

Effectiveness Zakat Operational Risk Management on the Pandemic Era of Covid 19

(Study Case on Baznas, West Java)

Nopi Hernawati*, Mey Maemunah, Ririn Sri Kuntorini

Universitas Islam Bandung

Bandung, Indonesia

*nopi.hernawati@gmail.com

Abstract—Zakat plays an important role in alleviating poverty, and contributes to the economy, but in reality zakat funds raising has not been optimally organized. To achieve this goal, zakat institutions require effective risk management. Risk management is an important thing in zakat institutions, starting from risk management in collecting zakat funds, managing zakat funds, to distributing zakat funds. This study discusses operational risk management. In the era of the covid-19 pandemic, it has an impact on health which requires the use of health protocols and a reduction in people's physical activity, it also has long-term economic and social im-pacts, resulting in increased operational risk of zakat institutions. This study aims to show how to manage the operational risk of zakat institutions, especially in the era of the pandemic covid-19. The research meth-od used is a case study with a descriptive analysis approach. The results of this study indicate that operational risk management has been carried out effectively at zakat institutions in the era on the pandemic covid-19.

Keywords—zakat, Covid-19, effectiveness zakat operational

I. INTRODUCTION

The potential for zakat funds in Indonesia is very large, reaching Rp. 217 trillion in 2017. Zakat funds in Indonesia are quite large and have the potential as a source of funding for socio-religious institutions and programs. Unfortunately, the potential for zakat which is quite large is not well organized. Most of the respondents (95%) turned out to choose to distribute their zakat to mosques around their homes. The level of public trust in the Amil Zakat Institution (LAZ) which is managed by the private sector and the Amil Zakat Agency (BAZ) which is managed by the government is still very small. Respondents who distributed their zakat to BAZ and LAZ were only 6 and 1.2% [1].



Fig. 1. Zakat potential in Indonesia 2017.

To increase the distribution of zakat to BAZ and LAZ, good zakat governance is needed, one of which is in risk management so as to increase public trust in zakat institutions [2,3].

Efforts to increase awareness (awareness) of zakat institutions against the identified risks are carried out to mitigate risks and increase public trust in zakat institutions [4]. Risk management as part of good zakat governance is very important to monitor risk management activities carried out by management so that the process runs effectively and efficiently [5]. Various steps that are considered effective are needed to achieve the effectiveness risk of zakat institutions in the era of the covid-19 pandemic.

For this reason, this paper will explain how that operational risk management at zakat institutions has been carried out in the era of the covid-19 pandemic.

II. LITERATURE REVIEW

Zakat is one part of the pillars of Islam. Zakat is in the form of zakat fitrah or zakat maal. Zakat fitrah is only issued during the month of Ramadan, while the time for paying zakat maal is

wider and more flexible, in accordance with the existence of the property to be zakat. Zakat is given to 8 groups (ashnaf) who are entitled to receive it (mustahik), especially the poor. In its implementation, zakat management in classical times, from the time of the Prophet Muhammad to Khulafaur Rashidin, zakat really became the spearhead of the welfare and prosperity of Islamic society. The activities carried out are the Amil Zakat Agency and the Amil Zakat Institution as regulated in Article 17 of Law Number 23 of 2011 concerning Zakat Management [6].

Based on a joint agreement in August 2014 regarding risk management of zakat management in the International Working Group on Zakat Core Principles (IWGZCP), it was agreed that risk identification in zakat management is very important because it will affect the quality of zakat management in the future. At least, there are four types of risks that have been identified and the zakat world must have a clear concept in mitigating these risks. First, reputational risk and loss of muzaki; second, distribution risk; third, operational risk; and the fourth is the risk of transfer of zakat between countries [7].

Risk management functions as a filter or early warning system for zakat management activities. The urgency of the risk management of zakat management can be divided into five (5) things as follows: (1) Providing information about risks to regulators and other related parties; (2) Ensuring that the zakat institution does not experience an opportunity loss that is either unacceptable; (3) Minimizing opportunity-loss from various uncontrolled risks; (4) Measuring risk exposure and concentration; (5) Ensuring sharia compliance in zakat management, especially risk mitigation [1].

The phase in modeling risk management in zakat institutions consists of five (5) stages. Context formation phase, risk identification, risk measurement, risk evaluation, and risk treatment. The first phase begins with the establishment of the context identified from the literature review and in-depth interviews with practitioners who understand the internal environment of the zakat institution entity and continues with goal setting. The second phase is the identification of risks and their impacts. Starting with the determination of risk groups or clusters so as to make it easier to identify risks and their impacts, then proceed with confirmation of the findings of risks and their impacts to the practitioners of the related entity. The third phase is the risk measurement phase. In this phase, several criteria and measurement scales can be used according to the needs of the zakat institution. This phase will measure the likelihood, impact, vulnerability and speed of risk occurrence. Measurement of risk and impact is carried out by related entities who understand the entity's problems. The data that has been collected is then processed in the data processing stage. Data processing is also carried out with several appropriate methods and because it uses four measurement criteria, the risk management model will produce a risk level map called a risk management heatmap. The fourth phase is risk evaluation. After obtaining the level of risk based on an assessment of the level of likelihood, impact, vulnerability, and

speed of risk occurrence, then proceed with an analysis of risk priorities and impacts. Before the final results can be used as the basis for making managerial implications, the results are validated to the practitioners of the related entity. The last phase is risk treatment. The manager of the relevant entity plays an important role in identifying risk mitigation that is appropriate to the level of risk and impact [8]. The stages of risk management of this zakat institution can be seen in the following figure 2:

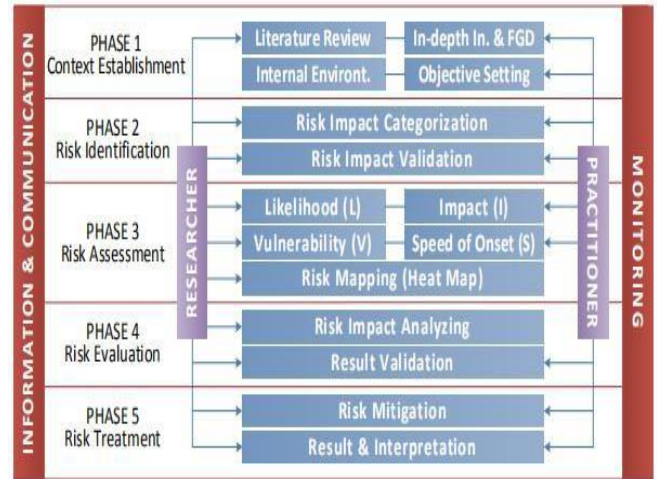


Fig. 2. Zakat risk management.

OPZ risk can be categorized into five risk categories, namely strategic, educational, operational, reporting and compliance. The sources of risk for zakat institutions consist of eleven types of risk, namely strategic risk, corporatization, education, operations, property, amil and volunteers, muzaki and mustahik, transfers of zakat between countries, reporting, law, and the risk of compliance with zakat institutions. Operational risk consists of the risk of fund collection, distribution fund, productive fund, zakat collection, zakat fund management, zakat distribution, network/IT infrastructure, partner cooperation, program development, leadership, competition, and crime/fraud [8].

III. RESEARCH METHODOLOGY

The research method used in this research is a case study method in BAZNAS West Java. The one-case method is a research that involves one-unit case of a company/organization, an area or empirical research [9]. Here we will examine the accuracy of determining the cost of goods for MSME products assisted by LPEM BAZNAS West Java in relation to the calculation of the cost of products to increase MSME capacity. The type of research conducted is descriptive analysis research (*descriptive analysis research*).

IV. RESULTS

The zakat institution has carried out risk management in the Covid-19 era that has been effective, this is shown in managing fund collection, BAZNAS has implemented a strategy to strengthen digital services, so as to reduce the impact of the economic crisis experienced by companies and middle-class muzakki. The Covid-19 pandemic has reduced the number of donations and muzakki, and replaced by donations with small amounts but in large amounts on various digital channels owned by BAZNAS. The collection of ZIS through the Zakat Collecting Unit (UPZ) in ministries and companies is also able to strengthen the collection of funds.

TABLE I. RECAPITULATION ORM

Question	F	Choose Answer					Total
		1	2	3	4	5	
		VL	L	E	H	VH	
Context establishment	F	3	10	41	61	45	
	%	0%	3%	20%	40%	37%	
	Score	3	20	123	244	225	615
Risk identification	F	3	15	48	92	82	
	%	0%	3%	15%	39%	43%	
	Score	3	30	144	368	410	955
Risk assesment	F	1	14	36	64	45	
	%	0%	5%	18%	42%	37%	
	Score	1	28	108	256	225	618
Risk evaluation	F	0	7	21	28	24	
	%	0%	5%	21%	37%	40%	
	Score	0	14	63	112	120	309
Risk treatment	F	1	8	19	31	21	
	%	0%	5%	19%	41%	35%	
	Score	1	16	57	124	105	303
ORM		8	108	495	1.104	1.085	2.800

Based on table 1 score for the risk management variable is 2,800 (good category). This means that the zakat institution has carried out risk management in the covid-19 era is high / effective.

In managing fundraising, BAZNAS implements a strategy to strengthen digital services, so as to reduce the impact of the economic crisis experienced by middle-class companies and muzaki.

The Covid-19 pandemic has reduced the number of donations and muzakki, and has been replaced by donations with small amounts but in large amounts on various digital channels owned by BAZNAS. The collection of ZIS through the Zakat Collecting Unit (UPZ) in ministries and companies is also able to strengthen the collection of funds.

In the distribution of ZIS funds, in 2020, BAZNAS distributed 88.7 percent of the funds collected. The distribution of ZIS BAZNAS is running effectively. Of this amount, 85 percent of the distribution of ZIS BAZNAS is used for programs dealing with the impact of the pandemic, both assistance in the form of medical activities, non-medical assistance to economic activities. BAZNAS has helped 1.5

million people in various programs implemented through superior programs in various regions in Indonesia and abroad.

Since the Covid-19 pandemic, the government has imposed PSBB, making the distribution of ZIS experiencing obstacles in terms of activity. This condition has made BAZNAS approach through cash assistance mustahik and assistance that can still be carried out safely following the Covid-19 Protocol without reducing the substance of BAZNAS's task in alleviating poverty.

In terms of operations, BAZNAS is still able to run a management system based on ISO 9001:2015 , BAZNAS has also added ISO 37001 anti-bribery , BAZNAS developed ISO 27001:2013 regarding data and information security.

BAZNAS adopts the Covid-19 security system in the form of registration of the Covid-19 protocol at the BAZNAS Office to ensure that muzakki who pay zakat to BAZNAS, guests and amil to work in the BAZNAS environment can be carried out safely.

On the operations side, the Work At Home (BDR) system is also implemented, a system that has been tested and implemented into a quality management system that has been proven to be able to run the administration properly even though it is carried out in the BDR concept.

BAZNAS received a report on control and law enforcement carried out by the Ministry of Religion and the Police against parties suspected of managing zakat not according to the rules.

BAZNAS has collaborated to participate in carrying out good control so that in the future the community will be safer in paying zakat, infaq and alms.

V. CONCLUSION

Based on the discussion, it can be concluded that: (1) Implementation of Operational Risk Management in Baznas West Java Province has been implemented effectively.

Furthermore, based on the previous discussion, the suggestion should be to increase risk evaluation and risk treatment.. And this research was conducted with the case study method, it is hoped that further research will use other research methods such as surveys and others.

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