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## THE URGENCE OF REPUTATION RISK MANAGEMENT OF THE AMIL ZAKAT INSTITUTION

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### ABSTRACT

The occurrence of the covid-19 outbreak shows the social spirit of the community is getting bigger, this is shown by the increase in social funds collected both individually and through official ziswaf collecting institutions. The number of ziswaf institutions in Indonesia compete with each other to collect social funds in the community. This competition requires LAZIS to compete in implementing risk management inherent in its operations, including reputation management. Reputation is one of the considerations of the community in entrusting the distribution of funds through the ziswaf institution. Reputation management is a collection of images owned by the public related to Lazis, both the general public and stakeholders. A positive reputation can have an impact that more and more people entrust their funds to be channeled through ziswaf and conversely the worse the reputation will reduce the level of public trust in the distribution of social funds through ziswaf institutions. The International Working Group on Zakat Core Principle theory becomes the analytical knife in this study, where the IWGZCP has three indicators in the application of reputation risk management in ziswaf institutions and the theory of Louisot JP., and Rayner J., where there are seven things that need to be considered in managing reputation. The Mix Approach approach used in this study is a literature review and a phenomenological approach, where the results obtained are that reputation is a very important factor to be applied by ziswaf institutions, one of which is transparency in all forms of reports published through social media owned or through the official website. owned by each lasis. 3 things and 7 things that are applied make people's trust increases in choosing lasis.

**Keywords:** Reputation Management; LAZIS; ZISWAF; Crowdfunding and Social Funds

### INTRODUCTION

Amil zakat institutions in Indonesia experienced a positive increase in the distribution of funds to those in need and in accordance with the 8 asnaf criteria. Data on the realization of the Baznas ZIS distribution report in 2019 and 2020 showed that there was a growth of 5.3%. Meanwhile, in the realization aspect of Baznas ZIS collection, there was a growth of 23%. This condition shows that this institution can grow larger with a Muslim population in Indonesia of 85. The amil zakat institution is an institution that is established by having an official permit/legal entity in accordance with related regulations including Law of the Republic of Indonesia Number 23 of 2011 concerning the management of zakat, Regulations RI Baznas Number 3 of 2019 concerning Procedures for Application for a Recommendation for the establishment and opening of representatives of the Amil Zakat Institution. The amil zakat institution is engaged in the collection and distribution of funds from the community. Therefore, clarity is needed in managing these funds.

The growth in the collection and distribution of ZIS funds indicates an indication of public trust in the Institution and an increase in public awareness of the urgency of paying ZIS funds.

An unexpected event since 2019, namely the Covid-19 Pandemic, is an outbreak that hit simultaneously in several countries at the same time. It is impossible to predict when this pandemic will end. This condition has an impact on various aspects including economic aspects, social aspects, cultural aspects and education. The economy of a region does not always show a positive trend, especially when it is hit by an extraordinary event, namely the COVID-19 pandemic. The impacts of the COVID-19 pandemic include the economic sector being disrupted, the Education sector experiencing changes in activities, and even community social activities being hampered. The biggest impact is

the economy where there are many cases of jobless or sudden unemployment because the companies that employ these people experience a very severe economic/financial impact. The above conditions are a consideration for muzakki in paying zakat and for mustahiq whose conditions become heavier.

The amil zakat institution, which functions to move its funds for the benefit of the people, also faces risks for its business. Risk is a condition that can create opportunities for threats that have a negative impact in the form of losing something of value, such as reputation and trust. Based on the Zakat Core Principles, it states that the risk management system in zakat management includes disbursement risk, operational risk and reputation risk. One of the risks selected in this study is reputation risk. Reputational risk is related to the good and bad information from a zakat institution. This will have an impact on public confidence in paying zakat to a zakat institution, so this risk must be managed properly so that LAZ does not lose potential muzakki. This risk in the Zakat Core Principles is included in the ZCP 12 category, namely Reputation and muzakki loss risk. Reputation risk management is one of the most difficult things for an institution or company to manage, LAZ is no exception. So that reputation becomes the most important intangible asset owned by an institution or company, because it has a great influence on the sustainability and achievement of company goals.

The company's sustainability in maintaining its reputation is also influenced by technological developments, where technology becomes an intermediary of information to the public. Optimization of the website and also social media with good news reports is needed to establish good communication with donors or potential donors.

Based on the conditions and phenomena of reputation experienced by the Amil Zakat Institution, the researchers are interested in the urgency of reputation risk management applied at the Amil Zakat Institution during the covid 19 pandemic, which in this study took the object of the poor wallet.

## LITERATURE REVIEW

Risk management is a management of uncertainty that arises and affects a business or business. Risk management is applied to financial institutions, educational institutions, business organizations and even in amil zakat institutions. The risk can have an impact on the company having to bear losses due to bad problems faced. This condition requires that risk must be handled by appropriate management so that every activity carried out can be measured with certainty and systematically and continuously.

Amil zakat institution is an institution that manages public funds that are categorized as "able" and distributes these funds to the community or "underprivileged" parties in accordance with the guidance in the Qur'an. Good service is the key so that it can be carried out in accordance with one of the established rules, thereby minimizing the negative impact, namely the loss of muzakki.

Risk management covers various fields including reputation risk. The application of reputation risk management at the amil zakat institution, based on the International Working Group on Zakat Core Principle theory explains three main criteria and 2 additional criteria as follows: The keywords of Reputational Risk and Lack of trust are that the Zakat Supervisor determines that the institution has an adequate management framework to deal with systemic risks, reputation and lack of trust. Explanation of the key criteria of the main criteria, namely: first, the zakat supervisor understands that the overall structure of the zakat institution in the wider environment, especially systemic and reputational risks, can disrupt the security and stability of the zakat management system; Second, zakat supervisors apply prudential standards to identify, assess, evaluate, monitor, report, control, and mitigate reputational risk; Third, zakat supervisors address all major aspects of reputation risk in the national zakat system, including periods when systemic and reputational risks may increase; Fourth, the zakat supervisor requires that the zakat institution's strategies, policies and processes for reputation risk management can minimize the loss of muzakki. The zakat supervisor also requires the Management to

ensure that these policies and processes are implemented effectively; fifth, zakat supervisors require zakat institutions to have adequate socialization and education programs to improve the provision of appropriate zakat information to the public; Sixth, if there is no national regulation on zakat, periodic reports to muzakki must be clearly regulated in the documents for establishing the zakat organization.

Explanation of the additional criteria referred to, namely: first, the zakat supervisor determines that there are appropriate incentives to ensure the existence of current muzakki and attract new muzakki, for example by reducing taxes or special zakat services; second, zakat supervisors determine that zakat institutions must have established and appropriate information technology policies and processes to facilitate periodic reports to muzakki.

Reputation based on the theory of Louisot JP., and Rayner J., is an important asset that affects several things, including the following seven things: first, the consideration of shareholders in buying, selling, and holding company shares. Reputation will also be used as a basis for consideration in determining a fair value for the company's share price. Second, the desire of consumers to buy products or services from the organization. This will affect the market share and bargaining power of the company which will affect the company's profitability. Third, the supplier's desire to build partnerships. Reputation describes the credibility of the company. A good reputation can open up new business opportunities for the company, through the arrival of parties who offer cooperation. Fourth, consideration of competitors to enter the market. The arrival of competitors often brings pressure to the company's profitability. A strong company reputation can lead to reluctance for competitors to enter the industry. Fifth, the cost of capital. Reputation will affect the ease of the company in obtaining new funds to run or develop business operations. Sixth, the recruitment of individuals who have potential. A good reputation can foster the desire of superior individuals to work in the company. Seventh, worker motivation. One of the drivers of employee motivation is the company's reputation. A good company reputation can foster a sense of pride and encourage employees to have a better work ethic.

## METHODS

The research method applied is a qualitative study of literature review and phenomenology. Qualitative research with literature review is research that uses books and literature as the main object. Research with a phenomenological approach is research that seeks to study and understand phenomena and their specific context.

The source of the data used is the publication report of the amil zakat institution through various media. Data analysis conducted by researchers is to triangulate data. The object of this research is the amil zakat wallet of the poor, where the data obtained is secondary data

## RESULTS

Amil Zakat Institutions in Indonesia implement reputation risk management. The amil zakat institution carries out religious rules and adjusts the economic conditions of the community. Amil zakat institutions in Indonesia are divided into 3 scales, namely the district/city scale, provincial scale and national scale. The amil zakat institution has a recommendation permit in terms of collecting zakat, infaq and shodaqoh funds.

Amil zakat institutions on a city/district scale have the condition that they are able to collect ZIS funds of 3 billion rupiah. Amil zakat institutions on a provincial scale collect funds of Rp. 20 billion a year. The amil zakat institution on a national scale has a permit to raise funds of Rp 50 billion rupiah. Official amil zakat institutions that can be accessed by the public include their financial reports and so on. The selected amil zakat institution is the amil zakat institution for the poor wallet: <https://donasi.dompetchuafa.org/zakat>

The amil zakat institution, Dompêt Dhuafa, has a website that makes it easy for the public to find out company profiles, donation facilities and reports on distribution of funds. Dompêt Dhuafa has a donation facility that uses digitization. The ease of donation is also strengthened by the choice of various payment partners, including through the online payment menu and bank transfers. The use of a digital website in this donation includes the profile of the donor, the nominal donor and so on. The public can access it at <https://donasi.dompêtdhuafa.org/>.

The Dompêt Dhuafa institution has various empowerment programs including the fields of education, economics, health, socio-cultural fields and da'wah. Each field has a varied program. The Dompêt Dhuafa institution displays evidence of the successful distribution of Zakat funds through the reporting of zakat recipients displayed on the website.

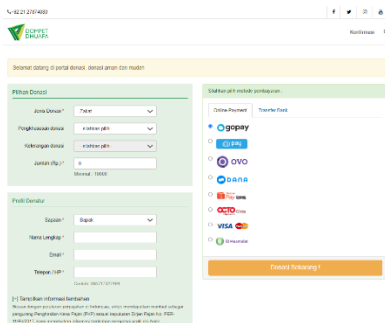


Figure 1. Website Beginning  
Source: Figuring by Author (2022)



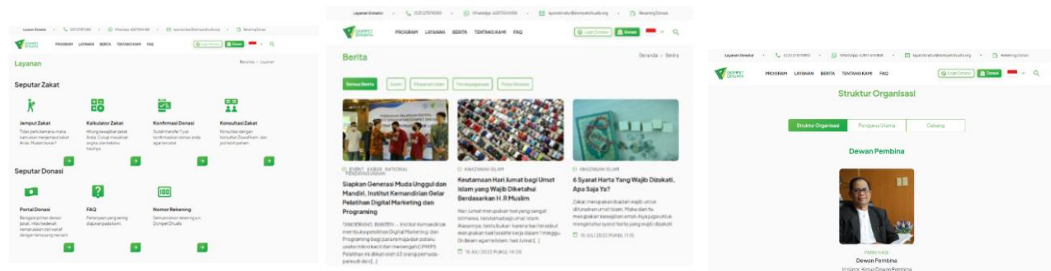
Figure 2. Empowerment Programs  
Source: Figuring by Author (2022)



Figure 3. Review User Website  
Source: Figuring by Author (2022)

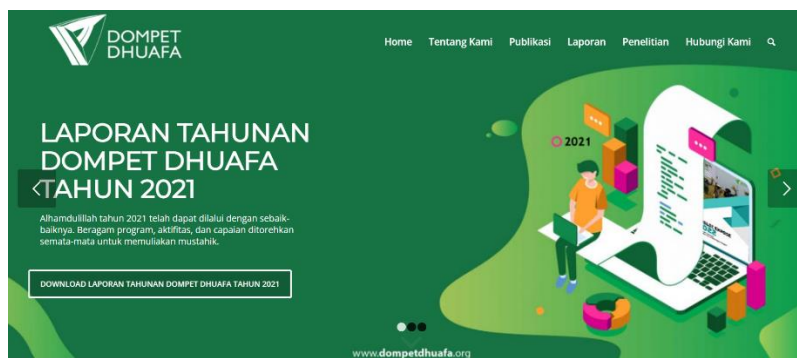
It's easy to become a donor within the Institute, you don't have to meet in person, because the Dompêt Dhuafa Institution maximizes its facilities on the website with an option menu to "log in donor". This facility can be traced through the website address: <https://www.dompêtduafa.org/>.

The fulfillment of community satisfaction is carried out by the Dompêt Dhuafa Institution by providing a menu of zakat consultations and services as follows (Figure 4). The organization's relationship with the community is maintained strongly by the continuity and factual news that is always delivered on the website with menus including news menus, event menus, Islamic treasures menu, utilization menu and press release menu. Each menu provides up-to-date information to the public on the achievements or completion of activities carried out by the Dompêt Dhuafa Institution. Evidence as follows (Figure 4). The Dompêt Dhuafa organization displays its openness to the public from various aspects of the organization. There is openness to position holders in a clear organizational structure, as evidenced by the following (Figure 4).



**Figure 4. Providing Menu of Dompêt Dhuafa Website**  
Source: Figuring by Author (2022)

The aspect of public trustworthiness in terms of financial reporting is carried out in an accountable and transparent manner. Reporting evidence is uploaded through a website that can be accessed by all interested parties without exception. As the following evidence (Figure. 5)



**Figure 5. Reporting Evidence Website**  
Source: Figuring by Author (2022)

### DISCUSSION

Implementation of reputation risk management based on the Zakat Core Principles, including: first, zakat supervisors understand that the overall structure of zakat institutions in the wider environment, especially systemic and reputational risks, can disrupt the security and stability of the zakat management system.

Second, zakat supervisors apply prudential standards to identify, assess, evaluate, monitor, report, control, and mitigate reputational risk. Third, zakat supervisors address all major aspects of reputation risk in the national zakat system, including periods when systemic and reputational risks may increase. The three points above are realized by the Institute through a clear organizational structure. A good organization requires an organizational structure to determine the duties, rights and obligations of each part so that there is no overlap in the work. The existence of an organizational structure becomes the embodiment of the issuance of a recommendation letter for the establishment of an organization, so that the existence of a clear organizational structure is proof of the existence of the organization, not a fictitious organization. In addition, an organization regardless of whether it is not-for-profit or profit-oriented, requires a standard of prudence and efforts to minimize reputational risk.

Fourth, the zakat supervisor requires that the zakat institution's strategies, policies and processes for reputation risk management can minimize the loss of muzakki. The zakat supervisor also requires the Management to ensure that these policies and processes are implemented effectively. Fifth, zakat supervisors require zakat institutions to have adequate socialization and education programs to improve the provision of appropriate zakat information to the public. Sixth, if there is no national regulation on zakat, periodic reports to muzakki must be clearly regulated in the founding document of the zakat organization.

#### **The additional criteria in question are:**

First, the zakat supervisor determines that there are appropriate incentives to ensure the existence of current muzakki and attract new muzakki, for example by reducing taxes or providing special zakat services. Second, zakat supervisors determine that zakat institutions must have established and appropriate information technology policies and processes to facilitate periodic reports to muzakki. Standards of prudence and mitigating reputational risk applied in the wallets of the poor.

Systemic risk period, This condition is a special concern for the poor, because the systemic period is feared to reduce the number of muzakki due to possible crises, inflation and others. This condition allows the decrease in the number of muzakki and also the level of competition between LAZ will be higher. In facing the systematic risk, the poor wallet improves the strategy of maintaining reputation by maintaining the trust and responsibility for the trust of the muzakki which is realized by providing periodic reports on the distribution of funds, in addition to directly inviting the muzakki to go to the field in order to distribute aid.

The policy of minimizing the loss of muzakki. This policy is a policy used by LAZ to prevent misappropriation of funds collected from muzakki by poor wallet managers. What needs to be done is that there are reports that are collected every day and also reports of distributions every day, so as to minimize the possibility of misappropriation of funds. In addition to this, the existence of perfect supervision and organizational structure allows comprehensive supervision of all activities carried out by the underprivileged wallet.

Socialization and education about zakat information. The form of socialization and education about zakat through programs and easy access for the community, both muzakki and prospective muzakki. The good relationship that has been established by Dompot Duafa is a way of socialization and education related to zakat or social funds that can increase the acquisition of social funds collected by Dompot Duafa. This condition can bring new muzakki. An updated website is an effective means to provide education to the public so that they can channel their social funds through the poor wallet.

Periodic reports to muzakki A periodic report is evidence of a sustainable distribution of funds. This report can be uploaded on the organization's website. The active website managed by the underprivileged wallet is the most powerful weapon to increase public trust in financial reports that are uploaded and updated periodically, so that muzakki and the public can easily access the activities carried out by this institution. In addition, this website is also a means to maintain the reputation of the poor's wallet.

Tax reduction or special zakat services. Tax reduction does not apply in Indonesia, because the state system is not based on Islamic sharia, so the poor wallet does not provide special zakat services or tax reductions.

Information technology that makes it easier for muzakki regarding periodic reports. The use of sophisticated information technology media is proof of the organization's adaptation to the times and provides transparency to the public. In addition to the website, there is a special application issued by the poor wallet to make it easier for muzakki to pay their donations through the poor wallet. The website and android application become a means of transparency in reporting the management of funds by the underprivileged wallet.

The implementation of reputation risk management based on Rayner carried out by duafa wallet in managing risk management, namely: first, consideration of shareholders in buying, selling, and holding company shares. Reputation will also be used as a basis for consideration in determining a fair value for the company's share price. Stakeholders in this case are internal parties and external parties, where internal parties are the managers of poor wallets while external are muzakki. Dompot Dhuafa in this case has a strategy to maintain and even increase the amount of donated funds and also the number of donors or muzakki by issuing periodic financial reports and reports on fund distribution activities and also fundraising. Reports published online are expected to be able to maintain a good reputation and even increase the good reputation that has been obtained.

Second, the desire of consumers to buy products or services from the organization. This will affect the market share and bargaining power of the company which will affect the company's profitability. Purchasing products for the poor wallet is the trust of the donors or muzakki in channeling their funds through the poor wallet in various donation products owned by the poor wallet to be distributed to the mustahiq. The strategy used is the flexibility of payments that can be made by muzakki and prospective muzakki through various technological media such as bank transfers, through applications or through digital wallets. Third, the supplier's desire to build partnerships. Reputation describes the credibility of the company. A good reputation can open up new business opportunities for the company, through the arrival of parties who offer cooperation. Cooperation in this case for the underprivileged wallet is cooperation with financial institutions in terms of payments or cooperation with various agencies in payment of donations collectively and auto-debit. More and more banks and other parties are cooperating with the underprivileged wallet, indicating that its reputation is in good condition.

Fourth, consideration of competitors to enter the market. The arrival of competitors often brings pressure to the company's profitability. A strong company reputation can lead to reluctance for competitors to enter the industry. Competitors in this case are fellow LAZs, both those that have been around for a long time and those who will be established, because the number of LAZs in Indonesia is also increasing from time to time. Trust that fosters loyalty is the key in keeping donors or muzakki from moving to other LAZs, so that Dompot Dhuafa offers various convenience facilities in payment of donations.

Fifth, the cost of capital. Reputation will affect the ease of the company in obtaining new funds to run or develop business operations. The main capital issued by the poor wallet to maintain its reputation is to maintain the trust of donors or muzakki in managing their funds, so that a good settlement will not require large capital to repair, but will bring in capital and also bring in more donations because of the good trust of the poor community as donors or muzakki. The six potential recruitment individuals. A good reputation can foster the desire of superior individuals to work in the company. The employees involved in the poor people's wallet are selected in such a way from character to religion, so as not to harm the institution and can maintain the good name of the institution and can maintain the trust of the donors. In addition, employees are also provided with periodic knowledge of both general and religious knowledge. And the seventh, employee motivation. One of the drivers of employee motivation is the company's reputation. A good company reputation can foster a sense of pride and

encourage employees to have a better work ethic. The reputation of the poor's wallet is the reason for employees not to move to other LAZs, but how do they help raise the poor's wallets.

### CONCLUSION

The national amil zakat institution "Dompot Dhuafa" has implemented reputation risk management efforts through good website handling, showing the success of recipients of funds as evidence of proper distribution of funds, as well as adapting technology in terms of funding. The absorption of funds and the accuracy of this distribution will strengthen the organization's position in the trust of donors. So that the reputation received by the organization is achieved well. The outside community is fulfilled with a sense of "trust" through the openness of the organization in reporting all organizational activities, both in terms of recruitment, partnerships, public reports, and even operational activities. In addition, there are consulting services.

This article only pays attention to the secondary data displayed on the website "dhuafa wallet" and analyzes it according to the provisions of the Zakat Core Principles and Reputation Theory proposed by researchers in the literature review.

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