

Analysis of Risk Management at Baznas in DIY with Enterprise Risk Management (ERM) Approach

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ABSTRACT

This research aims to analyze the risk potential and risk management implementation of zakat (Islamic alms) on BAZNAZ (Badan Amil Zakat National/National Zakat Official Institution) DIY. The disparity between the potential and realization of zakat in Indonesia, especially in Yogyakarta, indicates that there is an urgency for proper management and education. This research was descriptive qualitative. The risk analysis process used was Enterprise Risk Management (ERM). Meanwhile, the risk assessment used was Godfrey theory. The primary data used was obtained from questionnaires and interview results, whereas the secondary data was obtained from scientific journals and literature review. The data validation used was triangulation theory. The research result shows four risk-category identifications: unacceptable risk 0, undesirable risk 10, acceptable risk 12, and negligible risk 43. Educational risk is included in the undesirable category, and it means that this risk has gone beyond the limit of risk tolerance. Thus proper mitigation needs to be implemented. In Comparison operational risk is still below the limit of risk tolerance, under the category of acceptable and negligible. Lastly, the risk mitigation effort implemented on the educational risk are: (1) Providing interesting and comprehensible education; (2) Encouraging doing zakat through amil (official staff of zakat collector); (3) Acquiring financial support from the government; (4) Providing education to LAZ and UPZ regarding zakat management strategy. The controlling and monitoring effort of zakat management in BAZNAS DIY are: (1) Performing audit upon public accountant and Syariah audit; (2) Coordination meeting; (3) Implementing zakat management according to the prevailing regulation and procedure.

Keywords: Zakat Risk Management, Operational, Education, Enterprise Risk Management (ERM).

1. INTRODUCTION

Zakat is one of the crucial instruments in Islamic philanthropy. Not only it elevates the economy of *mustahiqs*, but zakat may also reduce the economic gap and poverty in a country [1]. That potential can be realized if accompanied by good management by related institutions that are zakat institutions and community awareness. [2] Zulhendra (2020) in his journal is that if implication of this research is that if the concept of zakat collection and distribution applied both nationally and multi-nationally, the problem of poverty in Indonesia will be resolved. According to Zakat Potential Mapping Indicators (IPPZ) issued by Puskas BAZNAS, the zakat potential, based on 2016-2018 data accounting, was worth IDR233.8 trillion with the highest zakat category achieved by zakat on the income of profession that was IDR139.07 trillion. Nevertheless, if we observe the total zakat collected by zakat institutions in Indonesia, it is not proportional to the zakat potential that we have discussed earlier. [3]

Zakat collected by all *amil* in Indonesia is only 3.47% of its potentials. The evidence is in line with argument of the significant disparity between zakat potentials and realization in Indonesia in 2014-2018. Regarding its distribution, zakat has been effectively distributed, but BAZNAS should optimize and make it proportional to total zakat collection. [4]

The same phenomenon of disparity is found in Yogyakarta (hereinafter referred to as DIY), where the significant disparity between zakat potentials and realization managed by amil institutions reportedly emerges. The zakat potential in DIY is IDR2.2 trillion and is divided into several categories. Zakat on the income of profession potential achieves the highest portion that is IDR1.5 trillion. Considering that achievement, optimal fund source optimization in zakat on the income of non-ASN or ASN profession should be conducted [3]. Meanwhile, as stated by the director of BAZNAS DIY, Bambang Sutiyo, in the online newspaper issued by the public relation division of DIY

Government, zakat potential in DIY, including infaq (charity), was IDR260 billion, yet zakat realization was only approximately IDR33 billion [5]. Paku Alam X, the Deputy Governor of DIY, conceded that zakat potential in DIY had not been optimized. He added that potential zakat optimization and good zakat management were essentials. Some zakat management attempts should rectify the statutory provisions regarding zakat, improve zakat management, improve human resources, and raise community awareness of zakat urgency.

Previous research on zakat clarifies that disparity between zakat potential and realization exists due to some situations; such as *muzzaki*/taxpayers' low awareness of zakat, distrust in *amil*, zakat source optimization concentrated only on certain types of zakat, and low incentive given to *muzakki* for paying zakat. [1]. A similar argument is mentioned by Dyarini and Jamilah (2017) [6], Afiyana, Fitri, and Nugroho (2019)[4], and Canggih, Fikriyah and Yasin (2017)[7]. Furthermore, in zakat distribution and utilization, there are several risks i.e. uneven zakat distribution, late zakat distribution [8], and ineffective zakat utilization due to errors in *mustahiq* designation [9]. The risks significantly contribute to poor zakat management by zakat institutions, especially in the processes of zakat collection, zakat distribution, and zakat utilization.

We have to be aware that risk potentials regarding zakat management are becoming more adverse, requiring a series of structured management processes.[8] Risk management using Enterprise Risk Management (ERM) Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a series of management process concentrated on the very possibility of risk in the respective aspect of risk in a corporate [10]. A corporate applies risk management using ERM and overarching organizing to a system to achieve its goals and control/minimize risks [11]. Review of the risk management literature indicates that Enterprise Risk Management (ERM) framework is the best practice and it can be applied in the governance of zakat institution [12]. Taking the phenomenon into account, we are interested in analyzing risks using ERM.

Besides analyzing the operational risk, this research also studies the risk of giving education to LAZ, as the objective of that education is in line with the long-term objective of zakat that is to overcome the economic disparity by optimizing potencies available [13]. This research is conducted at BAZNAS DIY. BAZNAS DIY is selected due to its authority as a coordinator/regulator and participation in the management of zakat, especially zakat on the income of profession that comes with the highest zakat potential. In terms of zakat reporting and auditing, the category of BAZNAS DIY is WTP (Wajar tanpa Pengecualian, Fair without Exception). BAZNAS DIY is awarded as the third-best BAZNAS at the national level, encouraging us to make research on the

governance and risk management it implements. The research aims to analyze risk potentials and investigate risk management implemented by BAZNAS DIY using Enterprise Risk Management (ERM).

2. LITERATURE REVIEW

Some analogous research is that performed by Triyani, Beik, and Baga (2017), titled *Manajemen Risiko pada Badan Amil Zakat (BAZNAS)*". The research argues that the potential risks in BAZNAS are divided into four categories i.e. unacceptable risk (14), undesirable risks (33), acceptable risks (13), and negligible risks (0). The responses to the unacceptable risks are risk avoidance or risk transfer. Meanwhile, the advised response to the undesirable risk is reducing the risk, and that to the acceptable risk is constant supervision to prevent the transformation of the risk into a high risk. [14]

Dyarini and Jamilah (2017) also conduct similar research entitled *Manajemen Risiko Pengelolaan Zakat*. The research clarifies that zakat risk management should concern the operational procedures and be equipped with intelligible and structured indicators, such as the indicators regarding *mustahiq*, poverty limit, effectiveness, and efficiency. Besides, the risks to collecting fund are distrust shown by *muzakki*. *Muzakki* worries about poor zakat distribution and may perceive that zakat administration will reduce the amount of zakat, and sees not transparency in zakat distribution. The risk to zakat management includes the amount of fund disproportional to the number of *mustahiq* registered. That disproportionality is induced by *ami*' incompetence in distributing the fund collected, causing off-target zakat distribution. [6]

Nafi'ah and Suprayogi (2019) perform research titled *Analisis Manajemen Risiko Pendistribusian Zakat pada LAZNAS Darut Tauhid Peduli Cabang Malang*. This research indicates the risks to zakat distribution; such as dishonest potential zakat recipients, inconsistent reports by *mustahiq*, and inappropriate behaviors shown by *mustahiq*. The actions made to mitigate the risks are to strengthen the procedures for potential zakat recipient selection, control *mustahiq*'s business, make an immediate assistance termination act targeted to the potential zakat recipient with inappropriate behavior. [9]

Hayati, Budianto, and Putri (2019) make research entitled Risk Management in the Zakat Distribution: Case Study on Productive Zakat Program in Dompot Dhuafa Yogyakarta. The research discusses the implementation of risk management to productive zakat distribution in the Warung Beres Dompot Dhuafa program. The research confirms that the implementation of risk management consists of three stages of application, monitoring, and evaluation, respectively. The implementation includes the implementation of efficiency and effectiveness principles and the attempts made to reduce the risk to zakat distribution, such as

making a financial plan, SOP, and program assistance. [8]

2.1 Risk Management to Zakat Management Organization

Either profit or non-profit institutions such as zakat amils must face risks. The risk confronted by an entity usually relates to the objective, vision, and mission of the entity [10]. Besides improving its public service delivery, amils are responsible for improving zakat literacy and education to the community [13]. The presence of risks is potentially inducing negative impacts on a zakat institution. Among the negative impacts are degenerated trust level, degenerated legal and sharia compliance, and others. In response to the negative impacts, risk management constitutes a filter or tool that can render an early warning about the very possibility of the risk to zakat management and instructs a series of immediate risk management and control [15]. Corporate governance, risk management, and internal control can be implemented in accordance with established procedures and rules that indirectly contribute to the achievement of the zakat goals itself [16].

2.2 Risks Found in a Study by

Educational risks are the risks indicated by poor zakat collection due to the community’s low awareness of zakat payment urgency and the institution staffs’ low knowledge of zakat management [13]. The existing problems are usually from the variation of zakah obligation and nominal computations that must be issued [17].

The second risk is operational. Operational risks are convened by failure due to ineffective internal processes, human resources, and applied systems [13]. Operational risk is one of the first priorities in risk management [18]. As defined by Puskas BAZNAS and Depkeu Syariah BI (2018), operational risks include: Risk to fund collected, Risk to fund distributed, Risk to productive fund, Risk to zakat fund collection, Risk to zakat fund distribution, and Risk to zakat fund management [13]. Zakat institution must creat a distribution plan in accordance with mustahik criteria orientation with eigh asnaf and this became the great responsibility as Amil zakat institution [18].

2.3 Enterprise Risk Management (ERM)

ERM is a series of processes implemented in integrated risk management aimed to elevate the efficiency and effectiveness of an organization/institution and is designed to contribute to the fulfillment of its objectives [10]. Eight interrelated components in the risk management using ERM COSO [10] are: Internal environment, Objective setting, Event identification, Risk assessment, Risk response, Control activities, Information and communication, and Monitoring.

3. RESEARCH METHODS

3.1 Research Type, Objectives, and Subject

The research is field research with descriptive-qualitative research design. The research object is the Amil Zakat Agency in the Special Region of Yogyakarta. In qualitative research, the subject is referred to as an informant, the person on whom a researcher relies when seeking accurate information [19]. The research subject is selected using the purposive sampling technique.

3.2 Data Source and Data Collection Technique

The research data sources are the primary and secondary data. The primary data are directly collected from the informant, whereas the secondary data are the data that support, compare, or strengthen the primary data. Data collection is conducted using four techniques that are observation, questionnaire, interview, and documentation.

3.3 Data Validity Technique

Regarding the data analysis technique, we referred to Miles and Huberman’s model performed in three stages, i.e., data reduction, data presentation, and conclusion drawing [20]. Furthermore, regarding risk assessment, we use ERM COSO and refer to Godfrey’s theory as the guidance for zakat management [13]. We also refer to the theory when we measured risks using a Likert scale where we designed a score of 1 until 5. Score 1 is the smallest, while 5 is the highest. The risk level is measured using two criteria that are risk likelihood (L), as in Table 1, and risk impact (I), as in Table 2.

Table 1. The Measuring Scale for Risk Likelihood

Score	Likelihood (L)	
	Category	Description
1	Imporable	Nearly impossible to appear
2	Remote	Appearing sometimes
3	Occasional	Possible to appear
4	Probable	Very possible to appear
5	Frequent	Almost certainly appear

Source: Godfrey, 1996 [21]

Table 2. The Measuring Scale of Risk Impacts

Score	Impact (I)	
	Category	Description
1	Negligible	Confer no significant impact on BAZNAS
2	Marginal	Confer a small impact that can be easily overcome with regular handling
3	Serious	Confer an intermediate impact but hinder BAZNAS to achieve its goals for a certain period
4	Critical	Confer a significant impact and hinder BAZNAS to

		achieve its long-term goals
5	Catastrophic	Confer a very significant impact and hinder BAZNAS to achieve all of its long-term goals

Source: Godfrey, 1996 [21]

After the results of risk assessment in terms of risk likelihood and impact are identified, we map risks using the multiplication scores between Likelihood (L) and Impact (I) scores. The score is then presented in the form of a risk matrix by referring to the risk management using ERM, as indicated in Table 3.

Table 3. Risk Responses

Risk score/ color	Category	Description	Risk Responses
>12 Red	Unacceptable	High risk may give a significant impact that harms BAZNAS and gives a long-term impact.	Avoidance
5-12 Orange	Undesirable	A risk that should be watched out as it has exceeded the tolerance limit and may give a significant impact on BAZNAS	Sharing
3-4 Yellow	Acceptable	A risk is considered acceptable if it does not exceed the tolerance limit but still requires good handling.	Reduction
1-2 Green	Negligible	A risk is considered insignificant due to its small impact but still requires routine handling.	Acceptance

Sources: Godfrey, 1996 [21], Steinbreg et al. (2004) [10] modified

4. FINDINGS AND DISCUSSION

4.1 Internal Environment

The director of BAZNAS DIY describes the urgency of risk management as the preventive action to detect any error in both zakat practices and administration. He

adds that in terms of risk management, annual auditing is a must in BAZNAS DIY (interview with the director of BAZNAS DIY, February 17th, 2020, 1.30 p.m.). BAZNAS DIY nurtures an integrity pact that is a statement of commitment all *amil* in BAZNAS DIY must comply with.

4.2 Objective Setting

As an official zakat *amil* agency owned by the government, the legal and institutional bases of BAZNAS DIY are Law No. 23 of 2011 on Zakat Management, Government Regulation No. 14/2014, the Presidential Instruction No. 3/2014, and other regulations. In its operation, besides the aforementioned regulations, BAZNAS DIY sets a Standard Operating Procedure (SOP) used in ZIS fund management.

4.3 Event Identification

The identification of educational risk is conducted by analyzing factors that induce a disparity between zakat potentials and zakat collected by *amil* in Indonesia. The factors are either internal or external.

Zakat collected by BAZNAS DIY must have two properties, i.e., it is neither non-halal funds nor funds earned with money laundry (interview with the director of BAZNAS DIY, February 17th, 2020, 1.30 p.m.).

In terms of identification of the risk to fund distribution, BAZNAS DIY makes the necessary acts to prevent undesired events; such as the improper use of zakat funds or zakat funds that are not granted to the eight *asnaf* (interview with the director of BAZNAS DIY, February 17th, 2020, 1.30 p.m.). In the *DIY Sejahtera* program, risk identification includes: a) Evaluating required documents submitted by *mustahiq*, b) Performing a factual survey to observe *mustahiq* in his/her real life, and c) Making a final evaluation where BAZNAS staff will decide on the donation acceptability (interview with the distributing staff of BAZNAS DIY, February 17th, 2020, 1.30 p.m.). The identification of the risk to zakat fund distribution and utilization in the *DIY Sejahtera* program by BAZNAS DIY is integrated/under one management.

4.4 Risk Assessment

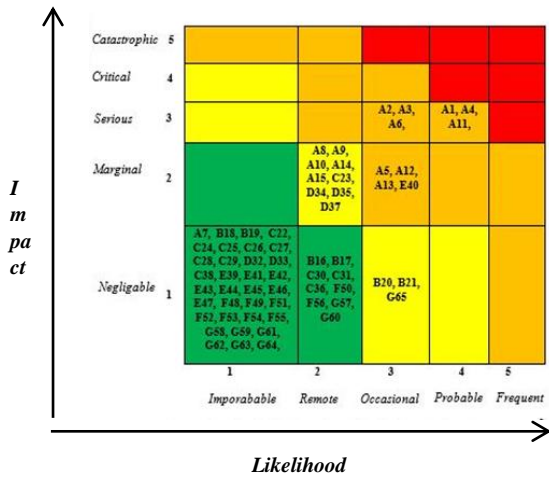


Figure 1 Risk Matriks BAZNAS DIY

In Figure 1, we can observe the risk category with risk responses. There are 43 negligible risks with risk response, 12 acceptable risks with risk response is reduction risk, ten undesirable risks with risk response is sharing risk, and 0 unacceptable risks indicating no risk that renders significant impact on BAZNAS DIY (Steinberg *et al.*, 2004).

4.5 Risk Responses/ Mitigations

Based on interviews given to the collection and distribution staff in BAZNAS DIY, data for risk mitigation is obtained as follows:

A. Educational Risk

- A.1. Many people have poor apprehension regarding zakat.
- A.3. Many people have poor apprehension regarding zakat distribution through OPZ
- A.4. Many people prefer direct zakat payment to mustahiq.
- A.6. Amils provide ineffective education regarding zakat for the community.
- A.11. Amils lack resources/funds used in zakat education.

Mitigation :

- 1) Giving understandable and accessible education to all community levels using interesting infographics through social media platforms; such as Facebook, Instagram, or YouTube
- 2) In coordination with MUI and Islamic community organizations, giving lectures regarding the significance of donating zakat through zakat amil institutions
- 3) Establishing a partnership with the government institutions and asking for the resolution to the financial issues regarding

the institutional operation and education for the community by using APBD

- 4) Giving education to BAZNAS/LAZ and UPZ

B. Risk to Fund Collection

- B.16. Zakat funds come from the mixing of non-halal (corruption, usury, etc.) and halal funds.

Mitigation: The fund source must be evident. BAZNAS DIY should search the information regarding the fund source and muzakki's occupation.

- B.19. Zakat funds are not counted following the zakat accounting principle (nisab and haul).

Mitigation: BAZNAS DIY counts and registers zakat collected using SiMBA application.

- B.20. The projection of zakat potentials is too optimistic and/or inaccurate

Mitigation: BAZNAS DIY conducts rigorous planning regarding zakat collection. Although the plan made is optimistic, the projection of zakat potential is accurate and on-target.

- B.21. The zakat collection plan is too optimistic

Mitigation: The accounting of zakat potential projection is stylized to the zakat realization in the previous period.

C. Risk to Fund Distributed

- C.23. The zakat fund is not disbursed in a year.

Mitigation: Making a more rigorous and effective zakat distribution plan

- C.27. The zakat fund is distributed to non-mustahiq

Mitigation: Performing a factual survey on the potential mustahiq, ensuring on-target zakat distribution

- C.28. The zakat fund is unfairly distributed to the eight asnaf.

Mitigation: Using a priority scale in zakat distribution

- C..30. It takes a long time to distribute zakat to mustahiq.

Mitigation: Making a work plan as guidance for the next zakat distribution and stylizing the work plan to the field condition

- C.31. The consumptive zakat fund allocated for each mustahiq is too small.
Mitigation: Balancing mustahiq's needs and the capabilities of BAZNAS DIY
- D. Risk to Productive Fund
- D.34. The amount of productive zakat fund is considerably small.
Mitigation:
1) The fund should be evenly and equally distributed to the applicants.
2) When distributing funds, the staff should advice regarding saving the business outcome.
- D.35. The zakat fund is used as a revolving fund for more than one year.
Mitigation: Mustahiq re-submit the funding proposal and stylize the amount of money expected to the current need.
- D.36. The revolving fund is not effectively used as mustahiq is not equipped with the necessary expertise.
Mitigation: BAZNAS DIY gives guidance every six months. It gathers mustahiq and gives training to them. Finally, it also evaluates the business run by mustahiq.
- D.37. Mustahiq does not regularly submit the zakat productivity report to amils
Mitigation: BAZNAS DIY does not require mustahiq to submit reports but actively monitors the business mustahiq runs.
- D.38. The revolving fund is not effectively used because mustahiq understands the status of the fund that is the zakat fund.
Mitigation: Mustahiq is given an understanding of the status of zakat fund that is a social fund so it has to be well used.
- E. Risk to Zakat Fund Collection
- E.40. Conventional bank account to pay zakat
Mitigation: Making a specific bank account for zakat purposes
- E.41. Lack of control of zakat fund collection
Mitigation:
1) Requiring muzakki to report the transfer proof when making indirect payment
- 2) Re-registering using SiMBA application to monitor muzakki's zakat payment history
- E.42. Inadequate information and advertisement regarding zakat collection by amils
Mitigation:
1) Providing information through the official website and social media of BAZNAS DIY
2) Partaking in community events held in malls, Sekaten, and others
- E.44. Lack of transparency regarding zakat collection
Mitigation:
1) Realizing transparency regarding zakat collection by delivering the monthly report on the amount of zakat collected and managed in Islamic events where muzakkis are gathering
2) Reporting through the official website of BAZNAS DIY
- E.45. Zakat payment slip that is not given to muzakki due to amils' negligence or other causes
Mitigation: Obliging muzakki to send the zakat payment slip. It is important to notify that for muzakki having professions as state civil apparatuses have their monthly income cut to zakat on the profession
- F. Risk to Zakat Fund Distributed
- F.49. Zakat funds deposited for a long time
Mitigation: Making a work plan so zakat fund allocation is structured
- F.50. Overlapping zakat distribution (other amils also distribute zakat to the same people)
Mitigation:
1) Making coordination with other amil institutions in the Forum Organisasi Zakat DIY
2) Segmenting the distribution areas
3) Giving a statement form confirming the interested muzakki is not receiving any grant from other amils through the DIY Cerdas program.
4) Sanctions are imposed when the rule is violated.
- F.51. Uneven zakat distribution
Mitigation:
1) Referring to the government's data regarding the community that needs zakat

- 2) Suggesting the community submit their application directly
- F.52. Lack of coordination between amils in terms of zakat distribution

Mitigation: Making a coordination through Forum Organisasi Zakat di Seluruh DIY participated by BAZNAS at the provincial and district/city levels and all zakat amil institutions in DIY

- F.53. Delay in zakat distribution to mustahiq

Mitigation: Making a work plan for the next zakat distribution and designing the programs implemented

G. Risk to Zakat Fund Management

- G.57. High operational cost of BAZNAS DIY

Mitigation:

- 1) Making a financial plan by taking a careful zakat fund utilization in terms of BAZNAS operation
- 2) Establishing a coordination with the government regarding financing

- G.59. No control of mustahiq's business

Mitigation: Regularly monitoring the business run by mustahiq every six months and gathering all mustahiq and giving them training and evaluation

- G.60. Mustahiq's incompetence in business management

Mitigation: Instructing mustahiq to describe his/her expertise on the application letter submitted to ask for assistance. It should be emphasized that BAZNAS DIY only gives assistance to applicants with limited venture capital.

- G.65. Insignificant improvement of mustahiq's business

Mitigation:

- 1) Monitoring by giving questionnaires to mustahiq, observing their business achievements, improvements, and challenges
- 2) Evaluating zakat fund utilization by mustahiq.

4.6 Control Activities

Control activity on internal management aims to improve the effectiveness and efficiency performance,

the attitude of trust in realizing the reliability of financial reporting and the creation of *akhlaqul karimah* supporting the compliance of management policy [22].

The risk management in BAZNAS DIY is considered good in either its practices or administration conducted by auditing. Auditing to public accountants or sharia auditing is also an effort to mitigate risks, ensuring the zakat management is following regulations or sharia (interview with the director of BAZNAS DIY, February 17th, 2020, 1.45 p.m.).

4.7 Information and Communication

In realizing transparent communication and zakat management, BAZNAS DIY performs the following types of reporting, i.e., (1) Reporting to *muzakki* and stakeholders. BAZNAS DIY regularly delivers monthly reports to *muzakki* and stakeholders in an Islamic event held by the local government officials, (2) Online reporting through the official website of BAZNAS DIY, and (3) Annual reporting or reporting every six months to the governor and central BAZNAS (interview with the director of BAZNAS DIY, February 17th, 2020, 1.45 p.m.). Optimizing relationship between zakat institution and government can improve the effectiveness of zakat management [23].

4.8 Monitoring

The last stage in the process of risk management is monitoring with the purpose of making sure that risk management systems are run with a good organization [17]. Monitoring activities can be done through ongoing management processes with periodic evaluation [24].

Regular internal supervision is compulsory. BAZNAS DIY constantly encourages its staff to communicate any problems or challenges in each division through official coordination meetings and maintain good communication through the WhatsApp group application. Besides, the director of BAZNAS DIY gives autonomy to the respective division head, giving them space to optimize their performances, but they should comply with SOP (interview with the director of BAZNAS DIY, February 17th, 2020, 1.45 p.m.).

Internal supervision is also compulsory. BAZNAS DIY also regularly supervises *muzakki* and *mustahiq*. Supervising *muzakki* allows BAZNAS DIY to maintain a good relationship with them and assure their loyalty in terms of zakat payment. Furthermore, BAZNAS DIY is transparent and credible in terms of zakat distribution. Monthly reports are always delivered to *muzakki* directly or through the website. Meanwhile, in terms of supervising *mustahiq*, BAZNAS DIY assists *mustahiq* in running the businesses and regularly monitors by surveying the business location. Nana Minarti, the director of IMZ (Institut Manajemen Zakat, *Zakat Management Institution*), in Aflah (2009) explains that regular supervision and evaluation play a crucial role in

supporting a program implementation [25]. Monitoring enables us to observe the performance, target, and achievement of a program. A similar argument is stated by Triyani, Beik and Baga [14]

5. CONCLUSION

This research on BAZNAS DIY identifies several risks and risk responses. Implementing Godfrey's theory, we categorize the risks into four, i.e., 0 unacceptable risks, 10 undesirable risks with a risk response of sharing risks, 12 acceptable risks with a risk response of reduction, and 43 negligible risks with a risk response of acceptance.

The majority of educational risks are considered undesirable, implying that BAZNAS DIY is confronting some educational challenges generated from either external factors, such as the low literacy level of the community, or internal factors, such as limited funds and ineffective education. BAZNAS DIY has made several mitigating acts or risk control, i.e. (a) Giving understandable and accessible education using interesting infographics through social media platforms; such as Facebook, Instagram, or YouTube, (b) In coordination with MUI and Islamic community organizations, giving lectures regarding the significance of donating zakat through zakat amil institutions, (c) Establishing a partnership with the government institutions and asking for the resolution to the financial issues regarding the institutional operation and education for the community by using APBD, and (d) Giving education regarding the strategy for zakat management to LAZ and UPZ.

The risk responses to BAZNAS DIY operation are in the form of control and supervision through: (a) Auditing, either auditing to public accountants or sharia auditing, (b) Arranging weekly coordination meetings regularly, and (c) Implementing the procedures for zakat management following the regulation. Finally, BAZNAS DIY also monitors *muzakki* through the *DIY Sejahtera* program every six months and maintains transparency in its performances and institutional credibility.

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