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RESEARCH ARTICLE

RISK-BASED BUDGETING IN NON-PROFIT ORGANIZATION (A CASE STUDY AT RUMAH AMAL SALMAN)

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Abstract

This study aims to propose a risk-based budgeting framework for non-profit organizations, particularly zakat institutions, with a case study at Rumah Amal Salman (RAS). This study was conducted because there is no integration between risk management and the budgeting process. As a result, risk management is only administrative in nature, and the programs developed do not consider the uncertainties that may occur systematically. The method used in this study is a qualitative approach combined with financial and budget analysis. Data was collected through various documents such as financial reports, work plan and budget documents (RKA), internal risk analysis documents, and through unstructured interviews with a key internal informant of the institution. Data was analyzed through two approaches, such as financial analysis and risk analysis. Financial analysis was conducted through financial ratio analysis and trend analysis. Risk data was analyzed through a risk management process adapted from elements of ISO 31000. This process yielded several findings. First, most of the risks were found in the Program and Marketing Department. In terms of risk categories, the majority were compliance, strategic, and operational risks. Second, the results of mapping risk mitigation action into program proposals indicate that RAS needs to prioritize programs focused on system and database development. This finding aligns with the results of the analysis from the opposite direction, where identified risks are mapped into budgeted programs. This demonstrates the consistency of the need to strengthen digital systems as a strategic step in risk control. Finally, this study generates a risk-based budgeting framework and workflow that can be implemented as a standard operating procedure (SOP) or budget planning flowchart. In general, the proposed budget planning process flow is similar to the existing one. Previously, the process began with the establishment and targeting of budget allocations. Finally, two additional processes have been added before that, running in parallel, such as reviewing previous financial performance and reviewing, updating, and establishing risk profiles.

Keyword: Risk-based budgeting, risk management, financial analysis, risk analysis

Introduction

Companies often face various risks in carrying out their activities. These risks can originate from external factors such as changes in government policy, economic instability, or technological developments, as well as internal factors such as human error and weaknesses in internal management systems. With the development of technology, operational complexity and uncertainty in various sectors are increasing. Risk management has become a crucial aspect in dealing with this uncertainty and ensuring the effectiveness and efficiency of organizations. In fact, risk management is a systematic process consisting of identification, analysis, mitigation, evaluation, and monitoring of risks to reduce or eliminate negative impacts that can affect the achievement of organizational goals (Mancuso, 2012; Ramadhan, et al., 2020).

Although the implementation of risk management is increasingly recognized as a strategic necessity, many organizations still view and implement it as an administrative process, without integrating it into critical decision-making (Suroto, 2020). Ideally, risk management must be integrated with all business processes of the organization, including marketing, production, logistics, funding, recruitment, budgeting, and others in order to contribute directly to the achievement of the organization's strategic goals (Suroto, 2020). Otherwise, this can result in weak risk mitigation systems, which ultimately impact the sustainability of the organization. Several cases demonstrate how the absence of risk governance has led to significant operational and financial imbalances, including failure to meet financial obligations, misuse of funds, and inefficiency in budget allocation (Praja et al., 2020). Generally, such risks can cause significant operational losses, while in non-profit organizations, the consequences can affect public trust and the sustainability of planned and ongoing social programs. Meanwhile, one of the most crucial aspects of organizational management is budgeting. Inappropriate budgeting can cause a mismatch between fund allocation and the actual needs of the organization. In non-profit organizations, an ineffective budget can result in the organization's inability to sustainably implement its programs.

Non-profit organizations, especially institutions that manage public funds such as Zakat Institutions, face unique challenges in financial management. Although the standards applied are often similar to those in the corporate sector, unlike profit organizations that have a steady source of income, non-profit organizations depend on fluctuating and unpredictable donations (Mancuso, 2012). In addition, the risks that arise are more because zakat institutions move not to seek profit, but to maintain the “amanah” in the context of common benefit, and therefore risk management in this type of organization is important (Ali, et al., 2023; Puskas BAZNAS, 2021).

The number of zakat management organizations in Indonesia has relatively increased, but the actual collection of zakat funds is still far from its potential. In 2023, the total zakat funds collected reached IDR 32.3 trillion with a distribution rate

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of IDR 31.2 trillion. However, this figure is still far from the potential zakat in Indonesia, which is estimated to reach IDR 326.7 trillion (BAZNAS, 2025). This disparity indicates that there are still many challenges in zakat management strategies and many things that can be improved, including in budget planning.

Previous studies have highlighted the importance of implementing risk management in Zakat Management Institutions (OPZ) as part of strengthening accountable and sustainable governance. They also show several approaches used in addressing risk. A study conducted by Mustofa (2022) used a risk management approach consisting of five stages, such as context establishment, risk identification, risk measurement, risk evaluation, and risk treatment. From this process, twenty risks were identified at MPZ Citra Anak Sholeh. But this study still requires further exploration of the root causes of each risk that occurred. Mustaffha et al. (2020) developed a risk management framework tailored to the characteristics of zakat institutions in Malaysia. This study emphasizes that risk management practices are still relatively new among zakat institutions, and their implementation is highly dependent on internal readiness and external motivational factors. Meanwhile, Maulana et al. (2022) analyzed strategic risk management at BAZNAS Sukabumi and found that the main challenges lie in low public awareness, limited human resources, and the lack of supporting information systems. Research by Triyani et al. (2018) and Ali et al. (2023) also shows that zakat institutions face complex risks in fund collection, management, and distribution. They emphasize the importance of an Enterprise Risk Management (ERM) approach to map and respond to risks in a structured manner. They also stress that structured risk management requires adequate human resources and suggest solutions such as conducting competency training for human resources on risk management. Furthermore, research by A'yun and Rahman (2024) evaluates the implementation of risk management in the LAZISMU Gresik zakat scholarship program, particularly in the context of ZIS distribution. This study identified specific risks such as uneven fund allocation, distribution delays, and lack of coordination among OPZs, and proposed solutions through strengthening SOPs, transparency, and human resource training. Although these studies contribute to the development of risk management frameworks in zakat institutions, most still focus on risk identification and analysis or conceptual development of risk management frameworks.

In addition, few studies explore how risk management is integrated into risk-based budgeting. Risk-based budgeting is an approach that integrates risk and uncertainty into planning and budgeting processes. This approach can be applied in the context of the organization as a whole or a project. Stefanov and Andrianov (2018) mention that this approach aims to minimize hidden costs that are often not accounted for in budgets, such as delay costs, non-compliance, other operations, etc. Although projects and organizations often allocate around 20% of the budget for unexpected costs, risks can be identified, anticipated, and managed more systematically with risk-based budgeting.

Previous studies on this approach have mostly focused on implementation in the corporate sector, such as the transportation and chemical industries in Indonesian state-owned enterprises (BUMN). Both studies propose a new, more systematic framework, using qualitative and quantitative approaches such as the ISO 31000 risk management process and Monte Carlo simulations to predict potential budget deviations and improve risk management efficiency (Mayasari, 2023; Dian, 2023). They also explained several steps outlined in the implementation of risk-based budgeting adopted from the ISO 31000 framework, starting with defining risks and identifying those that need to be managed, measuring risk levels, determining budget allocation strategies based on risk levels, and conducting evaluations, inspections, feedback, and improvements on the implementation of these strategies. However, there has been little research on how a risk-based budgeting framework can be applied in non-profit organizations, particularly zakat institutions. Therefore, this study aims to fill this gap by proposing a more integrated risk-based budgeting framework that can be applied in the context of zakat management organizations in Indonesia.

This study aims to develop a risk-based budgeting framework for non-profit organizations, particularly zakat management organizations, Rumah Amal Salman (RAS). The results and findings of this study are expected to provide a better understanding and assist Zakat institutions in developing a framework that integrates risk management into the budgeting process, thereby enhancing operational efficiency and effectiveness in zakat fund management.

Method

This study focuses on Rumah Amal Salman (RAS). RAS is a philanthropic organization with the status of an Amil Zakat Institution (LAZ) that has been established since 2007. This institution has the main task of collecting, recording, and utilizing zakat, *infaq/sadaqah*, and waqf (ZISWAF) to support the formation of future leaders who contribute to the development of civilization. RAS is managed by dynamic young people that focuses on developing educational and technology-based programs. RAS has a goal to contribute to the achievement of Sustainable Development Goals (SDGs) through technology and innovation-based community empowerment.

The method used in this study is a qualitative approach combined with financial and budget analysis. Data was collected through various documents such as financial reports, work plans and budget documents (RKA), internal risk analysis documents, and internal Standard Operating Procedures (SOPs). In addition, unstructured interviews were conducted with a key informant within the institution. The key informant is a financial manager and was directly involved in the risk management process and budget preparation and was selected due to their comprehensive understanding of organizational processes, risk assessment, and financial planning. The interviews were conducted during the initial exploration phase to understand the scope, issues, and decision-making processes related to budgeting and risk management at RAS. The data obtained from these interviews was not used as the primary source of analysis. Instead, it served as contextual support in interpreting the documents as secondary data.

The data was analyzed using two approaches, such as financial analysis and risk analysis. Financial analysis was conducted through trend analysis to evaluate financial performance and conditions which may enrich the final proposed framework. Risk data was analyzed through a risk management process adapted from elements of ISO 31000 and risk-based budget implementation steps from previous research (Mayasari, 2023; Puskas BAZNAS, 2021). The process includes risk context establishment, risk identification, risk assessment, risk evaluation, and risk mitigation. The results of both approaches produce a budget planning framework that integrates risk analysis into the budget planning process. This framework will be used as a reference for developing SOPs or a budget planning flowchart.

Results and Discussion

The current budget planning process in RAS involves four different functional roles consisting of Budget Users, Management, Executive Board, and Advisory Board. The process begins with Management setting budget targets and allocations. Then the Budget Users begin to develop the work and budget plan (RKA) and form the submission document. Then, the document will be reviewed and validated by the Management and Executive Board. If the budget is deemed inappropriate, the document will be returned to the Budget User for revision and repeating the financial plan and budget process. If it is appropriate, it will proceed to the next stage, which is the establishment of the RKA by the Advisory Board. Once determined, the RKA will be socialized by Management to relevant parties and then the Budget Users can implement the RKA.

Meanwhile, the current risk management implementation is limited to administrative tasks and consists of some risk registers that identify all business processes per department that may have certain risks and opportunities. This fact is in line with BAZNAS' statement that although many zakat institutions in Indonesia have begun to implement risk management, its implementation is generally not comprehensive and has not been fully integrated into the organization's decision-making processes and strategic objectives (Puskas BAZNAS, 2021). The risks are outlined in several tables containing information on risk/opportunity descriptions, impact, consequences, likelihood, significance level, control plans, monitoring periods, responsible persons (accountable parties), and evaluations of the effectiveness of risk/opportunity control plans.

The risk assessments listed in the tables are quantitative. Each risk/opportunity is scored based on two aspects: consequence level (1: insignificant, 2: minor, 3: moderate, 4: significant, 5: very significant) and likelihood level (1: almost never occurs, 2: rarely occurs, 3: occasionally occurs, 4: frequently occurs, 5: always occurs). The scores from these two aspects are combined and used to determine the risk level, which is categorized as low, moderate, high, or very high. Control action plans are divided into exploiting opportunities, accepting risks, reducing risks, sharing risks, or avoiding risks. Each type of action selected is then further explained in the form of specific activities.

However, the problem is that despite the risk assessment process using consequences and likelihood scores, there are some inconsistencies in determining the risk/opportunity level categories. In some tables, an aggregate score of 5 is classified as high, while an aggregate score of 8 is classified as moderate. If the assessment of the significance of risk/opportunity levels is more inclined toward consequence scores, the assessment methods and thresholds need to be documented and recorded. Due to the lack of explanation regarding the aggregate score range, the following is the score range classification: very low (1-3), low (4-6), moderate (7-9), high (10-14), very high (15-25).

From this finding, a risk analysis process was carried out. From the entire list of identified risks in current risk management tables, only those risks labeled as very high (VH) or those with an aggregate score of 15-25 will be extracted. The reasons for focusing on these VH risks are that the score range applicable to the VH label is longer than that of other levels and there is minimal labeling inconsistency. With the given VH label, RAS has consciously determined that these risks need attention and prioritization. There are 12 risks with a VH level, as shown in Table 1 below.

Table 1. Risk register containing only VH label risks (source: RAS's risk management documents-internal use)

Code	Depart-ment	Business Process	Risk Event	Impact	C	L	Risk Level	Mitigation Action Plan
R1	General Affair	Asset Procurement	Unreliable vendor or procurement fraud	Financial loss	5	3	15	Utilize vendor-owned asset ownership documents as collateral
R2	Finance	Use of accounts in daily transactions	Use of personal bank accounts for organizational transactions	Potential for fraud	4	4	16	Vendor payments must be made through the organization's account, admin can only hold petty cash (max IDR 5M/week), sign an Integrity Pact, and create a dedicated account
R3	Marketing	Awareness (Education)	Public unfamiliarity with the zakat institution	Some people pay zakat independently (e.g., to mosques), or are unaware of zakat's urgency	4	4	16	Expand educational content and literacy campaigns to attract new leads or audience
R4	Marketing	Trust (Transparen-cy)	Many similar institutions offer similar programs; some engage in fraud	Programs perceived as unvaried and reducing public trust	4	4	16	Create more intimate and exclusive campaigns for Rumah Amal donors, and improve transparency quality and frequency
R5	Marketing	Booth Activation at Masjid Salman or key spots	Difficulty in setup and operational cost needed	Increased operational expenses	4	4	16	Conduct a preliminary survey
R6	Marketing	Fundraising	Fundraising target not achieved (zakat realization below target)	Zakat realization does not meet target	5	5	25	Add disclaimers to every zakat fundraising content
R7	Marketing	Partner Outreach Visit	Partners not ready to collaborate	Unable to raise ZIS funds from partners	4	4	16	Seek other partners with aligned objectives
R8	Program	*Mustahik* Commitment Agreement	Low compliance from *mustahik* to agreed commitments	Reduced program effectiveness due to *mustahik* nonparticipation	5	3	15	Issue warning letters to non-compliant *mustahik*
R9	Program	*Mustahik* Data Verification	Emotional bias reduces staff independence during verification	Assistance recommendations deviate from SOP	5	3	15	Tighten assessment variables and automate recommendation results via spreadsheets
R10	Program	*Mustahik* Complaints & Satisfaction	Increased complaints due to delayed aid processing	Decline in *mustahik* satisfaction with basic services	5	4	20	Monitor dashboard for aid requests, add volunteer verification staff

R11	Program	Partner Candidate Identification	Selected partners not aligned with Rumah Amal values	Resource and time wasted on ineffective collaboration	5	3	15	Use vision and mission alignment as primary partnership filter
R12	Program	Collaborative Program Reporting & Evaluation	Delays or report quality not meeting partner expectations	Partners feel neglected and reduced their trust	5	3	15	Set clear reporting schedules, enhance internal coordination, and review reports before submission

From the risk register above, it can be concluded that the most VH level risks are in the Program and Marketing departments, which include processes in program execution and external management of the institution. The risks in the Program department show that the main challenges in the Program Department are in the management of *mustahik* (beneficiaries), collaboration partners, and internal operational systems. While risks in the Marketing department indicate that the focus of this department should be on communication strategies, trust building, and partnership management. On the other hand, risks in the Finance and GA departments are systemic and can affect the finances and image of the organization.

Additionally, as shown in Table 1, the mitigation action plan that has been developed still consists of activities that must be carried out by specific team members with the aim of preventing or minimizing the possibility of risk events occurring. However, these activities have not been systematically organized into an integrated, measurable, and sustainable program. As a result, the effectiveness of risk mitigation may be reduced due to the lack of structure, monitoring, and measurable evaluation. Therefore, as a follow-up measure, several programs will be proposed which are expected to provide a more concrete and practical solution to the current mitigation plan (see Table 2).

Table 2. Activity-based mitigation plans to be developed into programs

Code	Mitigation Action Plan	Proposed Program
R1	Utilize vendor-owned asset ownership documents as collateral	Development of a vendor database with vendor reputation assessment criteria and a blacklisting system
R2	Vendor payments must be made through the organization's account, admin can only hold petty cash (max IDR 5M/week), sign an Integrity Pact, and create a dedicated account	Formalization of procedures into the Standard Operating Procedures (SOP) and establishment of staff compliance monitoring mechanisms
R3	Expand educational content and literacy campaigns to attract new leads or audience	Content optimization marketing, complemented by a system to monitor campaign effectiveness
R4	Create more intimate and exclusive campaigns for Rumah Amal donors, and improve transparency quality and frequency	Content optimization marketing and impact report publication to enhance transparency and donor trust
R5	Conduct a preliminary survey	Development of a database of booth locations and operational costs, along with the creation of booth feasibility standards
R6	Add disclaimers to every zakat fundraising content	Optimization of fundraising content and collaboration strategies, and formulation of fundraising targets based on historical data and donor potential
R7	Seek other partners with aligned objectives	Development of a partner database and implementation of a readiness assessment system prior to collaboration
R8	Issue warning letters to non-compliant *mustahik*	Development of a *mustahik* database and evaluation system to monitor beneficiary compliance and program impact
R9	Tighten assessment variables and automate recommendation results via spreadsheets	Development of an automated verification and recommendation system, supported by staff training on objective verification methods
R10	Monitor dashboard for aid requests, add volunteer verification staff	Development of a reminder system and SOP for response time management in service delivery to beneficiaries
R11	Use vision and mission alignment as primary partnership filter	Development of a partner database and implementation of a value alignment assessment system for partner selection
R12	Set clear reporting schedules, enhance internal coordination, and review reports before submission	Integration of SOPs with reminder systems, automated notifications, and a partner-led report quality assessment system

From the proposed mitigation program in the table above, the most dominant element is the need for database development. In almost every risk, the proposed solutions involve the creation or updating of databases or systems, ranging from databases of vendors, partners, *mustahik*, booth locations, to various program reports. This may indicate that the key to managing such high-level risks lies in an integrated information system and well-documented reports. Therefore, the development of a systematic and integrated database that can be accessed across functions is an important thing to ensure that risk mitigation can be carried out appropriately, based on data, and sustainable.

Meanwhile, RAS allocates its current budget based on programs managed by several departments, such as the Program, Marketing, Human Resource & General Affair, and Finance & Operations. From the overall budget, the largest portion is allocated to the Program Department. Based on the budget, from the overall budget, the largest portion is allocated to the Program Department or around 86% of the total budget. Then followed by the HR & GA Department at around 10%, the Finance & Operations Department at around 2%, and the Marketing Department at around 2% (see Table 3).

The next step involves mapping potential risks to each program listed in the budget allocation table. The table below

shows the mapping between the programs run by each department and the potential risks that may arise, as well as the support systems that may be needed to mitigate those risks. This mapping aims to show the relationship between the risk analysis table and link it to existing programs. The results indicate that each program also needs to be supported by systemic infrastructure capable of ensuring the sustainability and effectiveness of the program.

Table 3. Program, Risks, Support System, and Budget Mapping

Program	Depart-ment	Possible Risk	Possible Support System	Percent of Budget
Penggerak Muda	Program	R8, R9, R10, R12	Evaluation and documentation system, *mustahik* database	2.97%
Nusantara Scholarship	Program	R8, R9, R10, R12	Evaluation and documentation system, *mustahik* database	13.34%
Perintis Scholarship	Program	R8, R9, R10, R12	Evaluation and documentation system, *mustahik* database	3.03%
Teladan Negeri Scholarship	Program	R8, R9, R10, R12	Evaluation and documentation system, *mustahik* database	2.25%
Imam Muda Salman Scholarship	Program	R8, R9, R10, R12	Automated verification and recommendation system, evaluation system, partner and evaluation database	2.67%
Other Zakat, Infaq, and DSKL Programs	Program	R8, R9, R10, R12	Evaluation and documentation system, automated verification system	0.30%
Other Educational Helps	Program	R2, R6, R9, R10	Aid request reminder system, quick response SOP, complaint monitoring system	2.23%
Humanitarian & Technology Programs	Program	R8, R9, R10, R11, R12	Partner selection and evaluation system, partner reporting SOP, profile and progress database	2.65%
Village Empowerment (3 Villages)	Program	R8, R9, R10, R11, R12	Partner selection and evaluation system, partner reporting SOP, profile and progress database	2.38%
MSME Economic Empowerment	Program	R9, R12	Monitoring system, evaluation database	0.22%
Youth Volunteer House	Program	R8, R9	Verification and aid request monitoring system, quick response system	0.26%
Salman Health Center		Possible Risk	Possible Support System	0.59%
Post-graduate Scholarship	Program	R8, R9, R10, R12	Evaluation and documentation system, compliance evaluation database	1.79%
Indonesian Campus Mosque Association (AMKI)	Program	R7, R8, R9, R11, R12	Partner evaluation system, collaboration SOP, reporting system and database	2.29%
Operational Expenses (Team Training, etc)	Program	R9, R12	Evaluation database, documentation and monitoring system, training SOP	49.32%
Other Programs (Qurban, Ramadan, Salman)	Program	R1, R2, R3, R4, R5, R6, R7, R9, R10, R11, R12	Vendor management system, partner database, collaboration reporting and internal notification system	9.69%
Human Resources (Amil Facilities, Partner-ship, Development, and Welfare)	HR & GA	R9, R10, R12	HR management system and database, amil recruitment and training SOP, amil career path	1.65%
Institutional Facilities, Legal, Technology, and Audit	Finance & Operation	R1, R2, R6, R12	Evaluation dashboard, SOP compliance audit, asset and vendor management system	2.37%
Marketing Comm, Partnership, Network, and Upgrading	Marketing	R3, R4, R5, R6, R7	Campaign monitoring system, partner database, reporting system	2.97%

From Table 3 above, each program has certain risks that need to be considered for the program to run optimally. However, several programs face similar types of risks, such as the verification process of beneficiaries, beneficiary commitment, beneficiary satisfaction levels (R8–R10), etc. These similarities are natural because most programs in zakat institutions are directly related to *mustahik* and the aid distribution process. Therefore, these risks are very likely to occur. Additionally, the potential supporting systems that have been identified to facilitate efforts and control the risks in each program. Most support systems needed are in the form of databases and digital systems, such as verification systems, reporting systems, monitoring systems, as well as *mustahik* and partner databases. With the identification of risks and relevant support systems, the organization can conduct planning and oversight in a more targeted manner, as well as allocate resources more efficiently according to actual needs.

Table 4. Summary of RAS Financial Report

Component	2021	2022	2023	Notes
Total Asset (Current + Non-Current)	9,801,294,563	8,559,108,468	6,477,015,540	Declining every year
Total Funds Received	25,663,973,521	27,590,728,963	31,933,238,532	Rising, but not keeping pace with funds distributed
Total Funds Distributed	27,931,592,827	28,843,226,561	34,010,030,962	Rising, but always exceeding funds received
Personnel Costs (Amil Wages & Allowances)	1,716,093,655	1,892,511,561	2,087,095,605	Rising every year
Operational Costs	3,131,521,077	2,967,699,429	3,638,631,626	Declining in 2022, but rising significantly in 2023
Cash Flow	– 2,507,629,5	– 1,524,892,5	– 2,448,048,7	Always negative

from Operating Activities	52	51	15	every year
Year End Cash Balance	9,141,863,692	7,721,828,596	5,364,032,174	Declining every year
Year End Zakat Funds	3,824,950,343	2,948,145,799	1,557,691,621	Declining every year
Year End Amil Funds	1,969,911,961	1,584,873,818	1,533,865,292	Decreasing, but tend to stabilize

In addition, this study is also enriched with insights from trend analysis (see Table 4). By looking at RAS's financial reports from 2021 to 2023, there are several things that need to be emphasized. RAS's current assets and non-current assets have always decreased every year, and total assets in 2023 decreased by around 30% compared to 2021. Total funds received and distributed have increased annually, but the total funds distributed have consistently exceeded the total funds received. This has resulted in a declining year-end cash balance each year, with the 2023 year-end cash balance projected to decrease by approximately 50% compared to 2021. Cash flow from operating activities has also been negative for the past three years. This means that the organization does not generate enough cash to finance its operating activities and may indicate liquidity and financial sustainability risks in the future. Operating costs also exceed amil income, and the data even shows that operating costs and human resource costs tend to increase every year. On the other hand, it is known that the amount of funds distributed is greater than the amount of funds received due to the obligation to distribute the remaining zakat funds from the previous year. As shown in Table 4, the year-end balance of zakat funds has been decreasing every year. According to the source's statement, ideally, the zakat fund balance should not leave an accumulation at the end of the year, and it would be even better if it reached zero. Therefore, a new strategy is needed that includes efficiency, mitigation of liquidity risks, and alignment with risk analysis results.

In summary, the results of this study indicate that the risk-based budgeting approach has not been systematically implemented in RAS, although elements of risk awareness are beginning to emerge, as evidenced by the existence of few internal risk registers. The problem lies in the structural mismatch between the budget and the risk analysis. The budget is prepared based on programs per department, while the risk analysis is conducted based on business processes per department. There is no connection between the two because the analysis processes are conducted separately and do not take each other into account. However, risk analysis has been conducted through the extraction of risk lists and the mapping of risks to budgeted programs. This approach allows researchers to capture both the explicit financial structure and implicit considerations in decision-making in RAS. Although this method has not been widely applied in the context of zakat institutions, the results show great potential for further research. The combination of risk register evaluation and budget document analysis is highly relevant for non-profit organizations with limited resources that require risk-based planning. Therefore, the approach used in this study provides a methodological contribution that can be adapted by similar institutions seeking to integrate risk management into their budgeting processes.

Finally, as a solution, a proposed budgeting framework was designed to systematically integrate risk assessment, financial performance evaluation, and the budgeting process (see Figure 1). This framework was developed by adapting existing processes in the RAS and adding new elements such as risk profiles and financial performance reviews as a basis for more effective and risk-responsive budgeting decisions.

The process of preparing a risk-based Work Plan and Budget (RKA) begins with strategic guidance from the Advisory Board or the organization's top leadership to start the next budget cycle. Following this guidance, the first step in the process is to review the financial performance of the previous period. This assessment evaluates the extent to which budget implementation supports program achievement and whether there are any significant deviations. If budget and financial performance evaluations have been conducted previously, this process will only involve a brief review to recall the results of those evaluations. On the other hand, this process runs parallel to the evaluation of the previous period's risk register, which assesses the effectiveness of the mitigation measures that have been implemented, the possibility of new risks emerging, and updates the risk list to determine whether it is still relevant.

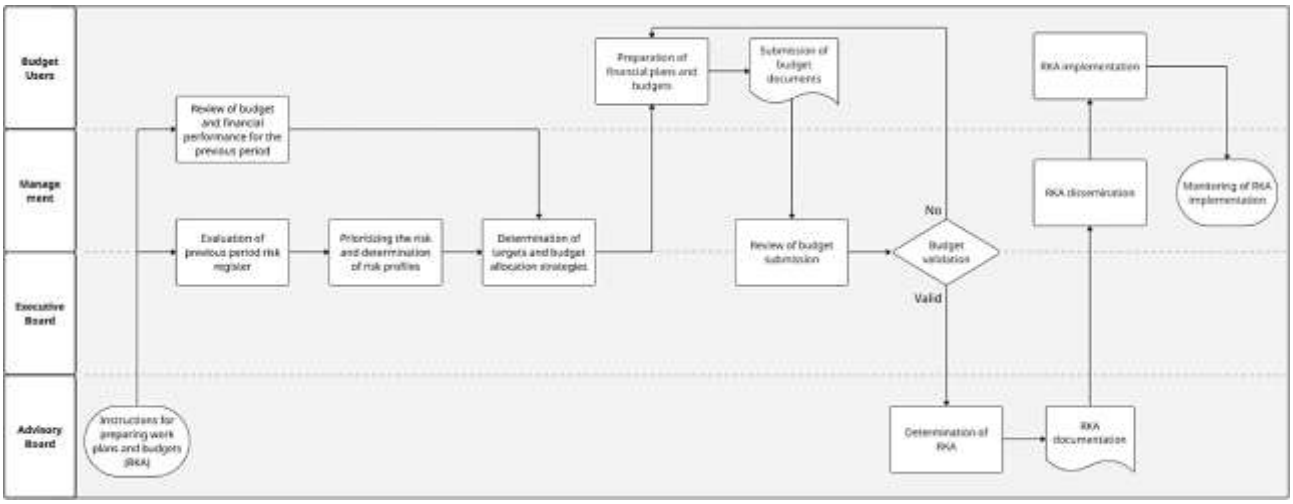

Figure 1. Proposed Framework (Risk-Based Budgeting Framework)

The results of this risk evaluation will form the basis for setting risk priorities and determining the organization's risk profile. Subsequently, the results of the prioritization and risk profile will be combined with the results of the budget and financial performance evaluation to see the overall interconnection. This combined information is used by Management as a basis for setting targets and budget allocation strategies that align with the organization's risk profile. Then, this information will serve as a reference for Budget Users in preparing the financial plans and budgets for each unit or program. After that, the budget plan that has been prepared is submitted in the form of a document and reviewed by Management. This review aims to ensure consistency between the proposed budget and the risk profile and organizational strategy. After going through the review process, the budget is validated. If valid, it proceeds to the RKA approval process by the Executive Board and Advisory Board. If invalid, the document is returned for revision by the relevant Budget Users. After the RKA is approved, the official RKA document is prepared and disseminated to all implementing units. This process concludes with the implementation of the RKA and regular monitoring of its implementation to ensure that the program runs according to the planned budget and that risks remain at an acceptable level.

The implementation of this framework is expected to have a positive impact on financial management. The budget preparation process is no longer based solely on historical data but also consider the level of risk inherent in each program. Although most programs face similar types of risk due to similarities in implementation processes, this consideration remains important for allocating budgets based on priorities and risk considerations. Additionally, the risk profiling process encourages a more proactive approach to future uncertainties. The integration between risk analysis and budget target determination processes also has the potential to improve the evaluation system, as discrepancies in budget realization—whether under- or over-budget—can be directly tracked through documented risk records (if not yet documented, risk records can be added). Thus, budget evaluation can be conducted in parallel with risk evaluation in a more systematic and measurable manner.

Limitation Of The Study

The scope and limitations of this study cover several aspects. First, this study focuses on the development of a risk-based budgeting framework in the context of philanthropic and non-profit organizations, specifically Rumah Amal Salman (RAS). Second, this study focuses on risk management in Zakat Management Organizations (OPZ), which may have different characteristics from other organizations. The discussion of this research only covers how budget allocation is carried out on a risk-based basis, not the overall financial allocation of the organization. Furthermore, this research does not cover all risk management methods but only focuses on how a risk-based budgeting approach can be applied. Finally, the results of this research are not intended to be generalized to other institutions outside RAS.

Conclusions and Recommendations

Based on the research process that has been carried out, through a qualitative approach and document analysis (financial reports, budgets, and risk registers), this study has successfully identified priority areas in the development of a risk-based budgeting system at RAS. The main findings indicate that RAS needs to prioritize the development of appropriate systems and databases, as the dominant risks are largely related to information systems and verification processes involving external parties such as *mustahik* (beneficiaries) and partners. Strengthening these systems requires special programs and more adequate budget allocations.

Additionally, the financial analysis results indicate the need for a balance between received funds and distributed funds, as well as improvements in operational expenditure efficiency. Therefore, the proposed budgeting framework is designed to systematically integrate risk assessment, financial performance evaluation, and the budgeting process (see Figure 1). This framework was developed by adapting existing processes at RAS and adding new elements such as risk profiling and financial performance reviews as the basis for more effective and risk-responsive budget decision-making.

This study contributes a conceptual framework that can serve as a reference for other zakat institutions in developing risk- and data-based budgeting processes. In the future, further studies can be developed to expand the application of this framework to other types of philanthropic organizations, or to evaluate its effectiveness through a quantitative approach.

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