic banking institutions serves as a pivotal measure to uphold trustworthiness and mitigate potential hazards.

Sixth, (Pahlevi, 2022b) “Mapping of Islamic Corporate Governance Research: A Bibliometric Analysis”. In this study, the present disclosure deliberates on the prevailing condition of corporate governance practices in the conventional economy and establishes the gauging of GCG at the functional level, juxtaposed with Islamic perspective. Comparable to any other civilisation and religion, Islamic culture has also ingrained GCG since the early days of Islamization. The conclusive outcomes and areas of research can prove beneficial to scholars and researchers in furthering their investigations to augment the scientific advancement of Islamic finance and furnish alternative instruments for the implementation of corporate governance in accordance with Islamic principles. *Seventh*, (Pahlevi, 2022a) “Implementation

of Islamic Corporate Governance and Competitive Advantage in SMEs: A Systematic Literature Review Approach”. This study explain the investigation performs a methodical examination of existing literature and scrutinizes prior research pertaining to this subject matter. The research underscores the rise of unpredictability in the outcomes when implementing governance from an Islamic standpoint and its ramifications on the competitive advantage of SMEs. *Eighth*, (Suryani et al., 2021) “Good Corporate Governance Principles in Sharia Banking: An Islamic Law Perspective”. This study explain that result is the application of GCG principles holds utmost importance in the realm of sharia banking as it serves to safeguard the interests of stakeholders and cultivate their confidence. The transition of regulatory and supervisory responsibilities of sharia banking nstitutions from Bank Indonesia to the financial services authority in anticipated to uphold enduring progress in the years to come. *Ninth*, (Saputra & Ihsan, 2021) “Comparison of Good Corporate Governance Implementation Practices in Islamic Commercial Banks in Indonesia”. This study posits that in the event that the execution of governance in Islamic banking is commendable, it possesses the capacity to engender notable progress and rivalry in contrast to conventional banking in Indonesia, like to the Islamic banking sector in Malaysia. *Tenth*, [Sahrani's \(2019\)](#) “Risk Profile, Good Corporate Governance, Earnings, and Capital and its Influence on the Islamic Financial Distress of Islamic Banks for the 2012-2018 Period (Case Study of BNI Syariah, BRI Syariah, Islamic Banks) Mandiri)”. This study uses the Hahslm Theory approach which suggests that a company must show a good level of company health, if the company's health is bad, the financial manager must take action as soon as possible to change the company's condition for the better. According to him, it is important to identify financial distress before bankruptcy.

The concept of Islam is present as an improvement to the corporate accountability thinking framework which is expected to be simultaneous for individuals and companies to increase awareness of religion, belief, and responsible to fellow human beings, nature, and their God. Finally, Islam emphasizes honesty, fairness, and consensus among the participants because it will create unity among the team members and it will affect the better performance of the organization. The Islamic values stated in the code of ethics are an integral part of the obligations placed on individuals and society. Based on the above background, it is necessary to further explain the concepts and approaches to reformulate the concept of GCG with the Sharia Enterprise Theory and Hahslm Theory approaches to realize sharia GCG with the values of implementing business in sharia. To build an efficient corporate governance system, effective management, disclosure inaccurate financial reporting, as well as fair and transparent accounting records to create accountability to God, Man and Nature. This article is entitled “**Good Corporate Governance with Religiosity Approach in Realizing Accountability at Sharia Financial Institutions**”.

Methodology

This study uses a descriptive writing method with a qualitative approach. According to (Sekaran & Bougie, 2016), descriptive research aims to know, understand, and describe the

characteristics of people, events, or situations that are the focus of research. Furthermore, (Sekaran & Bougie, 2016) stated that qualitative research is research that has reasonable, reliable, and valid data criteria. The data collection in this article was obtained by researchers indirectly, which means that the data obtained is written data or what is commonly called library research. The technique used in collecting data in this article is a documentation study. According to (Grover et al., 2018) success in data collection is largely determined by the ability of researchers to appreciate the social situation that is the focus of research. Researcher collected 50 articles from various sources, including *sinta* and *scopus* journal.

The accuracy and precision of the data collected is important, but it cannot be denied that different sources of information will provide different information. Data analysis requires effort to be able to concentrate, manage one's energy and mentality. This article uses the Miles and Huberman model. According to (Miles et al., 2014) data analysis in qualitative research is carried out when data collection takes place, and after completing data collection within a certain period. The components in data analysis are described as follows:

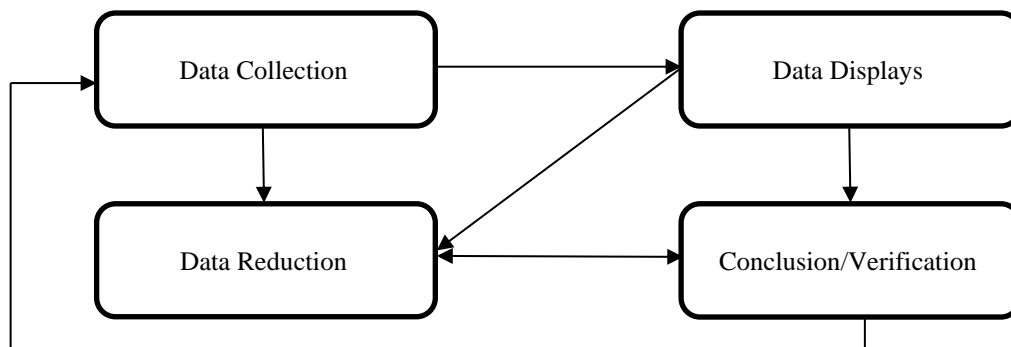


Figure 1. Components in Data Analysis (Miles et al., 2014)

Starting from the collection of data from *Sinta* and *Scopus* journal, which are then summarized or reduced, this reduction is intended to draw attention to data that is important and relevant to the research topic. Existing data are then summarized using data analysis tools including *Nvivo*. Then, the result data are presented sequentially for easy of understanding. The final step is an interesting conclusion to see the new findings.

Results and Discussion

Good Corporate Governance in Religiosity Approach

Judging from the background, there are several criticisms based on of the stakeholder theory used in the implementation of corporate governance. Criticism in particular comes from Muslim scholars and economists who consider that conventional corporate governance that uses a stakeholder theory perspective has fundamental deficiencies. That this theory does not yet cover the relationship of everything to God. The conceptual framework for shari'ah corporate governance must be based on Islamic concepts, accountability, independence, competence and

transparency. This has encouraged Muslim scholars to dig deeper into how the actual concept of Islam views and implements business processes. The term GCG in an Islamic perspective is a new designation for both science and any religion including Islamic teachings that appeared before modern life, but the values, content and objectives of GCG have been discussed in the Quran and Hadith. Although the term GCG is still new, the concept is found in the Quran and Hadith. GCG is contained in Q.S Al-Baqarah/2: 282-283 which describes the importance of muamalah (maintaining accounting records) so that the accountability of a company is regulated.

GCG in an Islamic perspective can also be interpreted as incorporating Islamic values in each GCG sub-sector. In relation to the transparency or openness of the company can be assessed from the aspect of honesty which is based on Islamic values. When someone reflects on Islam in his speech and reports, the aspect of transparency/honesty can be increased. GCG in an Islamic perspective also has an impact on sub-independence in a company where when GCG is reflected in every member of the company, so that Allah is the only one who influences company performance, the influence and pressure from other parties will not affect independence performance in the company. Likewise with the aspects of GCG that are included in accountability and responsibility making every member of the company responsible which has an impact on GCG performance in the company. The explanation concluded that GCG in an Islamic perspective has a far more complete and comprehensive concept to become a solid guard or wall for a company. In Islam GCG has been explained in several verses of the Quran. Among them are found in Q.S Al-Baqarah/2: 282-283. This paragraph explains accountability, reliability and transparency. This is a very important subject matter for a company or entity.

GCG principles from an Islamic perspective are viewed from a micro perspective which requires that all funds be obtained with great care that have sharia values, namely: *First*, Shiddiq. Shiddiq means being honest which requires us to jointly ensure that the company or entity upholds the value of honesty. This value of honesty reflects the primacy of lawful methods and avoidance of doubtful or prohibited methods in managing the company. *Second*, Tablighi. The basic objective of this tabligh is amar ma'ruf nahi munkar by continuously conveying important information about principles, products, and things that must be known to the public. In Q.S Al-Jin verse 28 it is also explained "Verily they have conveyed the message of His Lord while in fact His knowledge includes what is in them and he counts everything one by one". This paragraph emphasizes the delivery of information in corporate governance. *Third*, Trust. Trustworthy which means that the company requires compliance with the principles of prudence and honesty in managing the company in order to provide a sense of mutual trust to the wider community or other parties. *Fourth*, Fathonah. Fathonah means intelligent which can be interpreted to ensure that all management of an entity or company must be carried out intelligently or professionally. It aims to generate the maximum profit within the level of risk that has been set by the company, including services with accuracy and uniformity (*ri'ayah*) and responsibility (*mas'uliyah*).

From the explanation above, we can learn lessons from GCG principles in an Islamic perspective, namely: 1) Seek and get gifts from Allah SWT. This wisdom emphasizes that humans are obliged to seek as much of God's grace as possible in the world. 2) Stay away from usury. This wisdom is related to the prohibition of Allah SWT who orders his people to stay away from usury. 3) Always uphold balance and fairness in the economy. This wisdom is related to company activities, for example in terms of buying and selling. 4) Keeping something halal. This wisdom helps the company in keeping something from anything that makes a loss. 4) Productivity and economic turnover. With the existence of good company activities, the lesson that can be taken is the occurrence of good productivity and economic turnover.

Sharia Enterprise Theory Approach Realizing Sharia GCG

Even though the principles of Good Corporate Governance (GCG) already have their own pattern, an entity or company can create a new pattern or formula with a sharia model or approach. Therefore, its application requires a theory, one of which is Sharia Enterprise Theory. The first thing to do is to integrate the teachings of monotheism into GCG principles by turning them into the main source of faith. Then articulating GCG principles with Sharia values such as fairness, trust and responsibility which are embodied in Sharia corporate theory. In more detail, several explanations of the values of the sharia teen enterprise theory will be described below:

Table 1. Values in Sharia Enterprise Theory

No.	Values	Information
1.	Justice /Fairness	A value that encourages humans to share compassion with all beings in the universe without exception. It is a distribution that does not only favor the beings (stakeholders) who participate in the creation of corporate wealth. But also to other parties who have no input and have a relationship with the company. These parties include: the poor, orphans, ibn sabil and others.
2.	Trust	Values that require employees to manage the company according to the rules of the “Trustee” game. Therefore, when doing business (spreading mercy), one must comply with the will and decree of Allah (sharia Allah).
3.	Responsibility	Values that hold humans accountable for all their actions as guardians and caliphs of Allah. Responsibility in the sharia concept of corporate theory is a comprehensive responsibility, which includes vertical responsibility (responsibility to the Khaliq) and horizontal responsibility (responsibility to people, which includes all stakeholders, both directly and indirectly, as well as nature).

Source: Processed by NVivo

The sharia value of the enterprise theory above is used as an approach in realizing sharia GCG. *First*, the principle of justice, which is also called justice as fairness, in this case the original position of equality is related to natural conditions in the traditional theory of social contracts. The principle of justice is a statement of human policies, but in essence it comes from divine justice. The guiding standards of ethical justice consist of the following four virtues:

- a. Wisdom (*al-hikmah*), the quality by which humans make choices, distinguish between good and bad and restrain themselves from extreme acts under stress.
- b. Courage (*asy-syaja'ah*), the quality of anger and annoyance (*quwwah al-qhadhabiyah*) which is described as a form of moral courage.
- c. Simplicity (*al-'iffah*), the quality of the middle way that determines humans to follow the middle way (moderate) between two extreme actions.
- d. Justice (*al-'adl*) which is not only a virtue but the whole of virtues. Justice is the perfection of all virtues, which consists of equilibrium (a state of balance) and moderation in private behavior and public affairs. The principle of justice is the right path (*ash-shirath al-mustakim*) based on the name of humans to achieve happiness in the world and the hereafter.

Second, the principle of trust. Trust is an attitude that exists in a person with which people who trust feel safe and secure about something that is delegated to people who have this attitude. The mandate which in its context alludes to muamalah (in this case GCG) is contained in Q.S Al-Baqarah/2:283. In these surah and verses Islam teaches its people to act consistently with what has become their decision. The principle of trust here becomes the benchmark for a clean economic system to take place. This principle of trust will only materialize in those who feel that what they are carrying out, such as business or work, is a responsibility that must be carried out in accordance with procedures. With this principle, humans carry out "trust" which must be carried out in accordance with the wishes of the Trustee (God). As for the "trust" referred to here is to manage the earth responsibly by using the mind that has been bestowed by Allah.

Third, the principle of responsibility. Employers and workers, regardless of their profession, are required to be responsible. The wealth that results from what is sought if it comes from a business based on an attitude of responsibility then it is a good result. In the context of company ethics, both as an entrepreneur and as an employee, the form of responsibility for the field he is in is by carrying out these activities as well as possible. In Q.S Al-Mudatsir/74: 38 it is explained how a person must hold accountable for what he is trying to do. A worker/entrepreneur is not only limited to getting wealth. But Islam teaches its adherents to hold fast to the attitude of piety to Allah.

This responsibility is the responsibility for every action. The principle of responsibility in Islam is the principle of responsibility that has balance in all its forms and dimensions, between body and soul, between humans and families, between individuals and society, and between society and its communities, and between humans and God. By implementing the principle of responsibility within the company, this proves the company's social concern for the scope of society. As well as respecting and implementing business ethics in its activities will certainly always benefit the company, both in the medium and long term. In addition, to facilitate corporate accountability to stakeholders, there are several types and possible forms and types of Sharia Accounting financial reports, as follows:

- a. The balance sheet must be able to contain and show information about employees, and human resources accounting.

- b. Value Added Report, this information presents the net profit earned by the company as added value which is then distributed fairly to the parties involved with the company (stakeholders) in generating added value.
- c. Statement of Cash Flows, cash reports that reflect the company's operating activities, financing and funding activities as well as investment activities required in managing resources towards accountability to all parties in a transparent manner.
- d. Social Responsibility Report (Socio Economic), efforts made to carry out maintenance and renovation of the environment, maintenance of waste pollution and pollution, provision of places of worship which are a reflection of accountability to the people and the natural environment.
- e. Notes on completion of financial reports containing reports: (a) Disclose more broadly about the financial statements presented, (b) Reports on various values and activities that are not in accordance with Islamic law, (c) Present information on efficiency, good governance and reports productivity.

Hahslm Theory Approach in Realizing Sharia GCG

Good Corporate Governance (GCG) in a company is basically an anticipatory policy so that a company does not experience bankruptcy, rejection and decline in share value. GCG and Hahslm's theory can be related to each other in their application. With good GCG management, financial risks in financial institutions and banks related to capital and income can be reduced properly. The inclusion of prayer values or hahslm theory in the GCG of Islamic financial institutions has a significant impact. This reflection can be seen especially in matters relating to the efficiency of corporate value (banks and Islamic financial institutions).

The application of GCG in Islamic financial institutions can be realized by explaining the vision, mission, goals, schemes, transparent financial products, the freedom of customers to obtain information (such as the freedom of the muṣallī to choose a mosque and an imam). The objective of sharia governance and compliance guidelines is to strive to maintain the trust of shareholders, banking institution stakeholders. From this, the need for good cooperative governance (GCG) as an instrument of supervision. GCG becomes an ethics and norm that is used as a reference for a company in conducting business as well as a benchmark for other subjects to conduct transactions with the company. There are four principles in GCG including:



Figure 2. Principles of Good Corporate Governance

First, accountability. Islam emphasizes accountability with the Hahslm Theory approach or the value of prayer. The value of prayer is a “mission” of worship to Allah. Have a target to remember Him, “Establish prayer to remember Me” (*aqim al-ṣalāh li zikrī*). As an institution that receives deposits (*wādi’ah*) from customers, Islamic banks are obliged to account for the achievements of the implementation of the organization’s mission in achieving the stated goals, in the form of accountability that is measurable, open and periodic (*kitāban mauqūtan such as prayer*). Islamic financial institutions must have an internal audit function that monitors sharia compliance, such as prayers according to fiqh rules based on arguments understood by *scholars* (*ṣallī kamā raitumūnī uṣallī*).

Second, responsibility. Companies must comply with the rules and assume social responsibility to support long-term business continuity. The value of prayer is obligatory for oneself, not for institutions. A child who does not pray intentionally and consciously, then the responsibility lies with him, not his parents. Wherever, under any circumstances, we still have the responsibility to pray. So in conditions of fluctuating national and global financial climate, with the increasing potential impact on the stability of the world economic system, the performance of Islamic financial institutions must always focus on the development of a halal ecosystem in the financial sector. Prayer which is the responsibility (consequences) of human creation. Allah emphasized *wa mā khalaqtu al-jinn wa al-ins illā liya’budūn*, “And I did not create jinn and humans except that they worship Me”.

Third, independence. GCG implemented by the company must be managed independently so that each company organ does not control the other. Similarly, in Hahslm’s theory, worship means freeing oneself from attachment to the world. Salat requires tawajjuh (focus on one goal), must not carry worldly attributes in mind. All are in the same position in God’s eyes when praying, they are independent, not colonized by positions, jobs, or social strata. A CEO who is generally his subordinates, still has to follow, be behind, and not precede. Islamic financial

institutions can reflect the independence of a servant in prayer in managerial attitudes and actions that are impartial to anyone, do not prioritize corporate funding (as happened to BMI) which has resulted in problematic financing at the bank.

Fourth, fairness and equality. Islam teaches and emphasizes fairness and equality in matters of worship, including prayer. Even though prayer is an activity of worship. A Muslim is still forbidden to overdo it in worship. The Prophet forbade the attitude of *ruhāniyyah* (excess in worship or related to nature but not visible to the naked eye). It is not valid to pray the four cycles of dawn prayer, even if you are in a state of enthusiasm. Prayer teaches reasonable obedience, and obedient reasonableness. Fairness and equality are realized by fulfilling the rights of customers or shareholders.

Conclusion

Islamic corporate governance refers to a management mechanism rooted in Islamic moral principles. In contrast to traditional corporate management based on the agency and stakeholder theories which prioritize material interests and conflicts. Islamic corporate governance upholds the Sharia values of fulfilling ownership rights, adhering to contracts, and embodying moral principles in business practices. In this study, two approaches were used to strengthen Islamic corporate governance, namely: Sharia Enterprise Theory and Hahslm Theory. Efforts to expand responsibility in a trustworthy company can be done by: *First*, accountability is not only to fellow human beings, but also to Allah swt. *Second*, trying to provide the best service as a trustee. *Third*, work is a form of worship in accordance with sharia norms and values. *Fourth*, work is considered as a pious act of worship as the basis for achieving goodness in the world and the hereafter. *Fifth*, believe that the purpose of life is to be a caliph over the world and to be responsible to humans. Finally fair to all creatures not only to humans.

Companies with their accounting records of completion of financial statements with broader disclosures reflect transparency from managers, so that the interest in the value of justice with an emphasis on social responsibility will be achieved more quickly. Thus, a harmonious relationship will be achieved between all parties related to the interests of the company, people, nature and Allah SWT. The existing limitations in research have resulted in a limited understanding of the impact of religiosity in the implementation of good corporate governance (GCG) in Islamic financial institution. Therefore, further research is necessary to examine the relationship between religiosity and the implementation of GCG in these institution. Researchers can add relevant literature on this topic and utilize both qualitative, quantitative, or mix methods to analyze data in order to obtain a more comprehensive understanding.

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