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ANALYSIS OF OPERATIONAL RISK MANAGEMENT AT THE SIDOGIRI ZAKAT MANAGEMENT INSTITUTION

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Abstract

This study aims to identify risks, impacts, know the level of risk and formulate operational risk mitigation efforts on LAZ Sidogiri using Enterprise Risk Management (ERM) method. The operational risk of LAZ Sidogiri identified in this study is 190 risks that are divided into 14 risk groups (Collection Fund Risk, Productive Fund Risk, Allocation Fund Risk, Collection Management Risk, Fund Management Risk, Allocation Management Risk, Network / IT Infrastructure Risk, Partnering Risk , Program Development Risk, Leadership Risk, Competition Risk, Crime / Fraud Risk, Sharia Compliance Risk, Regulatory Compliance Risk).

The operational risk level of LAZ Sidogiri consists of 29 high, 130 moderate and 31 low. The risk collecting and risk management of funds dominate the high risk level, so LAZ management of Sidogiri should pay attention to the Amil performance improvements, design and implement better collecting and management systems along with stakeholders need to develop better SOM and SOP according to the LAZ character and apply them as LAZ policy. Network / IT Infrastructure Risks dominate the highest rate of speed of onset. Consequently maintenance routine IT facilities as well as periodic data backups and backup server procurement should be the concern of LAZ Sidogiri management.

Keywords : ***ERM, Operational Risk, LAZ Sidogiri***

Abstrak

Penelitian ini bertujuan untuk mengidentifikasi risiko, dampak, mengetahui tingkat risiko, dan merumuskan upaya mitigasi risiko operasional pada LAZ Sidogiri dengan menggunakan metode Enterprise Risk Management (ERM). Risiko operasional LAZ Sidogiri yang diidentifikasi dalam penelitian ini berjumlah 190 risiko yang terbagi ke dalam 14 kelompok risiko (Risiko Penghimpunan Dana, Risiko Dana Produktif, Risiko Penyaluran Dana, Risiko Manajemen Penghimpunan, Risiko Manajemen Dana, Risiko Manajemen Penyaluran, Risiko Jaringan/Infrastruktur TI, Risiko Kemitraan, Risiko Pengembangan Program, Risiko Kepemimpinan, Risiko Persaingan, Risiko Kejahatan/Penipuan, Risiko Kepatuhan Syariah, Risiko Kepatuhan Regulasi).

Tingkat risiko operasional LAZ Sidogiri terdiri dari 29 risiko tinggi, 130 risiko sedang, dan 31 risiko rendah. Risiko penghimpunan dan manajemen dana mendominasi tingkat risiko tinggi, sehingga manajemen LAZ Sidogiri perlu memperhatikan peningkatan kinerja amil, merancang dan menerapkan sistem penghimpunan serta manajemen yang lebih baik bersama pemangku kepentingan, serta mengembangkan Standar Operasional Manajemen (SOM) dan Standar Operasional Prosedur (SOP) yang sesuai dengan karakter LAZ dan menjadikannya kebijakan LAZ. Risiko

Jaringan/Infrastruktur TI mendominasi tingkat kecepatan kemunculan risiko tertinggi. Oleh karena itu, pemeliharaan rutin fasilitas TI, pencadangan data secara berkala, dan pengadaan server cadangan harus menjadi perhatian manajemen LAZ Sidogiri.

Kata kunci: ERM, Risiko Operasional, LAZ Sidogiri

Background

Zakat plays a pivotal role in the Islamic economic system, serving as a tool for wealth redistribution, poverty alleviation, and social justice. In Indonesia, zakat management institutions (ZMIs) have expanded significantly due to state recognition and community demand. These institutions manage large sums of funds from muzakki (donors) and distribute them to mustahik (eligible recipients), requiring professionalism, accountability, and effective risk management (Beik & Arsyianti, 2016).

Operational risk management is central to ensuring efficiency in zakat institutions. Operational risks are losses stemming from failed processes, people, systems, or external events. For zakat institutions, these risks include inaccurate beneficiary verification, fraud, human error, or technological system failures (Hassan & Lewis, 2014). Addressing these risks is essential to maintain the trust of muzakki, as zakat is both a financial obligation and a religious duty.

Sidogiri Zakat Management Institution offers a unique case due to its deep community trust rooted in the Sidogiri pesantren tradition. This legitimacy creates high expectations from donors and beneficiaries. Yet, as contributions and operational complexity increase, so does exposure to risk. Without systematic frameworks, inefficiencies, reputational damage, and misuse of funds may occur (Al Haq & Wahab, 2017).

Experiences from Islamic finance demonstrate how credibility and proper risk management affect sustainability. For example, the study "Analysis of the Influence of Auditor Profit and Reputation Management on Islamic Bond Rating (Sukuk) in Indonesia" highlights the importance of credibility and stakeholder trust in risk perception (Juniyanto, 2020). Similar to sukuk markets where reputation determines ratings, zakat institutions rely heavily on public trust to sustain collections.

Operational risks in zakat institutions can be categorized into four areas: process, people, system, and external risks. Process risks involve inefficiencies in collection and disbursement mechanisms; people risks arise from human error or fraud; system risks relate to technological failures; while external risks include regulatory shifts or disasters disrupting operations (Iqbal & Mirakhor, 2011). For Sidogiri, these dimensions require careful monitoring as the institution grows beyond traditional grassroots operations.

Research in Islamic non-profit institutions shows that governance and accountability frameworks enhance performance and stakeholder satisfaction. Strong internal controls, transparent reporting, and regular audits reduce risks while aligning with Sharia principles (Rahman, 2015). This is consistent with the maqasid al-shariah, particularly the protection of wealth and promotion of social justice (Dusuki & Bouheraoua, 2011).

Reputation risk is among the most critical concerns. Failures in fund management or delayed distributions can quickly erode trust. As shown in studies of sukuk ratings, reputation directly influences stakeholder confidence (Juniyanto, 2020). For zakat institutions, credibility is not only financial but also moral, making reputational damage even harder to recover.

Therefore, studying Sidogiri's operational risk management is highly relevant. It provides insights into how pesantren-based zakat institutions can integrate structured risk frameworks without losing their community-driven ethos. It also contributes to literature bridging Islamic finance practices with zakat governance (Ismail & Tohirin, 2010). Lessons from banking and sukuk can guide zakat institutions in adopting professional standards suited to their unique mission.

In conclusion, operational risk management is indispensable for zakat institutions in Indonesia. Sidogiri's case highlights both opportunities and challenges. As zakat funds increase, structured risk assessment, mitigation, and monitoring are needed to safeguard trust. By drawing on insights from Islamic financial research—such as the importance of reputation and accountability in "Analysis of the Influence of Auditor Profit and Reputation Management on Islamic Bond Rating (Sukuk) in Indonesia"—zakat institutions can strengthen governance and ensure zakat fulfills its role in promoting justice and welfare.

Literature Review

Every nonprofit organization, including zakat management institutions, faces various types of risks that can threaten their sustainability and credibility. Nonprofit organizations are generally entrusted with public resources and therefore must be accountable to their stakeholders, especially donors and beneficiaries. According to Razali et al. (2013), effective risk management systems are essential to prevent fraudulent acts such as cash theft, asset misuse, and money laundering. Such measures are critical to maintain the reputation of nonprofit organizations as public service institutions. Without effective control mechanisms, nonprofits may experience reputational crises, which in turn reduce public trust and future funding. This is particularly important for zakat institutions, where credibility and moral integrity are key factors that sustain donations from the Muslim community (Abdul Rahman, 2015).

Young (2009) emphasizes that risk management is essential for nonprofit organizations for two interrelated reasons. First, nonprofits need to protect themselves from disastrous consequences that could undermine their sustainability and their capacity to fulfill their missions. Second, during the evaluation of strategies to achieve their objectives, nonprofit organizations often discover that the options with the greatest potential impact also carry higher risks. Therefore, nonprofits must carefully balance risk and return, choosing the most appropriate combination that allows them

to maximize their impact while minimizing threats. This observation aligns with subsequent studies in nonprofit financial management, which highlight that risk management is not only about reducing harm but also about enabling organizations to take calculated risks to innovate and expand their social impact (Hopkin, 2018).

In the context of zakat management, the importance of risk management becomes even more significant. Triyani (2015) conducted a study on the National Zakat Agency (BAZNAS) and identified 60 specific risks, divided into three categories: 16 related to zakat fund collection, 26 in zakat fund management, and 18 in zakat fund distribution. These findings illustrate that zakat institutions face risks at every stage of their operations, from fundraising to allocation and monitoring. Risks in collection include inaccurate donor data or ineffective fundraising strategies; risks in management involve misuse of funds or weak internal controls; while risks in distribution may result in delays, misallocation, or favoritism in selecting mustahik. Such risks, if not managed effectively, undermine the institution's accountability and weaken its ability to achieve poverty alleviation goals (Beik & Arsyianti, 2016).

A broader study by Ascarya et al. (2016) on five National Amil Zakat Institutions (LAZNAS) provides a more comprehensive framework for understanding risks. They identified 11 major categories of risk: strategic risk, zakat institutional corporatization risk, education risk, operational risk, property risk, amil and volunteer risk, muzakki and mustahik risk, cross-border zakat transfer risk, reporting risk, legal risk, and compliance risk. These categories correspond to 36 more specific risk groups, comprising a total of 399 risks, with 31 classified as extreme, 190 as high, 159 as moderate, and 19 as low. This categorization demonstrates the complexity and multidimensionality of risks in zakat institutions. Unlike commercial organizations, zakat institutions must balance financial risks with reputational and religious legitimacy risks, making risk management frameworks even more complex.

The literature also points out that the nature of risks faced by nonprofit organizations, including zakat institutions, differs from those in profit-oriented institutions. Nonprofits often lack adequate risk management frameworks, partly because of resource constraints and partly due to their reliance on trust and moral legitimacy (Herman et al., 2018). This reliance on trust makes them highly vulnerable to reputational damage when risks materialize. For example, a small case of mismanagement in zakat disbursement can generate significant public backlash, which may reduce zakat collection in subsequent years.

Furthermore, the integration of risk management in zakat institutions is not only about operational control but also about aligning with Islamic ethical principles. The maqasid al-shariah emphasizes the protection of wealth (hifz al-mal) and the promotion of justice and welfare (maslahah). Effective risk management ensures that zakat resources are safeguarded and distributed fairly, thus fulfilling these Sharia objectives (Dusuki & Bouheraoua, 2011). Studies in Islamic finance have also shown that institutions with strong governance and risk management frameworks are more sustainable and resilient in the face of crises (Hassan & Lewis, 2014). This insight can be applied to zakat institutions, where strong internal controls, transparency, and accountability mechanisms not only reduce risks but also enhance donor confidence.

Another relevant perspective comes from comparisons with Islamic banking. Research such as "Analysis of the Influence of Auditor Profit and Reputation Management on Islamic Bond Rating (Sukuk) in Indonesia" (Juniyanto, 2020) highlights how credibility, auditor reputation, and financial management influence risk perception and institutional trust. Although zakat institutions differ in purpose from sukuk markets, they share the challenge of maintaining credibility in the eyes of stakeholders. Just as sukuk ratings are influenced by auditor reputation, zakat institutions' reputations depend on their ability to manage risks effectively. The reputational dimension of risk thus emerges as a critical area of study for nonprofit Islamic institutions.

In summary, the literature highlights several important points. First, nonprofit organizations face multiple categories of risks that require systematic management. Second, in the case of zakat institutions, risks span across collection, management, and distribution stages, with potential implications for both financial sustainability and religious legitimacy. Third, risk management frameworks from Islamic finance provide valuable insights for zakat institutions, particularly regarding credibility and reputation. By applying these insights, zakat institutions such as Sidogiri can enhance their governance, maintain donor trust, and ensure that zakat fulfills its intended social mission.

Methodology

This study employs the Enterprise Risk Management (ERM) method using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) approach. ERM is a method and process used by organizations to manage risks and seize opportunities related to the achievement of their objectives (Beasley et al., 2007). The ERM framework for risk management includes event identification, assessment of likelihood and impact, determination of response strategies, and monitoring of progress. Meanwhile, COSO is an international standard comprising principles and guidelines for risk management, widely adopted by nonprofit entities in various countries (COSO, 2017; Ascarya et al., 2016).

Type of Data

The data used in this study consist of primary data obtained through a survey of LAZ Sidogiri practitioners, including in-depth interviews and questionnaires. In addition, this study also utilizes secondary data in the form of literature related to the research, sourced from both printed media and the internet. Using a combination of primary and secondary data is considered suitable for studies on Islamic nonprofit institutions to ensure triangulation and reliability of findings (Creswell & Plano Clark, 2011).

Operational Variables

According to LAZ Sidogiri, operational risk refers to the risks present in the daily operational activities of the institution, including the collection, management, and distribution of zakat funds. Based on the study by Ascarya et al. (2016), operational risks in LAZ include the following:

1. Fundraising risk
2. Productive fund risk
3. Distribution fund risk
4. Fundraising management risk
5. Fund management risk
6. Distribution management risk
7. Network/IT infrastructure risk
8. Partnership risk
9. Program development risk
10. Leadership risk
11. Competition risk
12. Fraud/crime risk
13. Sharia compliance risk
14. Regulatory compliance risk

These categories are aligned with prior studies on nonprofit and Islamic financial institutions which emphasize that operational risk is one of the most critical dimensions of institutional sustainability (Chapman, 2011; Razali et al., 2013).

ERM COSO

The COSO ERM framework is a three-dimensional matrix cube consisting of four categories of entity objectives represented by the vertical columns, eight ERM components represented by the horizontal rows, and organizational levels that depict the entity and its component units (COSO, 2004:23).

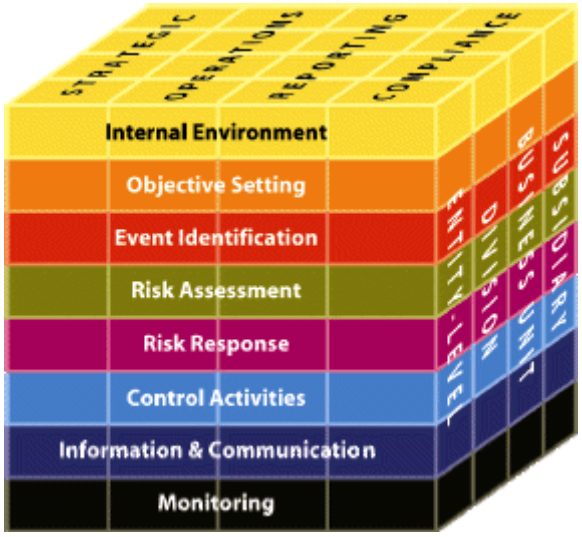

Figure 1. COSO ERM Framework Model
Source: COSO (2004: 23)

The first dimension of this cube shows the four categories of entity objectives in the management process, namely: strategic, operations, reporting, and compliance objectives. The second dimension illustrates the eight components of ERM, which are

internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. Meanwhile, the entity and component unit levels that are part of the risk management framework are represented by the organizational levels in the third dimension (COSO, 2004: 23).

Research Steps

This study consists of five research phases, starting from the context establishment phase, risk identification, risk measurement, risk evaluation, and ending with the risk mitigation phase.

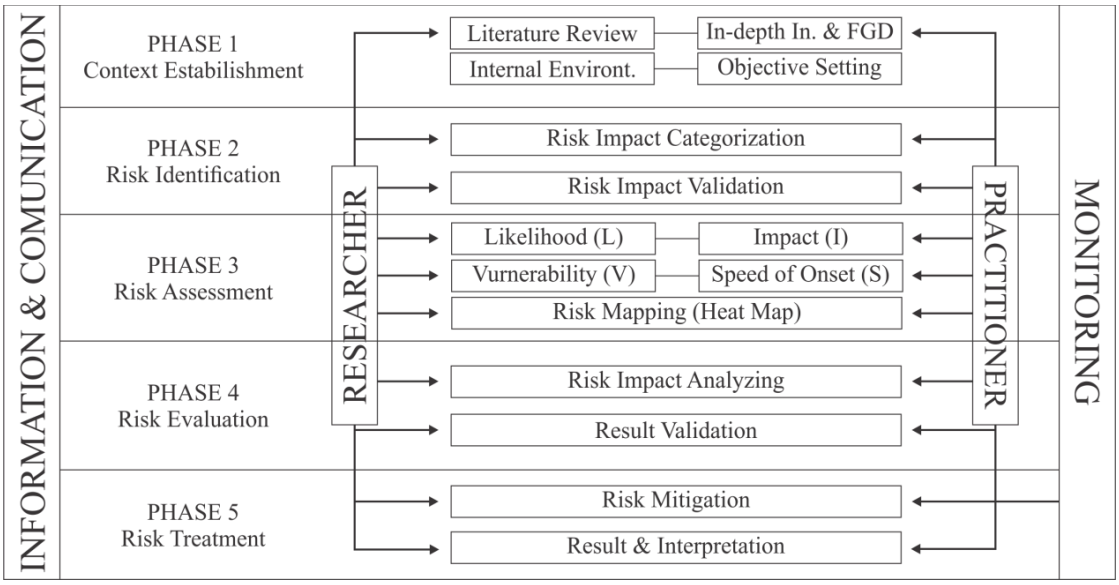

Figure 2: ERM COSO Research Stages
Source: Ascarya et al. (2016: 21) with some modifications

Rating Scale

Table 1: Likelihood

(L) Level of Likelihood of Risk Occurrence		
1	*Incredible*	Almost impossible to occur
2	*Very Rare*	Very rarely occurs
3	*Rare*	Rarely occurs
4	*Unlikely*	Unlikely to occur
5	*Possible*	May occur

6	*Likely*	Almost certain to occur
7	*Almost certain*	Very likely to occur

Source: Ascarya et al. (2016: 24)

Table 1: Table Impact

(I) Impact of Risk Occurrence		
1	*Insignificant*	No impact – Does not cause any significant impact on LAZ
2	*Very Minor*	Very minor impact – Causes a very small impact on LAZ; a minor issue that can be managed through routine management.
3	*Minor*	Minor impact – Causes a small impact that can be addressed through routine management.
4	*Moderate*	Moderate impact – Prevents LAZ from achieving its objectives for a certain period.
5	*Major*	Major impact – Causes LAZ to be unable to achieve some of its long-term objectives.
6	*Very Major*	Severe impact – Causes LAZ to be unable to achieve most of its long-term objectives.
7	*Catastrophic*	Catastrophic impact – Causes LAZ to be unable to achieve all of its long-term objectives, resulting in bankruptcy, death, or criminal penalties.

Source: Ascarya et al. (2016: 24)

Table 2 : Table Vulnerability

(V) Level of Vulnerability to Risk Occurrence		
1	*Very Low*	LAZ has a very good risk mitigation capability through well-measured concrete steps for all scenario conditions; the likelihood of success is very high, even for some extreme issues.
2	*Low*	LAZ has good risk mitigation capability; the likelihood of success is high except for some extreme issues.
3	*Medium*	LAZ has moderate risk mitigation capability; the likelihood of success is average because some of the proposed solutions are effective while others are not yet effective.

4	*High*	LAZ has poor risk mitigation capability; the likelihood of success is low because the proposed solutions are not yet effective.
5	*Very high*	LAZ has poor risk mitigation capability and lacks well-measured concrete steps for all scenario conditions; the likelihood of success is very low because the proposed solutions are ineffective.

Source: Ascarya et al. (2016: 24)

Table 3 Table Speed of Onset

	(S) Speed of Onset of Risk Occurrence	
1	*Very Low*	Very slow to occur, happening after a year or more.
2	*Low*	Occurs within a few months.
3	*Medium*	Occurs in a matter of months.
4	*High*	Occurs within a few days or weeks.
5	*Very high*	Occurs very quickly, with little or no warning, instantly.

Source: Ascarya et al. (2016: 24)

Risk Mapping

According to Ascarya et al. (2016: 26), to simplify the differentiation of risk levels, colors such as red, orange, yellow, and green can be used. Each color represents a different level of risk. The following are the four categories of risk areas:

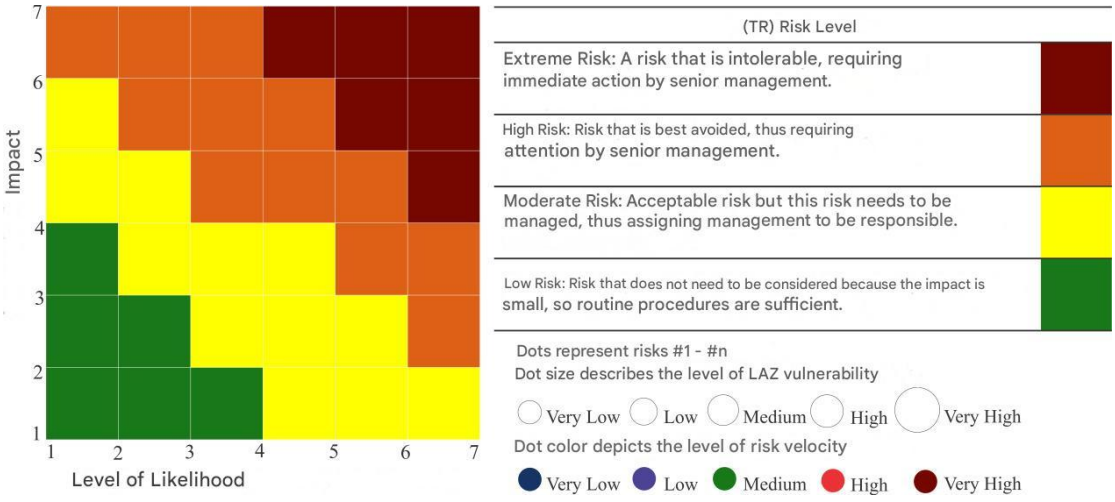

Figure 2 Risk Map

Source: Ascarya et al. (2016: 24)

Research Findings Analysis

Operational risks of LAZ Sidogiri identified in this study amounted to 190 risks, consisting of 14 risk groups (Fundraising Risk, Productive Fund Risk, Disbursement Fund Risk, Fundraising Risk, Fund Management Risk, Disbursement Risk, Network/IT Infrastructure Risk, Partnership Risk, Program Development Risk, Leadership Risk, Competition Risk, Crime/Fraud Risk, Sharia Compliance Risk, Regulatory Compliance Risk).

The study results show that no risks at the "Extreme" level were identified in this research. There are 29 risks (or 15% of the 190) classified as "High" risk. These risks may cause LAZ to fail in achieving some of its long-term objectives. These high risks should be avoided by LAZ, so senior management must pay greater attention to these risks.

Table 5 Operational Risk Analysis of LAZ Sidogiri

No	Risk Identification	Number of Risks	Risk Level			
			Ekstrim	High	Moderate	Low
1	Fundraising Fund Risk	13	-	2	9	2
2	Productive Fund Risk	7	-	2	5	-
3	Disbursement Fund Risk	11	-	1	8	2
4	Fundraising Risk	16	-	9	7	-
5	Fund Management Risk	20	-	7	10	3
6	Disbursement Risk	20	-	1	14	5
7	Network/IT Infrastructure Risk	12	-	2	8	2
8	Partnership Risk	14	-	-	14	-
9	Program Development Risk	16	-	3	12	1
10	Leadership Risk	19	-	1	17	1
11	Competition Risk	6	-	-	3	3
12	Crime/Fraud Risk	14	-	1	9	4
13	Sharia Compliance Risk	12	-	-	8	4
14	Regulatory Compliance Risk	10	-	-	6	4
	TOTAL	**190**	**-**	**29**	**130**	**31**

Meanwhile, the "Low" risk level accounts for 31 risks (or 16% of 190). These low risks do not need to be considered further because their impact is minor, so routine procedures are sufficient.

On the other hand, the operational risk level of LAZ Sidogiri is dominated by "Moderate" risks, totaling 130 risks (or 68% of 190). This means the majority of LAZ Sidogiri's operational risks are acceptable but still need to be managed by the management. These risks have the potential to hinder LAZ in achieving its objectives for certain periods. Therefore, management is responsible for implementing mitigation measures for these risks.

The highest moderate risk levels are found in Partnership Risk (14 out of 14 or 100%), Leadership Risk (17 out of 19 or 89%), Program Development Risk (12 out of 16 or 75%), Disbursement Fund Risk (8 out of 11 or 73%), Productive Fund Risk (5 out of 7 or 71%), Disbursement Risk (14 out of 20 or 70%), Fundraising Fund Risk (9 out of 13 or 69%), Network/IT Infrastructure Risk (8 out of 12 or 67%), Sharia Compliance Risk (8 out of 12 or 67%), Crime/Fraud Risk (9 out of 14 or 64%), Regulatory Compliance Risk (6 out of 10 or 60%), Fund Management Risk (10 out of 20 or 50%), Competition Risk (3 out of 6 or 50%), and Fundraising Risk (7 out of 16 or 44%).

Priority Risk Analysis of LAZ Sidogiri

Figure 3 Priority Risk Heat Map of LAZ Sidogiri

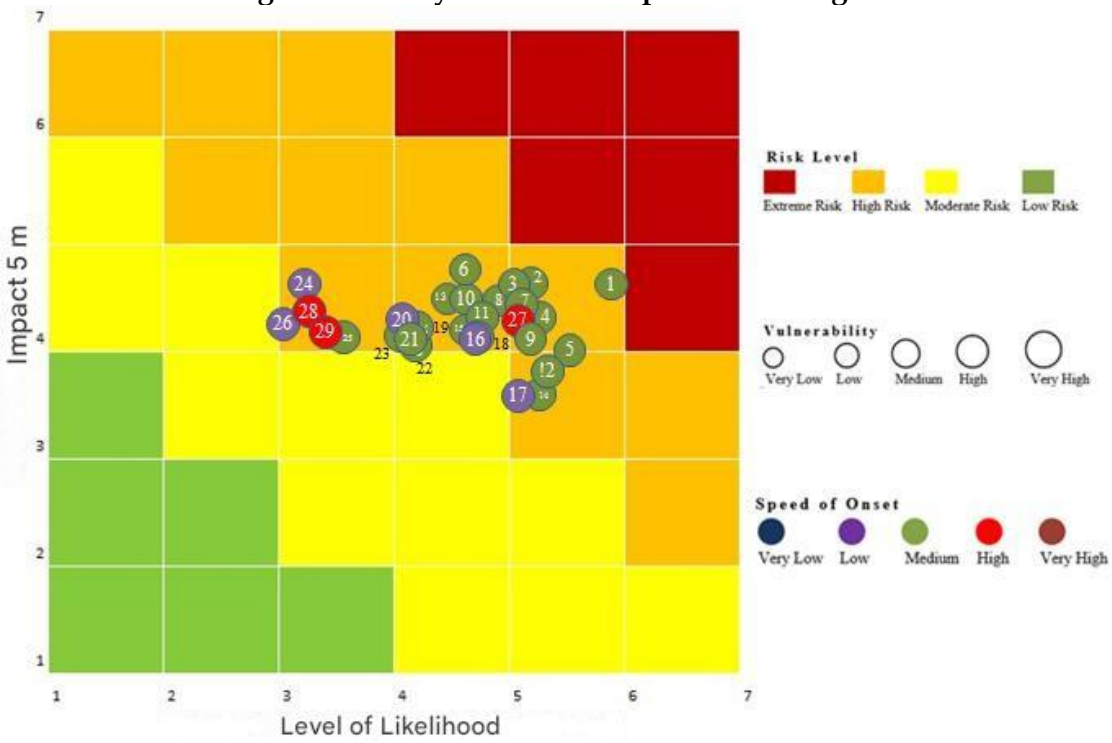

Table 6 Priority Analysis of Operational Risks of LAZ Sidogiri

No	Risk Type	Risk Description	L	I	V	S

1	Fund Management Risk (risk no 17)	LAZ operational funds depend on fundraising results	5.9	4.7		3
2	Fundraising Risk (risk no 15)	Most LAZ branches are located outside major cities	5.2	4.7	3	3
3	Fundraising Risk (risk no 16)	Fundraising targets set by LAZ are not achieved	5.1	4.7		3
4	Fund Management Risk (risk no 2)	Lack of SOM (Standard Operating Management) standardization in managing ZIS funds	5.3	4.3		3
5	Productive Fund Risk (risk no 6)	Productive funds are used for consumption by mustahik	5.5	4.0	3	3
6	Fundraising Risk (risk no 4)	Limited information and advertising for zakat/infak collection by LAZ	4.7	4.8	3	3
7	Fund Management Risk (risk no 3)	High operational costs of LAZ	5.1	4.4	3	3
8	Fundraising Risk (risk no 13)	LAZ relies mostly on alumni in the majority of fundraising activities	4.9	4.5	3	3
9	Program Development Risk (risk no 5)	Lack of vigorous, routine, and intensive socialization to the public about new programs	5.2	4.1	3	3
10	Productive Fund Risk (risk no 3)	Productive funds are less effective because mustahik lack the necessary skills	4.7	4.5	3	3
11	Fund Management Risk (risk no 13)	Limited operational funds available for LAZ	4.8	4.4	3	3
12	Leadership Risk (risk no 19)	Leaders are busy with activities outside of LAZ	5.4	3.8	3	3
13	Fundraising Risk (risk no 3)	Lack of control over the zakat/infak collection process	4.6	4.5	3	3
14	Disbursement Fund Risk (risk no 11)	Disbursement funds are insufficient to meet all program proposals submitted by branches to the center	5.3	3.7	3	3
15	Fundraising Risk (risk no 9)	Delayed submission of funds or fundraising reports from branches to the center	4.7	4.2	3	3

16	Crime/Fraud Risk (risk no 6)	Existence of mustahik syndicates (submitting aid proposals to multiple LAZs)	4.7	4.2	3	2
17	Fundraising Fund Risk (risk no 11)	ZIS fundraising plans are overly optimistic	5.1	3.7	3	2
18	Program Development Risk (risk no 16)	Differences in views regarding program development	4.6	4.2	3	3
19	Fundraising Risk (risk no 14)	Low alumni contribution in LAZ fundraising activities	4.2	4.2	3	3
20	Disbursement Risk (risk no 20)	No evaluation of disbursement activities carried out	4.1	4.2		2
21	Program Development Risk (risk no 14)	Ineffective strategy for developing new programs	4.2	4.1		3
22	Fund Management Risk (risk no 9)	Lack of best practices in managing ZIS funds	4.2	4.0		3
23	Fund Management Risk (risk no 12)	Lack of transparency and accountability in fund management	4.1	4.1	3	3
24	Fundraising Risk (risk no 5)	The occurrence of discrepancies between zakat/infak funds paid by Muzakki/munfik and those deposited by the amil.	3.3	4.7	3	2
25	Fundraising Fund Risk (risk no 12)	Funds collected are stored at branch offices for a long time	3.6	4.1	3	
26	Fund Management Risk (risk no 1)	No standardized SOP (Standard Operating Procedure) in managing ZIS funds	3.0	4.3	3	
27	Fundraising Risk (risk no 10)	LAZ's existence is not well known by potential donors	5.1	4.3	3	
28	Network/IT Infrastructure Risk (risk no 1)	IT system failure or crash	3.3	4.4	3	
29	Network/IT Infrastructure Risk (risk no 2)	Data loss due to computer virus	3.5	4.2	3	

The highest risk levels are in Fund Management Risk, Fundraising Risk, Productive Fund Risk, Program Development Risk, Leadership Risk, Fund Distribution Risk, Crime/Fraud Risk, Fundraising Fund Risk, and Distribution Risk. Meanwhile, the risks with the highest speed of onset are Fundraising Risk (LAZ's existence is not well known by potential donors) and Network/IT Infrastructure Risk.

Conclusion

Until now, LAZ Sidogiri has not had an explicit and structured risk management system for managing ZIS (Zakat, Infaq, and Shadaqah). Although LAZ Sidogiri has an "advantage condition" in the form of high public trust and strong emotional bonds, especially among santri (students), alumni, and sympathizers of the Sidogiri Islamic Boarding School, to maintain its reputation, sustainability, and public trust, LAZ Sidogiri must be managed professionally—one way is by having a good risk management system. The operational risks of LAZ Sidogiri identified in this study amount to 190 risks divided into 14 risk groups. The operational risk levels consist of 29 high risks, 130 moderate risks, and 31 low risks. Fundraising risks and fund management risks dominate the high-risk levels, so the LAZ Sidogiri management must pay attention to improving the performance of the amil (fund managers), design and implement better fundraising and management systems, and together with related parties, develop better Standard Operating Manuals (SOM) and Standard Operating Procedures (SOP) tailored to LAZ's characteristics and enforce them as LAZ policies. Network/IT Infrastructure risks dominate the highest speed of onset risk levels. Therefore, routine maintenance of IT facilities, regular data backups, and provision of backup servers must become a priority for LAZ Sidogiri's management.

This study highlights that LAZ Sidogiri faces significant and diverse operational risks which, if left unmanaged, could undermine its credibility and long-term sustainability, so establishing a clear, structured, and professional risk management system is essential to safeguard its operations and strengthen stakeholder confidence. Priority should be placed on enhancing amil performance, improving fundraising and fund management mechanisms, and institutionalizing robust SOM and SOP adapted to LAZ Sidogiri's unique characteristics while proactive maintenance of IT infrastructure, data protection, and server backup strategies will be crucial in mitigating technology-related risks. By implementing these measures in an integrated and consistent manner, LAZ Sidogiri can improve operational resilience, uphold its reputation, and ensure the sustainable and accountable management of ZIS funds for the long term.

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