

CHAPTER 1

INTRODUCTION

1.1. Background of The Study

Zakat is an alternative tool in eradicating poverty in an area. It could be realized if the distribution of income from muzaki (beneficer) to mustahik (beneficiary) could be managed properly by Amil zakat (zakat institutions)¹. Poverty reduction can be done by implementing a program based on good consumption and production. According to Hafidhuddin, consumption aims to meet the basic needs of health, food, and education, while the production is beneficial to the economic empowerment of beneficiaries by providing financial assistance, business development, and supervision of recipients².

According to Qardawi, as mentioned by Riwanto 2017, poverty alleviation could be done with an optimization process of collecting and distributing zakat, because zakat is an instrument to handle poverty efficiently³. Today, the poverty is a major problem faced by a country, especially in this country, Indonesia⁴. Moreover, the condition of the world economy is currently experiencing a crucial crisis⁵. Then, most people only know about zakat maal and zakat fitrah⁶.

Currently, Indonesia has 16 zakat institutions that have been granted authorization by the Ministry of Religious Affairs⁷. The realization of their

1 Qurroh Ayunyah et al. "The Comparison between Consumption and Production-based Zakat Distribution Programs for Poverty Alleviation and Income Inequality Reduction. *International Journal of Zakat*", (Vol. 2. No. 2, Years 2017), p.11.

2 *Ibid*, p.11.

3 Diki S. Riwanto, "A Study Comperative: the Perception of Coastal Communities in Developing the Method of Distribution of Marine Zakat. *International Journal of Zakat*", (Vol. 2, No. 2, Years 2017), p.31.

4 Irfan Syauqi Beik, "Analisis peran zakat dalam mengurangi kemiskinan: studi kasus Dompot Dhuafa Republika, *Jurnal: Pemikiran dan gagasan*", (Vol. 2, No. 1, Years 2009), p.1

5 *Ibid*, p.1

6 *Loc.cit*, Riwanto p.31.

7 <https://zakat.or.id/daftar-lembaga-amil-zakat/> accessed on March 28, 2019.

zakat institutions to facilitate the Muslim community in Indonesia to fulfill their zakat easily. There are 5 zakat institutions which have been authorized and those zakat Institution has been registered in Lembaga Amil Zakat (LAZ)⁸ throughout Indonesia, namely such as: Dompot Dhuafa Republika, Badan Amil Zakat Nasional, Inisiatif Zakat Indonesia, Yatim Mandiri Surabaya, NU Care Lazis NU (Lembaga Amil Zakat Infak and Shodaqoh Nahdatul Ulama), and LAZIS MU (Lembaga Amil Zakat Muhammadiyah)⁹.

From the large number of Zakat Institutions, it indicates that the growth of zakat in Indonesia is not only on strengthening and forming zakat institutions but also including law enforcement, strengthening zakat laws through government regulations, and zakat collection operations must be clear¹⁰.

In 2019, Puskas BAZNAS has examined Indikator Potensi Pemetaan Zakat (IPPZ)¹¹. IPPZ has mapped 5 potentials with the breakdown¹². IPPZ revealed that zakat income reaches the highest potential value until 139.07 trillion Rupiah, zakat currency recods 58.76 trillion Rupiah, agricultural zakat is 19.79 trillion Rupiah, zakat livestock is 9.51 trillion Rupiah, and zakat companies reached 6.71 trillion Rupiah. Total IPPZ demonstrates that the potential zakat in 2019 in Indonesia reached Rp.233.8 trillion rupiah.

On the other hand, the proportion of zakat funds in the distribution sector has decreased from 2017 to 2018¹³. In 2017, zakat distributed reached 4.86 trillion Rupiah, while channeled in 2018 it was only 3.88 trillion Rupiah. The distribution of zakat funds in 2018 to 8 asnaf such as faqir

8 LAZ in abbreviation words is Lembaga Amil Zakat, or called in englis is Zakat Institution or Zakat Organization

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10 Muhmmad Akhyar Adnan, "The Need Of Establishment Of Professional 'Amil Zakat To Enhance The Future Zakat Development. International Conference On accounting and Finance" (Yogyakarta: Universitas Muhammadiyah Yogyakarta), p.71.

11 IPPZ in abbreviation words is Indikator Potensi Pemetaan Zakat, or called in english is Zakat Mapping Potential Indicator

12 Pusat Kajian Strategis Badan Amil Zakat Nasional, Outlook Zakat Indonesia 2020, p. 6

13 *Ibid*, Outlook Zakat Indonesia 2020, p. 26

miskin (the poor and the needy) amounted to 63.3%, amil (zakat collector) 11.34%, converts (who converted to Islam) 0.44%, riqob (freeing slaves) 0.04% gharimin (zakat collector) debtors) 0.85%, fi sabilillah (in the path of Allah) 23.08%, and ibnu sabil (Wayfarer) 0.96%. However, zakat funds in 2019 are being distributed in five service sectors¹⁴, comprising 20% in the education sector, 11% in the da'wa sector, 16% in the health sector, 42% in the economic sector, and 11% in the social sector.

While the proportion of receiving zakat funds at the Yayasan Yatim Mandiri in 2015 reached 8.3 billion rupiahs, in 2016 it increased to 8.8 billion rupiahs¹⁵ before increasing again to Rp. 9 billion rupiahs in 2017¹⁶. Then, the proportion of receipt of infaq and shodaqoh funds in 2015 reached 51.3 billion rupiahs before increasing to 58 billion rupiahs in 2016. The utilization of infaq and shodaqoh funds additionally increased in 2017 to 62 billion rupiahs. In addition to zakat, infaq, and shodaqoh funds, there is additionally the acceptance of waqaf funds. The receipt of waqaf funds in this institution reached 3.4 billion rupiahs in 2015. However¹⁷, it was dropped to 1.8 billion rupiahs in 2016. The waqaf fund receipts decreased to 1.5 billion rupiahs in 2017, Respectively¹⁸.

In 2018 the receipt of zakat funds at the national zakat institution Yayasan Yatim Mandiri reached more than 9.7 billion rupiahs, the receipt of zakat funds this year increased from 2017. After that, receipt of infaq and shodaqoh funds in 2018 reached 69.2 billion rupiahs. Then, the Waqf fund receipts reached around 2.4 billion rupiahs. By 2018, this total revenues increased funding ZISWAF, all this indicates that the zakat institutions have excellent performance¹⁹.

However, many acquisitions of zakat funds, zakat institutions have

14 *Ibid*, p. 28.

15 Annual Report Lembaga Amil Zakat Yatim Mandiri Tahun 2016.

16 Annual Report Lembaga Amil Zakat Yatim Mandiri Tahun 2017.

17 *Op.cit*, Annual Report Lembaga Amil Zakat Yatim Mandiri Tahun 2016.

18 *Op.cit*, Annual Report Lembaga Amil Zakat Yatim Mandiri Tahun 2017.

19 Laporan Auditor Independen dan Laporan Keuangan Yayasan Yatim Mandiri Untuk Tahun yang Berakhir pada Tanggal 31 Desember 2018 dan 2017.

many challenges. The challenge in zakat institutions on vulnerability management of zakat in Indonesia is sourced from the muzaki, mustahik, and charitable organizations. These barriers include the lack of qualified human resources, understanding fiqh amil inadequate, lack of public awareness for the tithe, low level of technology used, its minimum zakat information system, the mental attitude of the recipients²⁰. The challenges and obstacles to the management of zakat could be concluded that zakat institutions certainly have a lot of risks that are vulnerable, and these risks can threaten the integrity and continuity of the amil zakat²¹.

Risks in zakat are potential events, both anticipated and unanticipated. These risks harm the level of trust, sharia compliance, and sustainability of the business process. These risks can not be avoided. However they can be managed and controlled. Therefore, as in other institutions in general, zakat management requires a series of procedures and methodologies to identify, measure, monitor, and control risks arising from business activities, in other words one must apply risk management to a business²². This, along with the decision of the Core Principles for Effective Supervision Zakat which explains zakat institutions are additionally exposed to various risks, because LAZNAS as well as other financial institutions. However, this type of operational risk exposures faced different zakat institutions. Therefore, the guidelines used to measure the risk of zakat use Zakat Core Principles (ZCP). The ZCP used is ZCP 11 - ZCP 14. The ZCP describes a guideline for zakat supervision authorities and zakat institutions concerning 4 types of risk such as transfer risk, reputation risk, fund allocation risk, and operational risk²³. Efficient risk management practices are problem-solving

20 Siti Zumrotun, “Peluang, Tantangan, dan Strategi Zakat dalam Pemberdayaan Ekonomi Umat. *AHKAM: Jurnal Ilmu Syariah*”, (Vol. 16, No. 1, Years 2016), p.101 – 102.

21 *Ibid*, p.101 – 102.

22 Pusat Kajian Strategis – Badan Amil Zakat Nasional, dan Departemen Ekonomi dan Keuangan Syariah – Bank Indonesia, Manajemen Risiko Pengelolaan Zakat, Pusat Kajian Strategis Badan Amil Zakat Nasional (BAZNAS), (Jakarta Pusat), (Years 2018), p.22.

23 Consultative Document, “Core Principles For Effective Zakat Supervision”,

to avoid disaster and failure risk in the company²⁴.

In this case, the study use the Enterprise Risk Management (ERM) reference as an illustration for identification, assessment, and mitigation of the high level of risk faced²⁵ by the National Amil Zakat Institute (LAZNAS) such as the Yayasan Yatim Mandiri. The study uses the ERM method because is based on three reasons. Firstly, the ERM method is an important component in changes in corporate governance, the principles, guidelines, and surrounding standards²⁶. Secondly, Rubino and Vitolla 2014 state that ERM is part of the overall corporate strategy, due to the development of the scope of risk²⁷. Thirdly, following Mardessi's research, effectiveness of ERM performance is studied from the perspective of performance, value, risk of failure, and disclosure in a company²⁸. Therefore, with the existence of ERM, it is hoped that the LAZNAS institution can focus on friction within the institution and outside influences²⁹.

Few studies discuss about the implementation of ERM in Zakat institution. Among of them are studied by Triyani et al. (2017) demonstrated that the risks faced by BAZNAS are catagorized as minor risk³⁰. This study

(Years 2016), p.32.

24 Anette Mikes, Robert S. Kaplan, "When one size doesn't fit all: Evolving directions in the research and practice of enterprise risk management. *Journal of Applied Corporate Finance*", (Vol. 27, No. 1, Years 2015), p.37

25 Vicki Humphrey, "A progression through risk management for collections—ground-up to enterprise-wide. *Journal of the Institute of Conservation*", (Vol. 41 No. 1, Years 2018), p.47.

26 Op.cit, Mikes, p.37

27 Michele Rubino, Fillipo Vitolla, "Corporate governance and the information system: how a framework for IT governance supports ERM. *Corporate Governance*", (Vol. 14, No. 3, Years 2014), p.320

28 Sana Masmoudi Mardessi, Sonda Daoud Ben Arab, "Determinants of ERM implementation: the case of Tunisian companies. *Journal of Financial Reporting and Accounting*", (Vol. 16, No. 3, Years 2018), p.445.

29 Håkan Jankensgård, "*A theory of enterprise risk management. Corporate Governance: The international journal of business in society*", 10.1108/CG-02-2018-0092, (Vol. 19, No. 3, Years 2019), p.576.

30 Nina Triyani, Irfan Syaqi Beik, Lukman M. Baga, "Manajemen Risiko pada Badan Amil Zakat Nasional (BAZNAS) Risk Management at Badan Amil Zakat Nasional

attempts to examine the analysis of risk management based on Enterprise Risk Management (ERM) standards in zakat institution of Yayasan Yatim Mandiri.

The Zakat Institution of Yayasan Yatim Mandiri is a zakat organization engaged in the independence of orphans and the poor. Yayasan Yatim Mandiri was established since 1994 under the name of Yayasan Pembinaan dan Pengembangan Panti Asuhan Islam dan Anak Purna Asuh (YP3IS). Currently, this institution has five main programs namely: education, empowerment, health, Ramadan, and social welfare. From the 5 programs above, it is break down into 21 small programs. This institution has 42 branches throughout Indonesia. Increasingly, the development of the Yayasan Yatim Mandiri has been very large.

1.2. Research Question

Based on the background of the study described above, may arise the following questions:

- 1) How is the application of risk management in the Zakat institution Yayasan Yatim Mandiri?
- 2) How is the event identification of risk management in the Zakat institution Yayasan Yatim Mandiri based on ERM standards?
- 3) How to mitigate risk in the Zakat institution Yayasan Yatim Mandiri with ERM standards?

1.3. Purpose of The Study

This research aims describes as follows:

- 1) To analyze the scope of the implementation of risk management at the Institute Zakat institution Yayasan Yatim Mandiri
- 2) To analyze the identification event on risk management at the Zakat Institution Yayasan Yatim Mandiri based on ERM standards.
- 3) To analyze ways of risk mitigation at the Zakat institution Yayasan Yatim Mandiri based on ERM standards.

1.4. Significance of The Study

The research of this study can be useful for:

- a. Academic
 - 1) The benefit for the writer is to expand its horizons in the development of science.
- b. Government
 - 1) The benefits of the government to know how big is the risks faced by zakat institutions.
- c. Practitioner
 - 1) The benefit of the Yayasan Yatim Mandiri is to determine the level of risk for the institution.
 - 2) The benefit for the Yayasan Yatim Mandiri is to evaluate the performance of the institution
 - 3) The benefits of this research for his other zakat institutions as the main reference in researching Zakat risk management.