

**UNIVERSITI TEKNOLOGI MARA**

**RISK MANAGEMENT PRACTICES:  
CASE EVIDENCE FROM  
MALAYSIAN ZAKAT  
INSTITUTIONS**

**NAZIFAH BINTI MUSTAFFHA**

Thesis submitted in fulfillment  
of the requirements for the degree of  
**Doctor of Philosophy**  
**(Accountancy)**

**Faculty of Accountancy**

**September 2022**

## ABSTRACT

Risk management is recognised as a crucial aspect of good governance. The implementation of risk management helps institutions to improve their management, use resources effectively and efficiently, and provide better services to their stakeholders. Due to the importance of risk management, such practice expands from the corporate to the public and government sectors with at least minimum adoption. As for zakat institutions, some of the institutions have practised risk management within their governance. This action is important to curb the issue of the reputation and performance of zakat institutions in the eyes of the public. However, notwithstanding the tremendous zakat institutions especially in Malaysia, risk management practice seems to be given less attention by the zakat managers. A review of major studies in the zakat management area proves that most of them focus on management in general with little consideration for the aspect of risk management. They do not provide direct evidence of risk management practice in zakat institutions. Thus, this study comes into existence to explore the types of risks and their relevant impacts on zakat institutions. Then, it explores the extent of current risk management practices in zakat institutions. Additionally, it is also conducted to examine the influencing factors for the adaptation of the risk management function in zakat institutions. Applying the case study methodology, this research conducts semi-structured interviews with the relevant risk management officers of seven voluntarily zakat institutions that participated in the study. Purposive sampling was used to select the institutions, which focused on those that have implemented formal risk management in their institutions. The findings demonstrated that risk management is a new practice in zakat institutions, with varying levels of maturity and advancement from one institution to the next. The success of risk management mainly relies on the internal management's willingness and readiness to have such a practice, supported by a few external motivational factors. The study finally proposes a risk management framework for zakat institutions in particular and other religious institutions in general. The proposed framework has undergone review with the risk management practitioners from one State Islamic Religious Council. This research has made a significant contribution to the assessment of zakat risk management, the identification of influencing factors that drive the implementation of risk management practice, and the proposition of a risk management framework to assist zakat institutions in developing or improving their risk management approaches that are aligned with the requirements of their institutional contexts.

## ACKNOWLEDGEMENT

Alhamdulillah. My thanks to Allah SWT for giving me the opportunity to embark on my PhD and complete this challenging journey successfully.

First and foremost, I wish to place on record my heartfelt and sincere thanks to my main supervisor, Assoc. Prof. Dr. Sharifah Norzehan Syed Yusuf, for guiding, inspiring, motivating, and providing me an opportunity to complete my PhD research. I appreciate her time and ideas for making my work more productive and stimulating. Her valuable suggestions, comments, guidance, and most importantly, her prayers, encouraged me to learn more day by day. Her deep insights helped me at various stages of my research. I am also indebted to her for her generosity, selfless support, and especially for the excellent example and patience that she has provided me for the last five years. May Allah reward her with a blissful life here and hereafter.

I am extremely grateful to my co-supervisor, Assoc. Prof. Dr. Nawal Kasim, for her willingness to be my former co-supervisor. I would like to thank her for encouraging my research and for allowing me to grow as a research scholar. Her important suggestions and advice are priceless. Thank you for her valuable time, cooperation, and generosity, which made this work possible as it is till the end. Her support has been the most profitable experience for me. May Allah bestow the best of His blessings on her.

A heartfelt thank you is also dedicated to my supportive family – my beloved husband, mother, and father. Their cooperation, sacrifice, prayers, and understanding day and night make me strong and believe in myself. They have lent me their shoulders whenever I was in need of their aid and advice. Not forgotten, my dear kids, thanks a lot for sacrificing their joy and happiness during the last five years. InsyaAllah, all of them will be my priority after this, to make them successful in this life and hereafter. May Allah shower them with His love, care, and blessings.

Not to be forgotten are Dr. Mohd Khairul Nizam Zainan Nazri (my idol and ambitious mentor), Dr. Mardiana Mat Ishak, the 2MWorld team, and the entire Platinum Dr. Rokat family for the infinity of guidance, prayers, cooperation, knowledge sharing, and precious time spent together. Alhamdulillah, the best PhD moments I had were with this positive circle. May Allah grant them goodness here and hereafter.

Last but not least, many thanks to all the research scholars, academia, administrative staff, and others who have helped me directly or indirectly throughout this journey. May Allah grant them the best rewards and ease their future undertakings.

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