

Implementation of Good Corporate Governance on Islamic Business Perspective in Omah Oblong Company, Yogyakarta

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Abstract:

This study aims to explore the implementation of good corporate governance (GCG) at Omah Oblong, a prominent small and medium-sized enterprise (SME) in Yogyakarta. Omah Oblong, known as the House of T-shirt, has been operating for 15 years under the ownership of Mr. Sugianto. The company has grown from a small village enterprise into a popular tourism destination where visitors can observe, purchase, and practice traditional T-shirt screen printing. Utilizing a descriptive qualitative approach, data were collected through literature reviews and interviews with key stakeholders. The study focuses on several key principles of GCG: transparency, accountability, responsibility, independence, and fairness. The results indicate that Omah Oblong successfully integrates these principles into its business operations. The company's transparency is demonstrated through open communication channels with employees and customers, ensuring that all parties are well-informed. Accountability is upheld through rigorous internal controls and regular performance evaluations. The company also exhibits a strong sense of responsibility, particularly in its commitment to local community development by providing jobs and training opportunities. Independence is maintained by fostering an environment where decision-making is free from undue influence. Lastly, fairness is evident in their equitable treatment of employees and partners, such as fair wages and commissions. In conclusion, Omah Oblong exemplifies how good corporate governance can be effectively implemented in an SME, contributing to sustainable business growth and positive community impact.

Keywords: *Good Corporate Governance, Islamic Business, Omah Oblong Yogyakarta*

A. INTRODUCTION

In general, the purpose of a business is to make a profit from sales. However, in Islam, business is not only a means of seeking as much profit as possible, but there must also be rules that must be obeyed (Ismaeel & Blaim, 2012). The rules of ushul fiqh state that in Mu'amalah transactions everything is permissible unless there is evidence that prohibits it (Fathurrahman, 2015). Thus, business in the view of Islam allows entrepreneurs to seek profit, but still within Islamic rules such as no usury, gambling, and fraud transactions (Arifudin Arifudin et al., 2024). Thus, running a business in Islam must be accompanied by norms, ethics and rules that apply in Islamic law (Salin et al., 2020).

An entrepreneur is not only required to seek profit, but also needs to ensure that the company and business he runs can survive for a long time (Chungyalpa et al., 2019). No entrepreneur wants his business to go bankrupt, but certainly wants his business to continue to grow. In this context, it is necessary to implement Good Corporate Governance (GCG). The concept of GCG is very much needed by companies so that there is a standard system in running a business whoever leads the company later (Pahlevi, 2023). Usually, newly established companies rely heavily on the leadership of their business owners. In the implementation of GCG, there is a clear direction in managing the company and is not fixated on one particular figure (Lu, 2024).

The implementation of GCG is closely related to the company management system (Wahyudin & Solikhah, 2017). Several things that must be ensured are the payroll system, career promotion system, allowance system, workforce protection system, and even the employee pension fund system. By implementing the GCG concept, it is hoped that a merit system will occur that provides opportunities for all parties to lead the company based on their talents, not just based on personal closeness.

The GCG concept not only helps companies achieve efficiency and transparency in managing the company, but also helps ensure that business operations are carried out by adhering to the principle of effectiveness (Shamsudheen & Rosly, 2021). In addition, it is hoped that all elements in the company can be responsible for their work even without direct supervision from the company owner. A company system that has implemented GCG will benefit all parties, both employees, consumers and the wider community, because it has the principle of justice for all. This is very important for all groups, especially in the concept of Islamic business, where integrity, honesty and sharia compliance are principles that are highly emphasized for all parties.

This study aims to analyze the application of the principles of Good Corporate Governance in the perspective of Islamic business at the Omah Oblong Company. Therefore, this research aims to identify how GCG principles such as transparency, accountability, responsibility, independence, and fairness are

applied in Omah Oblong's business operations and their impact on business growth and the local community. Research that discusses the aspects of GCG from an Islamic Business perspective is still limited, therefore this research aims to fill this gap.

As a general overview, Omah Oblong is a small company in Yogyakarta engaged in textiles and T-shirt manufacturing and has been operating for 15 years since 2009. Now the company has expanded into businesses other than T-shirts such as Yogyakarta batik and other souvenirs such as blangkon (a traditional Yogyakarta hat), bags, and accesories. However, its core business remains to make T-shirt sales its main source of income. Omah Oblong, which also means "T-shirt House", has grown from a small factory in the village to an educational tourist destination. Omah Oblong not only sells T-shirts, but also sells experiences for its visitors. Consumers can ask directly about this T-shirt business and can also experience screen printing their own clothes. This business concept is what attracts consumers to continue visiting Omah Oblong. Visitors can not only buy products, but also learn and participate in the traditional t-shirt making process. The company is owned and managed by Sugianto, who has committed to maintaining traditional values and providing a positive impact on the local community.

B. LITERATURE REVIEW

Good Corporate Governance Concept

Good Corporate Governance (GCG) is an important concept needed in managing a business in the modern era that can be applied to both large and small businesses. According to the Cadbury Committee Report (1992), in a company the Board of Directors must be given the freedom to manage their company. They must be given the freedom to determine policies to advance their company, but this freedom must be within an effective accountability framework. That is the purpose of Good Corporate Governance in a company, namely to provide the freedom to manage and have room for innovation but must still have responsibility and accountability values (Chanakya, 2023). The Cadbury Committee Report emphasizes that the main principles of GCG include being transparent, fair, responsible, accountable and providing protection for stakeholders in the company. Although initially this concept was intended for large companies, its application can be adopted in small and medium enterprises. Several principles that can be adopted is regarding the corporate governance system, a simple leadership structure and the application of GCG principles in running a company's business.

Basically, this GCG concept is very much in accordance with the teachings of Islam, especially in terms of leadership. Allah says in the Qur'an, Surah Ash-Shaff verse 4, namely, *"Indeed, Allah loves those who fight in His cause in a row as*

though they are a [single] structure joined firmly". This verse emphasizes that Allah really loves a group of people in an organization who help each other in goodness like a sturdy building (Hidayat & Wijaya, 2017). A sturdy building can be interpreted as a disciplined and consistent attitude that produces a perfect system for the progress of the organization. In this case, Good Corporate Governance also encourages every individual in the company to work together and help each other for the progress of the company.

Another argument related to the implementation of GCG from an Islamic perspective comes from the Hadith of the Prophet. From Aisyah r.a., the Prophet said: "Allah 'azza wa jalla loves it if one of you does a charity in itqan". Itqan can be interpreted as precise, directed, clear and complete. This hadith is closely related to the concept of Good Corporate Governance in the principles of modern era corporate management. Itqan is related to implementing something in a planned and programmed manner to suit the company's goals. In the Islamic perspective, good deeds will be meaningful and its benefits will be felt widely if the deeds are planned neatly, orderly and regularly (Shuriye & Adam, 2009). Ali bin Abi Thalib said that "*al haqqu bi laa nidzaam, yaghlibuhul-bathil bi an-nidzam*" which means organized evil will defeat unorganized goodness. Therefore, it is certain that the concept of GCG is truly a teaching that has been recommended in Islam, including in managing a company such as large companies or small and medium enterprises.

Company Profile of Omah Oblong, Yogyakarta

Omah Oblong, a local company owned by Mr. Sugianto, has a vision to grow from a small village-based business into a larger tourism destination (Sembiring et al., 2024). Omah oblong is located on Jl. Jambon, Biru, Trihanggo, Gamping District, Sleman Regency, Special Region of Yogyakarta. The company, which has been running for 15 years, specializes in making T-shirts through traditional screen printing methods and aims to sustain the local economy by creating jobs for the community.

Here are some key points about the company:

Table 1. Company Profile of Omah Oblong, Yogyakarta

No	Aspects	Details
1	Owner	Mr. Sugianto (passed down to his daughter in the future)
2	Business Structure	Sole proprietorship with plans for expansion through franchising
3	Production Process	<ul style="list-style-type: none"> Traditional screen printing (though there is curiosity about adopting digital methods). Focus on manual production to maintain quality. Cotton and other fabrics are sourced locally, with an emphasis on 100% cotton. Produces 1,000 T-shirts per day. Employs 125 workers, including 20 in the screen-printing

No	Aspects	Details
4	Business Scale and Challenges	<ul style="list-style-type: none"> room and 30-35 in sewing. Monthly material usage: 9 tons of fabric The company can accommodate up to 50 buses in its parking area, indicating its growth into a larger-scale business. Visitors from various regions (Malaysia, Sumatra, Kalimantan) contribute to the business. Offline sales remain a strength, with collaborations with travel agents and local transportation services. Monthly revenue: 2.5 billion IDR, with 1.5 billion IDR in expenses and 1 billion IDR in profit.
5	Sustainability and Marketing	<ul style="list-style-type: none"> Commitment to product authenticity (100% cotton) and honesty in marketing. Utilizes certificates (e.g., HAKI for copyright protection) to protect designs from being copied. Offline strategies dominate, with high customer turnover and bulk purchases from tourists.
6	Expansion Plans	<ul style="list-style-type: none"> Franchising is a potential route, but issues with licensing and copyright must be resolved.

Source: Author (2024)

The company's unique value lies in its combination of traditional methods with a tourism appeal, allowing customers to not only purchase but also engage in the production process (look, buy, practice). This could be a strong point in positioning Omah Oblong as a cultural and educational tourist destination, but it also faces challenges from competitors with cheaper products and the balance between manual craftsmanship and modern technology.

C. RESEARCH METHODOLOGY

This study uses a qualitative descriptive method with the aim of describing in depth the implementation of Good Corporate Governance (GCG) in the context of Micro, Small and Medium Enterprises (MSMEs) from an Islamic business perspective. The qualitative approach was chosen because of its exploratory nature, allowing researchers to understand social and organizational phenomena in more depth, and can capture the complexity of GCG implementation at Omah Oblong Company Yogyakarta. The data collection technique in this study consists of three stages, including:

In-depth Interviews: Interviews were conducted in a semi-structured manner, where researchers used a list of open-ended questions to guide the interview, but still provided space for respondents to freely explain their views on GCG and Islamic business values at Omah Oblong.

Field Observation: Researchers conducted direct observations of the company's operations, including interactions between management and employees, as well as

business practices carried out. This observation was carried out to verify data from interviews and to see firsthand the implementation of GCG principles in the field. Documentation: Researchers analyzed internal company documents such as operational policies, financial reports, and social activity reports. These documents provide an overview of how GCG is formally implemented in companies.



Source: Author (2024)

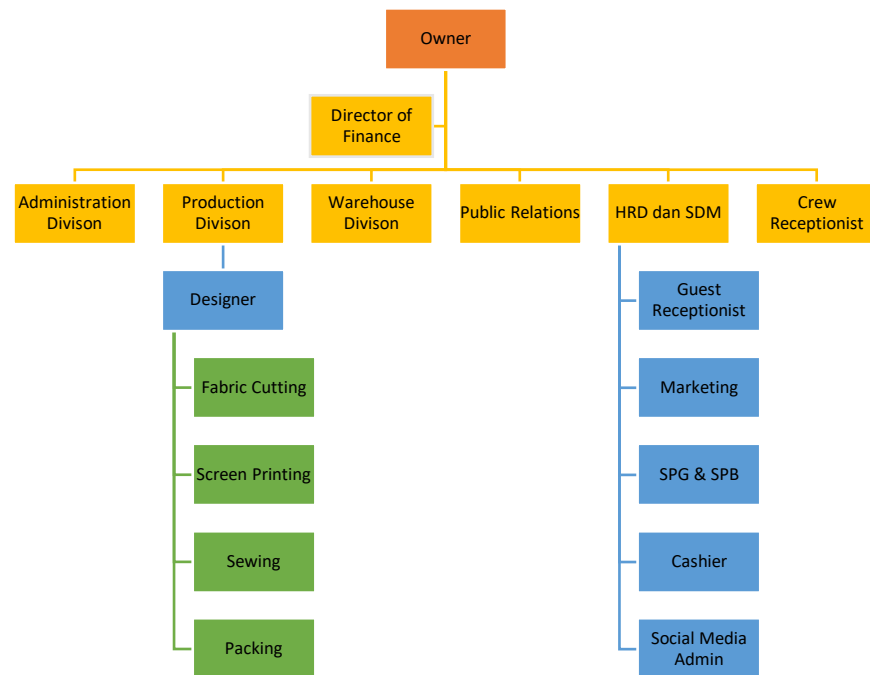
Picture 1. Research Framework

The main focus of the study is the implementation of five main principles of GCG in company operations, namely transparency, accountability, responsibility, independence, and fairness (Chanakya, 2023). This study is expected to contribute to the literature on the implementation of GCG in the context of SMEs, especially from an Islamic business perspective. In addition, this study is also expected to provide an overview of how GCG principles can play a role in supporting sustainable business growth and creating a positive impact on society.

D. RESULTS AND DISCUSSION

Good Corporate Governance in Omah Oblong Company, Yogyakarta

Omah Oblong is a business that is classified as a small and medium enterprise in Yogyakarta. This company focuses on the business in the field of T-shirt sales. In principle, Omah Oblong has implemented the values contained in the concept of Good Corporate Governance of a company.



Source: Omah Oblong Company Profile (2024)

Picture 2. Company Structure of Omah Oblong, Yogyakarta

Omah Oblong Company adopts the One Tier system, where the owner acts as both the President Director and Commissioner in managing the business. This One Tier system is generally used by Small and Medium Enterprises entrepreneurs. In addition, this business pattern is usually continued by his family from generation to generation. Likewise with Omah Oblong, the owner has prepared the business to be replaced by his family. In large-scale businesses, the One Tier system is generally applied in countries such as the United Kingdom, United States, Canada and Australia (Haryani et al., 2020).

Nowadays, corporate governance of Omah Oblong Company is quite complex, namely by placing a Finance Director directly under the owner in managing the company. Several related divisions have been prepared, such as Administration Division, Production Division, Warehouse Division, Public Relations, HRD and SDM and Crew Recipients. Several of these divisions are designed because Omah Oblong is not only a T-shirt factory, but also an educational tour so that consumers can learn to screen print their T-shirts directly. At the end of the visit, consumers can buy their own screen printed T-shirts directly.

Implementation of Good Corporate Governance on Islamic Business Perspective in Omah Oblong Company, Yogyakarta

Omah Oblong Company has been operating for 15 years through various ups and downs of business. Based on an interview with Omah Oblong Company Public Relations, the trend of Omah Oblong's business profits tends to increase from year to year. The company's highest sales peak was in 2018, then declined due to the Covid-19 pandemic in 2020. Currently, sales have increased again, almost matching the profits of 2018.

This study discusses the Good Corporate Governance aspects of Omah Oblong Company from the perspective of Islamic Business. There are five aspects to be discussed, namely:

Transparency

Transparency is an important element in GCG which aims to ensure that relevant and material information is provided to stakeholders in a timely and accurate manner. Islam also teaches the importance of transparency in business, as explained in the Qur'an (QS. Al-Baqarah: 282) which suggests recording transactions to avoid disputes in the future. From the results of the study conducted through in-depth interviews with Omah Oblong Company, the principle of transparency has been implemented well. The company is open in conveying the total turnover and sales per month obtained. Based on the results of the interview, information was obtained that the monthly turnover obtained by Omah Oblong was IDR 2.5 billion, with a net income of around IDR 1 billion per month. As for field observations, it was found that sales were in accordance with those mentioned in the interview. Based on the tracing of company documents presented to the author, total sales were also conveyed openly regarding the company's turnover and profit graph. This transparent attitude is in accordance with the principles of GCG and Islamic business values.

Accountability

Accountability in GCG refers to the responsibility of company management to shareholders and other stakeholders. In Islamic literature, accountability is also highly emphasized, where each individual is responsible for their actions, including in business activities. Allah says in QS. Al-Isra verse 36, *"Indeed, the hearing, the sight and the heart - about all those [one] will be questioned. And pursue not that of which thou hast no knowledge; for every act of hearing, or of seeing or of (feeling in) the heart will be enquired into"*. This accountability is not only horizontal to fellow human beings, but also vertical to Allah SWT. From the results of the interviews conducted by the author, this company has implemented the principle of accountability well. The owner as the director and sole shareholder has set an example by being accountable for every effort to its members. He also has many partners who work together to gain profit in the company. The owner also has 125 employees working in the company and divided into their respective divisions. To maintain the commitment of the 125 employees, it certainly requires a good attitude of accountability from the

company's leaders. Furthermore, the results of field observations also show the commitment of the company's leaders in advancing the company. One of them is by running a structured business organization and delegating authority to subordinates according to their respective work functions. The results of the documentation study are also seen on the company's website regarding the company's accountability in maintaining ties with consumers, partners and internal employees of the company. This is in line with the principles of GCG in the perspective of Islamic business.

Responsibility

GCG also emphasizes the importance of corporate social responsibility towards the environment and surrounding communities. From an Islamic perspective, this concept of responsibility applies to every individual because each individual is a leader of themselves. The Prophet Muhammad SAW said, *"Surely! Everyone of you is a guardian and is responsible for his charges: The Imam (ruler) of the people is a guardian and is responsible for his subjects; a man is the guardian of his family (household) and is responsible for his subjects"* (Hadith Bukhari: 7138). This principle of responsibility has been appropriate and has been applied to Omah Oblong Company. One proof is when there was a decline in business turnover during the Covid-19 pandemic, the business owner still tried to retain his employees. The facts found in the field were that all workers had worked according to their divisions such as the production division, warehouse division, HRD and marketing. Documentation studies were found regarding the company's marketing strategy in order to increase the company's turnover.

Independence

Independence in corporate governance refers to the freedom of management from pressure or influence from external parties that are not in accordance with the interests of the company. This is important to ensure that decisions are made based on the principles of justice and common good. In Islamic business, independence is closely related to the concept of amanah or trust, where every decision must be made with sincere intentions and avoid manipulation or pressure that can harm other parties. The interview results showed that there is freedom for owners to run their businesses without pressure from any party, including competitors. Field investigations are also in accordance with interview statements. The documentation study shows that business owners have the freedom to design their future business targets, and owners also provide freedom for members to innovate.

Fairness

Justice is one of the basic principles of GCG that ensures that all stakeholders, including employees, customers, suppliers, and shareholders, are treated fairly. Justice in Islamic business is a very strong ethical foundation, as stated in the Qur'an (QS. An-Nisa: 58) which commands Muslims to be fair in all aspects of

life, including in business transactions. This justice also includes the practice of providing decent wages and equal treatment to all employees and business partners. In the results of interviews with company employees, it was found that business owners have provided decent wages to workers. Field observations also showed that employees enjoy and are loyal to the Omah Oblong company. However, the documentation study did not show the specific conditions of workers' salaries.

E. CONCLUSION

The study of Good Corporate Governance (GCG) implementation at Omah Oblong, a small and medium-sized enterprise (SME) in Yogyakarta, reveals the effective integration of GCG principles into business operations. Omah Oblong has successfully applied key GCG components—transparency, accountability, responsibility, independence, and fairness—while maintaining its commitment to Islamic business ethics.

The company's transparency is evident in its open communication with employees and customers, fostering trust and confidence. Accountability is ensured through rigorous internal controls and performance evaluations, helping the company meet operational targets. Responsibility is reflected in its strong social commitment, particularly by providing jobs and training opportunities to the local community. Independence in decision-making allows Omah Oblong to operate free from external influence, while fairness is upheld through equitable treatment of employees and business partners, including fair wages and working conditions. Incorporating Islamic business principles such as honesty and avoiding unethical practices, Omah Oblong has demonstrated that ethical business conduct and GCG can lead to sustainable growth and positive community impact. Despite challenges such as limited resources for managerial training and the adoption of modern technologies, the business has continued to thrive by maintaining its focus on quality and community development. In conclusion, Omah Oblong exemplifies how small businesses can effectively implement GCG principles, aligned with Islamic ethics, to achieve long-term business success and contribute to the welfare of their community.

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