

# Analysis of Strategic Risk Management of National Board of Zakat (BAZNAS) in Sukabumi

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## Abstract

*Zakat is one of the five basic pillars of Islam. The main function of zakat is to help the economy of the mustahik and become a counterweight in the national economic sector. Government Regulation of the Republic of Indonesia explained that the management of zakat is regulated by a non-structural government agency, namely, the National Board of Zakat (BAZNAS) which is responsible to the President through the Minister. The inaugural meeting of the International Working Group on Zakat Core Principles, which resulted in an agreement that the identification of risks in zakat management is very important because it will affect the quality of zakat management in the future. The purpose of this study was to analyze the implementation and mitigation of strategic risk management in the BAZNAS in Sukabumi. This study employs quantitative approach as research method. Interview and documentation are used as data collection techniques. The results of this study found that implementation of strategic risk management and the mitigation of strategic risk of BAZNAS in Sukabumi is well implemented. The vision and mission risk is the biggest strategic risk that is likely to occur, while the strategic risk that has the greatest impact is the objective risk. The BAZNAS in Sukabumi has good risk mitigation based on the scale of risk vulnerability.*

**Keywords:** Risk Management, Strategic Risk, Zakat.

## Abstrak

*Zakat adalah salah satu dari lima rukun Islam. Fungsi utama zakat adalah membantu perekonomian para mustahik dan menjadi penyeimbang dalam sektor perekonomian nasional. Peraturan Pemerintah Republik Indonesia menjelaskan bahwa pengelolaan zakat diatur oleh lembaga pemerintah non struktural yaitu Badan Amil Zakat Nasional (BAZNAS) yang bertanggungjawab kepada Presiden melalui Menteri. Pertemuan pengukuhan International Working Group on Zakat Core Principles yang menghasilkan kesepakatan bahwa identifikasi risiko dalam pengelolaan zakat sangat penting karena akan mempengaruhi kualitas pengelolaan zakat ke depan. Tujuan dari penelitian ini adalah menganalisis implementasi dan mitigasi manajemen risiko strategis pada BAZNAS Kota Sukabumi. Penelitian ini menggunakan pendekatan kuantitatif sebagai metode penelitian. Wawancara dan dokumentasi digunakan sebagai teknik pengumpulan data. Hasil penelitian ini menemukan bahwa penerapan manajemen risiko strategi dan mitigasi risiko strategis di BAZNAS Kabupaten Sukabumi telah dilaksanakan dengan baik. Risiko visi dan misi merupakan risiko strategis terbesar yang mungkin terjadi, sedangkan risiko strategis yang memiliki dampak terbesar adalah risiko objektif. BAZNAS di Sukabumi memiliki mitigasi risiko yang baik berdasarkan skala kerawanan risiko.*

*Kata Kunci: Manajemen Risiko, Risiko Strategis, Zakat*

## Introduction

Zakat is one of the five basic pillars of Islam.<sup>1</sup> Allah mentions the command to do zakat 32 (thirty two) times in the Qur'an and most of them were written after prayers. This indicates that zakat is the most important in the pillars of Islam after prayer and has an important role in human life.<sup>2</sup> Zakat also has many benefits. Some of them educating Muslims to be generous and empathetic to those in need.<sup>3</sup> The main function of zakat is to help the economy of the *mustahik* and to balance the national economic sector.<sup>4</sup>

Indonesia is one of the countries with a majority Muslim population, which is 256,820 million people.<sup>5</sup> This data implies that zakat has great potential to contribute to reducing poverty. Besides, the growth of zakat as a social sector of Islamic finance also has a significant role. Minister of Religion stated that the growth of zakat in Indonesia has grown by 30.55 percent per year, with evidence of funds raised by The National Board of Zakat (or called as Badan Amil Zakat Nasional/BAZNAS) or Zakat Institution (Lembaga Amil Zakat/LAZ) in 2017 reaching Rp. 6,224,37 billion and increased to Rp. 8,100 billion in 2018.<sup>6</sup> These Zakat Core Principles aim to encourage and realize an effective zakat management system for the benefit of the people. Management of zakat is expected not only depending on the personal conditions of amil or political support, but is a result of a systemic work procedure, which is planned to be systemically supervised. Another thing, the management of zakat is expected to provide maximum utility for the community, both *muzaki*, *mustahik* and the general public.<sup>7</sup>

The growth of zakat funds in Indonesia is also not free from risks. The National Board of Zakat (BAZNAS) in the In International Working Group on Zakat Core Principles (IWGZCP) explains the important component in the discussion of Zakat Core Principles (ZCG), is the risk that is classified into four categories. They include the risk of reputation and loss of *muzaki*, zakat distribution, operational risk, and transfer between countries.<sup>8</sup> The risks above

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<sup>1</sup> Halim Mohd Noor. 2012. Assessing the Performance of Non-Profit Organizations: A Framework for Zakat Institutions, *Journal of Economics, Finance and Knowledge Management*, 5 No.1, (2012) p. 12.

<sup>2</sup> Hamdaan Rasid, *Fiqh Indonesia*, (Jakarta: Al Mawardi Prima, 2003), p. 103.

<sup>3</sup> Shaykh Abdul Aziz bin Baz, Zakat, <http://www.raudhatulmuhibbin.org>

<sup>4</sup> Bambang Sudibyo, etc., Indonesian Zakat Outlook 2017, (Jakarta: BAZNAS Strategic Studies Center, 2017), p. 15.

<sup>5</sup> Databox, <https://databoks.katadata.co.id/datapublish/2019/09/24/berapa-jotal-penduduk-muslim-indonesia>, accessed on (July 03,2020)

<sup>6</sup> BAZNAS, <https://www.BAZNASjabar.org/news/ppot-zakat-di-indonesia-2019>, accessed on (July 03, 2020)

<sup>7</sup> Hartomi Maulana and Muhammad Zuhri. 2020. Analisis Implementasi Good Amil Governance berdasarkan Zakat Core Principle di Lembaga Amil Zakat: Studi pada LAZ Nurul Hayat, Surakarta, *Tijarah Journal*, 6. no. 2, December ( 2020), p. 157.

<sup>8</sup> Nina Triyani, et al., 2017. Risk Management at the National Zakat Agency (BAZNAS), *Al-Muzara'ah Journal*, 5 no.2, (2017), p. 2.

can controlled by risk management. The risk management model in zakat institutions divided into five stages, notably the formation of the context, identifying risks, measuring risks, evaluating risks, to treating risks.<sup>9</sup>

With regard to risk, it is also occurred in BAZNAS of Sukabumi chapter. According to BPS, population development in the Sukabumi Regency in 2018 increased with an average population growth rate of 2,453,498 million people, which is majority of Muslim.<sup>10</sup> Based on these data explained that the potential for zakat in Sukabumi Regency in 2018 should reach 1.4 trillion but what is realizing is worth 14 billion or less than 1% per year.<sup>11</sup> The difference between potential and realization becomes a problem. One of the biggest possible problems is the inaccuracy in strategic decision making, so it is necessary to study the causes to solve the problem.

Strategic risk management is very important because it becomes a benchmark in making strategic decisions and failure to anticipate environmental changes. Zakat agencies must carry out risk management in their activities considering how beneficial it is for the agency. The question is to what extent strategic risk management implemented by BAZNAS of Sukabumi branch. Therefore, this study attempts to examine strategic risk management on BAZNAS in Sukabumi.

## **Literature Review**

### **Institutional Theory**

In his research, Amin took the explanation from DiMaggio and Powell (1983) which stated that an organization will tend to resemble other organization in its environment to gain legitimacy. The institutions are created by the man to organize and form interaction of political, social and economic transactions, they are structure that provide stability in life by considering rules, norms, cultural benefits, roles a resource.<sup>12</sup> Institutional theory is quite different from the rational economic perspective, which emphasizes individual self-interest, conscious decision making, and economic optimization, rather it suggests firm to being similar to other firms.<sup>13</sup>

Motivation for this action came from the tendency of actors to gain legitimacy from constituents. Formulating a strategy is about thinking of the future of the business organization, which involves forward thinking and planning. The uncertainty is inherently unavoidable, making the strategic thinking aspects of the job of top managers complex and difficult to lessen the nature of their job, mimicking other managers' strategies is a possible solution,

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<sup>9</sup> Ascarya, et al., 2018. *Risk Management of Zakat Management*, (Jakarta: Department of Sharia Economics and Finance, (2018), p. 40.

<sup>10</sup>Central Bureau of Statistics, accessed on (July 15, 2020)

<sup>11</sup> BAZNAS Sukabumi Regency, <https://kabsukabumi.BAZNAS.go.id> (July 15, 2020)

<sup>12</sup> Amin Wibowo, etc. 2016. The Strategy of the banking industry in Indonesia: Following institutional theory or resource based view, *Journal of Business Strategy*, 20 No. 2, (2016), p. 3.

<sup>13</sup> Astriningrum, 2014. New Institutional Theory: Implementation Performance Based Budget Towards Competitive Organization and Market Oriented. *Journal of Review Accountant*, 4 No. 2 (2014), p. 2.

Especially when the strategies proven successful. This propensity is called as isomorphism. The successful strategy then becomes an industry recipe, resembling what the institutional theory called governance structure, institutional logic, and an institutional template<sup>14</sup>.

### Risk Management

Ahmad Kamaluddin in his research, took an explanation from Ricky W. Griffin who defined that management is the process of planning, organizing, coordinating and controlling natural and human resources to achieve goals effectively and efficiently.<sup>15</sup> Risk can be defined as the possibility of an unexpected bad event such as loss. The word "possibility" can be interpreted as uncertainty. This uncertain condition occurs due to the time interval from planning to the end of the activity, limited information needed limited management knowledge, skills, or technicians, and so on.<sup>16</sup>

Minister of finance regulation number 191 / PMK.09 / 2008 explained that the risk management is a systematic approach to determine the best course of action under conditions of uncertainty.<sup>17</sup> The risk management process according to ISO 31000: 2009, is communication and consultation, setting context, risk identification, risk analysis, risk evaluation, treatment of risk, monitoring and review.<sup>18</sup>

### National Board of Zakat (Badan Amil Zakat Nasional/BAZNAS)

Government Regulation of the Republic of Indonesia number 14 of 2014 concerning the implementation of law number 23 of 2011 concerning the management of zakat in article 2. The government established the National Board of Zakat (BAZNAS) as a non-structural government institution for the management of zakat which is domiciled in the nation's capital which is responsible to the President through the minister.<sup>19</sup>

The BAZNAS has four functions of planning control, distribution and utilization of zakat, as well as reporting and accountability for the implementation of zakat management.<sup>20</sup> Duties and functions of BAZNAS is assisted by the BAZNAS at the provincial level, regional level, and the Zakat Institution (LAZ).<sup>21</sup>

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<sup>14</sup> Amin Wibowo, etc., The Strategy of the banking industry in Indonesia : Following institutional theory or resource based view, *Journal of Business Strategy* (Vol. 20 No. 2, 2016), p 3

<sup>15</sup> Ahmad Kamaluddin. 2010. etc., *Islamic Management Ethics*, (Bandung: CV. Pustaka Setia, 2010), p. 27.

<sup>16</sup> Herman Darmawi, 2006. *Risk Management*, (Jakarta: Bumi Aksara, 2006), p. 3.

<sup>17</sup> Minister of Finance Regulation No. 191 / PMK.09 / 2008 Article 1, <http://www.jdih.kemenkeu.go.id>, accessed on (May 29, 2020)

<sup>18</sup> Herman Darmawi, *Risk Management*, (Jakarta: Bumi Aksara, 2006), p. 3.

<sup>19</sup> Ministry of Defense of the Republic of Indonesia, accessed on (Sept 15, 2020)

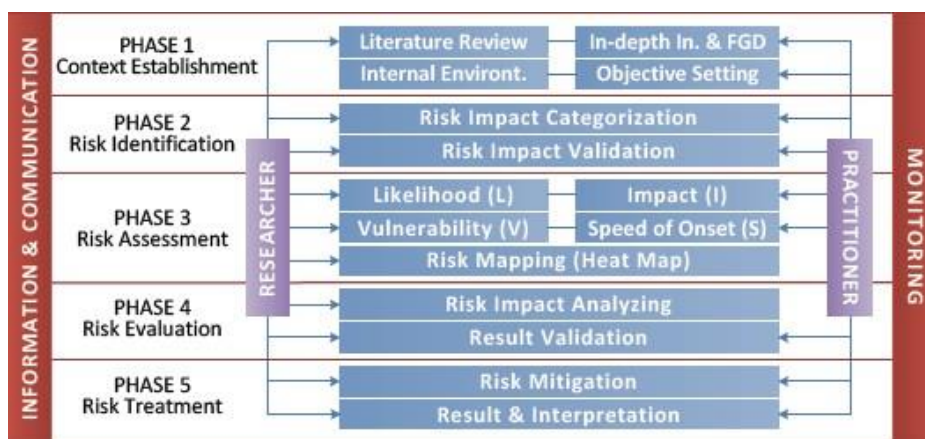
<sup>20</sup> BAZNAS, <https://BAZNAS.go.id/profil> (Sept 15, 2020)

<sup>21</sup> Ministry of Defense of the Republic of Indonesia, accessed on (Sept 15, 2020)

### Zakat Institution Risk Management Framework Model

Risk management in zakat management is an important discussion in the activities of the International Working Group on Zakat Core Principles (IWG ZCP). The risk management that has been applied so far has only been studied and developed in commercial companies, while zakat institutions have not received much attention from world zakat activists. Modeling risk management in zakat institutions, it consists of five stages.<sup>22</sup> The stages of risk management can be described in the following table:

Figure 1. Stages of Risk Management using COSO ERM



Source: Zakat Risk Management Book (2018)

Figure 1 states that in the context formation phase, it is formed by identifying from a literature review and in-depth interviews with environmental experts who understand the institutional entity of zakat. Second phase is risk identification and its impact can be determined by determining risk groups to make it easier for researchers to identify. Third phase is risk measurement which requires researchers to measure the level of likelihood, impact, vulnerability, and speed of risk occurrence, these four measurement criteria produce a map of the level of risk called heat map risk management. Fourth phase is risk evaluation, the final result needs to be evaluated to become the basis for making managerial implications. The final phase is the treatment of risk, the entity manager has an important role in the stage of carrying out risk mitigation according to the level of risk and its impact.<sup>23</sup> The core of the risk management policy is to be able to identify, measure, monitor and control the course of zakat management activities, with a level of risk that can be measured, integrated, and sustainable. Risk management acts as a filter or early warning for the management of zakat.<sup>24</sup>

<sup>22</sup> Ascarya, et al., 2018. *Risk Management of Zakat Management*, (Jakarta: Department of Sharia Economics and Finance (2018), p. 40.

<sup>23</sup> Ibid, p. 41.

<sup>24</sup> Hartomi Maulana, et al., 2021. Identifying Risks in Indonesian Zakat Institutions Using Enterprise Risk Management (ERM), The International Islamic Economic System Conference – The 9th I-iECONS Malaysia, (2021), p. 373.

**Zakat Institution Risk Management Measurement Criteria**

The risk management model framework refers to Enterprise Risk Management (ERM) model of the Committee of Sponsoring Organizations of Treadway Commission (COSO). The framework is in the form of a three-dimensional cube-shaped framework consisting of four vertical columns representing the entity's objectives, eight horizontal lines that describe the components of the entity's risk management, and three-component units that are part of the risk management framework.<sup>25</sup> This is shown in the figure as follows:

Figure 2. COSO's ERM Framework



Source: Zakat Risk Management Book

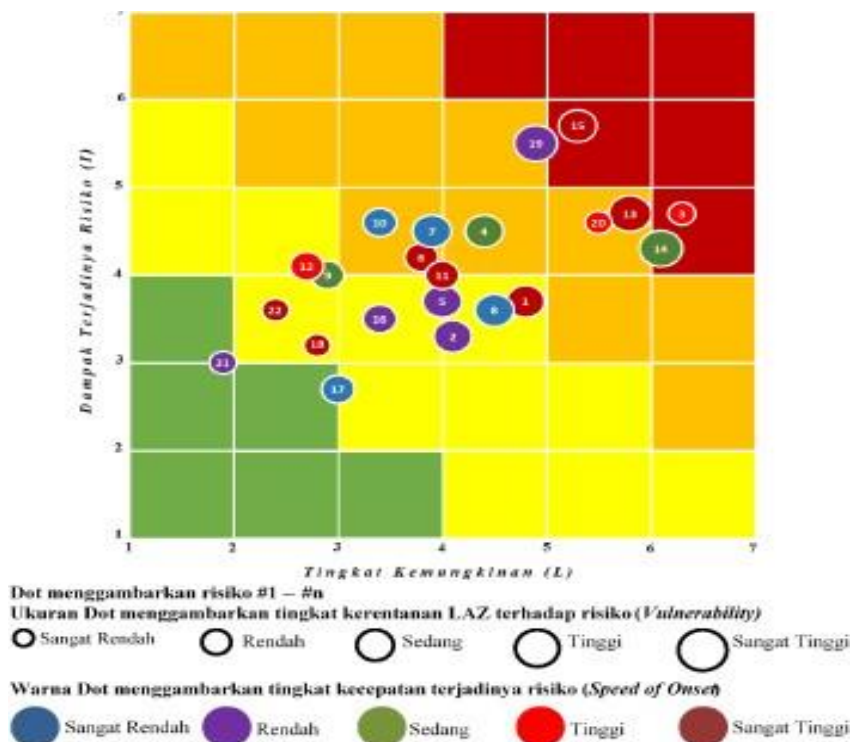
The development of the COSO ERM framework is carried out by identifying weaknesses in the use of risk level measurement criteria. The level of risk is measured at the level of likelihood (L), based on the impact (I) plus the level of vulnerability (v) and speed of on set (s) the occurrence of these risks.<sup>26</sup>

The measurement scale above aims to identify risks, therefore it is necessary to have a risk level mapping known as a heat map. The ERM COSO heatmap is a graphic of the various risk data represented as approximate color levels. The following is risk mapping using a heat map based on 4 (four) risk area categories is presented in below figure.

<sup>25</sup>Nina Triyani, et al., Risk Management at the National Zakat Agency, Al-Muzara'ah Journal (Vol. 5, No.2, 2017), p. 5.

<sup>26</sup> Ascarya, et al., Risk Management of Zakat Management, (Jakarta: Department of Sharia Economics and Finance, 2018), p. 46.

Figure 3. Heatmap of COSO ERM Modification for Zakat Institution



Source: Zakat Risk Management Book (2018)

Risk modification is divided into four levels of risk acceptance. Starting from the lowest level to the highest. Four colors above are to make it easier to distinguish risk area. Each color represents a very high risk, namely red for extreme risk areas, orange for high risk areas, yellow for medium risk areas and green for low risk areas.<sup>27</sup>

**Strategic Risk According to Zakat Risk Management Guideline**

The definition of strategic risk according to the Financial Services Authority Regulation Number 65 / POJK 03/2016 is a risk due to inaccuracies in making strategic decisions and failure to anticipate changes in the business environment.<sup>28</sup> Strategic risks can occur from a weak formulation process, inadequate strategy formulation with vision and mission, inadequate management information systems, inadequate analysis of internal and external environments, overly aggressive strategic objectives, uncertainty in strategy implementation, and failure to anticipate change business environment.<sup>29</sup>

<sup>27</sup> Ascarya, et al., 2018. *Risk Management of Zakat Management*, (Jakarta: Department of Sharia Economics and Finance, (2018), p. 48-49.

<sup>28</sup> Financial Services Authority Regulation, Number 65 / POJK 03/2016, accessed on (July 13, 2016)

<sup>29</sup> Fikri Al-Haq Fachryana. 2020. Sharia Bank Strategic Risk Management, *Journal of Management, Economics, Finance, and Accounting*, 1, No.2, (2020), p. 2.

Indicators of strategic risk include vision and mission risk, objective risk, and reputation risk.

### Methodology

The method used in this research is descriptive analysis method with a qualitative approach. A qualitative method is an approach to exploring and understanding a central feature by conducting general and rather broad interviews.<sup>30</sup> The reason this research uses a qualitative approach is that the data is generated in the form of descriptive data obtained from interviews, written, and documents that come from reliable sources or informants.

The type of research used is field research. Field research is research that makes direct observations of the object to be studied to obtain relevant data.<sup>31</sup> The types of data used in this study are primary and secondary data. Primary data used in this study were obtained through interviews, while secondary data were obtained from documents from the zakat agency which can be seen from the official websites of each institution.

The research object used was Sukabumi branch of BAZNAS. The location is chosen because there is a high potential in zakat collected by BAZNAS in Sukabumi. Strategic Risk Management in the management of zakat at the BAZNAS in Sukabumi is carried out. This study uses triangulation techniques in data collection. Triangulation is a way of collecting data using observation, interviews and documentation.<sup>32</sup> The reason for using the triangulation technique in data collection is that the data obtained will be more consistent, complete, and certain. Five respondents' of BAZNAS in Sukabumi were interviewed. They are the chairman of BAZNAS Sukabumi, deputy chairman II of BAZNAS Sukabumi, head of human resource, administration and general, head of the zakat collection, and the last is staff of human resource, administration and general. The data analysis used in this study are data reduction, data display and conclusion drawing as proposed by Miles and Huberman.<sup>33</sup>

### Result and Discussion

This research aims to analyze the implementation of strategic risk management by BAZNAS district of Sukabumi. Five expert workers at BAZNAS district of Sukabumi were interviewed. Two of them are the chairman, other respondents are line managers. Information is obtained through online interviews through the zoom application and phone. Following table briefly presents the respondent profile.

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<sup>30</sup> Raco. 2010. *Qualitative Research Methods Type, Characteristics, and Advantages*, (Jakarta: Pt Gramedia Widiasarana Indonesi) (2010), p. 30.

<sup>31</sup> Sugiyono. 2008. *Business Research Methods*, (Bandung: Alfabeta, (2008) p. 17.

<sup>32</sup> Raco. 2010. *Qualitative Research...* p. 134.

<sup>33</sup> Sugiyono. 2012. *Management Research Methods*, (Bandung: Alfabeta, (2012), p. 243.



Table 1 Profile of the respondents

Respondent	Qualification	Position/Specialization	Working Experience
Respondent A	Master Degree	Chairman of BAZNAS Sukabumi	20 Years at BAZNAS Sukabumi
Respondent B	Master Degree	Deputy Chair II at BAZNAS Sukabumi	10 Years at BAZNAS Sukabumi
Respondent C	Degree	Head of Human Resources, Administration, and General Affairs	20 Years at BAZNAS Sukabumi
Respondent D	Degree	Head of the Collection Division	20 Years at BAZNAS Sukabumi
Respondent E	Degree	Human Resources, Administration, and General staff	7 Years at BAZNAS Sukabumi

Source: Primary Data Process (2020)

### Implementation of Risk Management

BAZNAS district of Sukabumi has implemented a risk management system. This is confirmed by a statement from Respondent C who explained that the risk management at the BAZNAS district of Sukabumi has tried its best. Risk management is regulated by the director and assisted by the Human Resources Division (HRD). Respondent C mentioned that the risk of BAZNAS district of Sukabumi applying all the regulations. He added that audits have been carried out by the official auditors' headquarters, both external, internal and sharia. Respondent C stated that:<sup>34</sup>

*“With regard to risk management, BAZNAS in has attempted to implement all regulations made by the National BAZNAS in Jakarta such as laws, government regulations and other [...]”*

Respondent B supported the respondent C by stating that the process of transparency to the public and the delivery of periodic reports is a form of our risk, he specifically mentioned that:<sup>35</sup>

*“[...] We also strive for transparency to the public both, as well as distribution and utilization, fourthly we submit periodic reports, and finally we try to carry out audits to test appropriateness in the management of zakat [...].”*

This was added by Respondent A that BAZNAS district of Sukabumi implemented risk management by protecting risks by health service agencies (Badan Pelayanan Jasa Kesehatan/BPJS) and Manpower and making Standard Operating Procedure for Amil.<sup>36</sup>

<sup>34</sup> Interviewed with Respondent C

<sup>35</sup> Interviewed with Respondent B

<sup>36</sup> Interviewed with Respondent A

All Respondents A, B, and C stated that the implementation of risk management in *BAZNAS district* of Sukabumi has been implemented even though the results are not optimal. This is evidenced by the application of risk management in the control division, financial division, and internal auditor and control auditors.

This risk is integrated between divisions and directors. This research is in line with Masrurroh's research which found that DIY Indonesia zakat initiative has implemented risk management although it is not optimal.<sup>37</sup>

**Mitigation of Strategic Risk Management**

The implementation and mitigation report at *BAZNAS district* of Sukabumi is based on several criteria in the management of zakat, namely, the level of likelihood (L) of risk events, impact (I) of risk events, level of vulnerability (V), and rate of speed (S) of events. The analysis shows that *BAZNAS district* of Sukabumi has carried out strategic risk management well. Based on the likelihood scale (L), the following results are obtained:

Table 2. Risk likelihood scale assessment

1. Vision and Mission Risk		2. Objectives Risk		3. Reputation Risk	
Risk	Likelihood	Risk	Likelihood	Risk	Likelihood
1	4,4	1	4,4	1	2,2
2	5,5	2	2,2	2	5,5
3	3,3	3	3,2	3	6,6
4	6,6	4	2,2	4	5,5
5	4,4	5	3,3	5	2,2
<b>Total</b>	<b>24,2</b>	<b>Total</b>	<b>15,3</b>	<b>Total</b>	<b>22</b>

Source: Primary data process, 2020

Based on Table 2, in the view of COSO ERM Modification, *BAZNAS district* of Sukabumi still faces various identified risks. In fact, from the results of the table above, the institution has implemented risk reputation management, this is proven by the institution which is able to mitigate risks that come from changing regulations, trying to build a good reputation in the eye of the public. However, the institution has implemented good governance and is in accordance with Sharia although all of these risks are not yet fully optimal. Risks that are most likely to occur in the activities of the National Board of Zakat (*BAZNAS*) Sukabumi are the vision and mission risks with a score of 24. The assessment based on the impact is described in the following Table 3.

<sup>37</sup> Siti Masrurroh. 2019. Implementation of Risk Management in Zakat Fund Management: Case Study of IZI (Inisiatif Zakat Indonesia) DIY. *E-Journal: IAIN Bengkulu* (2019). p. 2.

Table 3. Risk impact scale assessment

1. Vision and Mission Risk		2. Objectives Risk		3. Reputation Risk	
Risk	Impact	Risk	Impact	Risk	Impact
1	4,4	1	3,3	1	3,3
2	3,3	2	2,2	2	3,3
3	2,2	3	4,4	3	6,6
4	5,5	4	4,4	4	5,5
5	3,3	5	3,3	5	3,3
<b>Total</b>	<b>19</b>	<b>Total</b>	<b>18</b>	<b>Total</b>	<b>22</b>

Source: Primary data process, 2020

The result from Table 3, among the risks that have a major impact is reputation risk compared to other risks with a score of 22. Based on the scale of vulnerability in this assessment, it is related to mitigation carried out by the BAZNAS district of Sukabumi. The results of the risk vulnerability scale assessment are as follows:

Table 4. Risk vulnerability scale assessment

1. Vulnerability Risk		2. Vulnerability Risk		3. Vulnerability Risk	
Risk	Vulnerability	Risk	Vulnerability	Risk	Vulnerability
1	3	1	3	1	2
2	1	2	1	2	2
3	1	3	2	3	3
4	4	4	3	4	2
5	2,2	5	1	5	2
<b>Total</b>	<b>11</b>	<b>Total</b>	<b>10</b>	<b>Total</b>	<b>11</b>

Source: Primary data process, 2020

Results from the average score of BAZNAS district of Sukabumi is as follows:

Table 5. Average score

Zakat Management Organization	Score	Risk Amount	Average
BAZNAS Sukabumi	32	15	2,13333

Source: Primary data process, 2020

This average is obtained by the following formula:

$$\text{Average} = \frac{\text{Skor Total}}{\text{Jumlah Risiko}}$$

As presented in Table 5, results can be seen that the institution has 15 risks and the average scale of strategic risk vulnerability in the Sukabumi National Board of Zakat (BAZNAS) is 2,1 which means that the Sukabumi National Board of Zakat (BAZNAS) has a level vulnerability to low risk. This shows that the National Board of Zakat (BAZNAS) Sukabumi is implementing a good risk

mitigation strategy. The formulation strategy has been determined by the top management of BAZNAS district of Sukabumi. This is proven by the performance and reputation of BAZNAS, although there are risks that cannot be avoided.

### Conclusion and Recommendation

This research tries to analyze the implementation of strategic risk management at BAZNAS district of Sukabumi with the modified COSO Enterprise Risk Management (ERM) framework. The research also examines strategic risk management mitigation. The result found that BAZNAS district of Sukabumi has well implemented strategic risk management. The result also revealed that the institution has carried out a good risk mitigation strategy since it has a level vulnerability to low risk. In order to maintain well implemented strategic risk management, the study suggests the institutions to enhance the quality of human resources to become a professional zakat institution. Moreover, the reputation risk should be minimized as low possible in order to enhance trust from the society, implying bring them to be trusted zakat institution. Suggestions for further research, it is needed to study the management of strategic risk management in other BAZNAS or other zakat institutions across Indonesia.

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## Appendix

## A. Table scale of zakat institutional risk management measures

Table 1: Likelihood Scale

Likelihood of Risk		
1	Extraordinary	Will almost may certainly not happen
2	Very Rare	Very rare
3	Rare	Rare
4	Unlikely	May not occur
5	Possible	May occur
6	Likely	Very possible
7	Almost Certain	Will almost certainly happen

Source: Zakat Risk Management Book (2018)

Table 2: Impact Scale

Impact of risk		
1	Insignificant	Has no impact on OPZ
2	Very Minor	The impact is very low on the OPZ – minor problems can be done by routine management
3	Minor	The impact is low - can be done by a routine management
4	Moderate	The impact is medium – prevents the company from reaching its goals over a certain period
5	Major	The impact is high - means the OPZ cannot reach many of its objectives over the long term
6	Very Major	The impact is very serious - the OPZ cannot reach most of its long-term objectives
7	Catastrophic	The impact is catastrophic - the OPZ cannot reach any of its objective in the long term, which leads to bankruptcy, death, or criminal punishment

Source: Zakat Risk Management Book (2018)

Table 3: Vulnerability Scale

Zakat Management Organization Vulnerability		
1	Very Low	OPZ has the capability for very good risk mitigation through a real step in every condition scenario: the possibility of success is very high in several extreme problems
2	Low	OPZ has the capability for good risk mitigation; the possibility of success is high, apart from in certain extreme problems
3	Medium	OPZ has the capability for sufficient mitigation risk; the possibility of success is medium, because several solutions are effective, while others are not
4	High	OPZ has the capability for below average risk mitigation; the possibility of success is low because various solutions are yet to be effective
5	Very High	OPZ has the capability for poor mitigation risk and has no real step for every condition scenario; the possibility of success is low because the solutions are not effective

Source: Zakat Risk Management Book (2018)

Table 4: Speed of Onset Scale

Speed of Onset of Risk		
1	Very Low	Very slow to happen; occurs over a year or more
2	Low	Happens over a few months
3	Medium	Happens within a month
4	High	Happens in a few days or weeks
5	Very High	Happens very quickly, without warning

Source: Zakat Risk Management Book (2018)