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DONOR DUE DILIGENCE, EDUCATION, DONOR STATEMENTS, AND FINANCIAL REPORT TRANSPARENCY AS A PREVENTION OF MONEY LAUNDERING IN ISLAMIC PHILANTHROPY

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Abstract: This study aims to explore the potential for money laundering in Islamic philanthropic institutions and how to prevent it. This study uses a descriptive-qualitative method with a literature study approach. Islamic philanthropic activities consist of three activities: collection, management, and distribution. The results show that the potential for criminal acts of money laundering in Sharia philanthropic institutions is in fund collection activities. The potential for money laundering arises from donors with a donation value of more than IDR 500 million, with the condition that the donor does not provide information regarding the source of the funds, so it is not known whether the origin of the funds comes from legal or illegal activities. This study provides recommendations for preventing money laundering through the implementation of donor due diligence, education regarding money laundering warnings to the public, blank donor statements stating that the funds deposited are not from money laundering activities resulting from criminal acts or other illegal sources, and maintaining transparency in financial reporting for the collection and distribution of funds. This study contributes to helping Islamic philanthropic institutions solve problems related to money laundering crimes and formulate effective prevention models for anticipating money laundering crimes.

Keywords: *Islamic Philanthropic Institutions, Money Laundering, Prevention*

A. Introduction

Fundraising activities in the community through formal and informal institutions, or what is commonly known as philanthropy, are increasingly being carried out and are spread throughout Indonesia. Many philanthropic institutions have sprung up in Indonesia, both individual, corporate, and non-company philanthropic institutions, which are oriented towards religion, education, social welfare, health, humanity, and others that focus on poverty alleviation activities and improving people's quality of life. The benefits of the existence of philanthropic institutions were increasingly felt when the COVID-19 pandemic occurred, strengthening the community's economy through various empowerment programs (Afiah & Yulianti, 2022; Rahman & Ma'adi, 2023). Philanthropy is the conceptualization of efforts to share with others as a form of compassion for others through voluntary giving, voluntary services, and voluntary associations (Mubarak, 2019). At a practical level in society, philanthropy is also known as cooperation, community service, generosity, volunteerism, or social activities. As in several references, the term philanthropy is also referred to as voluntary action for the public good (voluntary action for the public interest) (Maftuhin, 2022).

Philanthropic activities in Indonesia have received a massive response from the Indonesian people, as evidenced by a large amount of funds raised. The benefits derived from this philanthropic activity are huge, increasing the welfare and economic empowerment of the people in Indonesia. According to the Indonesian Philanthropy Report, a non-profit non-profit association institution that serves philanthropic institutions in Indonesia, in 2018–2020, a total of IDR 39.6 trillion has been channeled through philanthropic activities originating from corporate foundations (8.21%), corporate philanthropy (5.91%), crowdfunding platforms (3.84%), family foundations (2.42%), and independent foundations (1.92%) (Wibowo et al., 2022). The large amount of funds that have been successfully raised in philanthropic institutions, apart from being able to provide maximum benefits to improve the quality of life of the community, also raises the potential risk of fraud (misuse of funds) and money laundering crimes (Setiawan, 2024; Yustiavandana, 2022).

The potential risk of fraud in philanthropic institutions can occur during collection, management, and distribution, whether on a small or large scale (Ohalehi, 2019; Setiawan & Cholili, 2023). Potential risks in philanthropic institutions include strategic, operational, financial, and compliance risks, which can lead to fraud and other crimes (Arshad et al., 2015). In August 2022, the Financial Transaction Reports and Analysis Center (PPATK) found 176 philanthropic institutions that misused publicly donated funds (Yustiavandana, 2022). Some money laundering cases that came under scrutiny in philanthropic institutions in Indonesia were the cases of Yayasan ACT and YKUS in 2020 (Sirait et al., 2023). The ACT case surfaced after the Audit Board of the Republic of Indonesia (BPK) declared findings of alleged irregularities in using humanitarian aid and education funds. Meanwhile, YKUS was suspected of being involved in fundraising with unclear origins and alleged misuse of funds not aligned with its philanthropic purposes.

Money laundering is a method for hiding, transferring, and using the proceeds of a criminal act, organized criminal activity, economic crime, narcotics trade, and other criminal activities (Sumadi, 2017). Money laundering involves disguised assets to be used without being detected as originating from illegal activities. Through money laundering, assets originating from illegal activities are changed to appear as if they came from legitimate or legal sources. One of the activities included in the crime of money laundering is the grant process (Geno, 2019). The process of grants in money laundering activities is aimed at placing funds resulting from criminal acts or other illegal activities from funds resulting from illegal activities that are channeled to philanthropic institutions or other charitable institutions, both formal and informal so that these funds can be disguised as charitable funds that are useful for other people. In contrast, these funds must be accounted for in the criminal court and returned when the crime is uncovered.

Research on money laundering crimes in philanthropic institutions is exciting, considering that philanthropic institutions are non-profit non-profit organizations formed for charitable purposes and are noble activities that are not for profit, so, surprisingly, these institutions are used as channels for acts of abuse such as embezzlement of funds by individuals or as a means for money laundering (Arshad et al., 2015). Philanthropic institutions as non-profit non-profit organizations rely heavily on a positive public image and good perceptions from the public regarding the credibility of fund management, so this will have an impact on the difficulty of maintaining the trust of fund owners and have significant implications for subsequent fundraising efforts after fraud or money laundering has occurred. Laundering (Zikri et al., 2018).

This study continues previous research from Setiawan & Alim (2022) that explores the utilization of Islamic philanthropic institutions in Indonesia to provide warning signal recommendations to prevent potential fraud through the ACR method, disbursement speed, and RHA. Fraud in this study originates from internal parties of institutions, foundations, or companies and is committed by individuals for personal gain. This research develops analysis and seeks to provide prevention recommendations for other potential risks of crime in Islamic philanthropic institutions due to money laundering crimes. This study aims to explore the potential for money laundering crimes in Islamic philanthropic institutions in Indonesia and how to prevent them so that Islamic philanthropic institutions can avoid money laundering crimes from sources of criminal acts and other illegal funds.

This study contributes to several things: first, helping Islamic philanthropic institutions solve problems related to money laundering crimes and implement an internal control system. Identifying the causes of money laundering crimes can control and prevent their potential. Second, this study assists Islamic philanthropic institutions in formulating effective prevention models to anticipate money laundering crimes. The remaining section of the paper is organized as follows: Section 2 develops the research methodology. Section 3 summarizes and discusses money laundering crimes in Islamic Philanthropy and recommendations for prevention. Finally, Section 4 presents the summary and conclusions of the research, highlighting key findings and research contributions.

B. Method

This study uses a descriptive qualitative method with a literature study approach. Descriptive qualitative research aims to understand the phenomenon experienced by research subjects using descriptions by words and language to provide understanding and explanation so that readers can understand them well (Moleong, 2017). The literature study approach is intended to assist the reader in understanding the entire body of available research on a topic obtained from various literary sources, informing the reader about the advantages and disadvantages of studying the topic (Snyder, 2019). The reason the author uses this approach is that, due to conducting studies on the prevention of money laundering crimes in Islamic philanthropic institutions, he requires relevant theories and concepts, either from writing in the form of books and articles that have been published in scientific journals or from other relevant sources. It makes it more accessible for the author to complete this study.

Snyder (2019) mentions the steps taken in a literature study: first, determine the topic or research question; second, identify relevant information of inclusion/exclusion criteria or keywords; third, perform a literature search with identified keywords; fourth, screen all and exclude irrelevant studies; fifth, research relevant studies; sixth, synthesize findings; and seventh, develop conclusions and recommendations. Literature was obtained from online publications via the Google search engine and Google Scholar over the last five years. The keywords used are "money laundering," "Islamic philanthropy," "prevention," "crime," and "fraud prevention." The search yielded three e-books and twenty-three articles from accredited national and international publications. The study takes the form of classification and identification of previous research analysis by paying attention to the following aspects: research topic, methodology, theory, and year of research. The articles that have been identified are grouped based on the topic they wish to research through sub-themes in the research object. The stages of the literature review, as shown in Figure 1, explain the systematics of this study. The analysis was carried out descriptively by displaying the results of reviews and analyses of published books and articles related to the research topic.

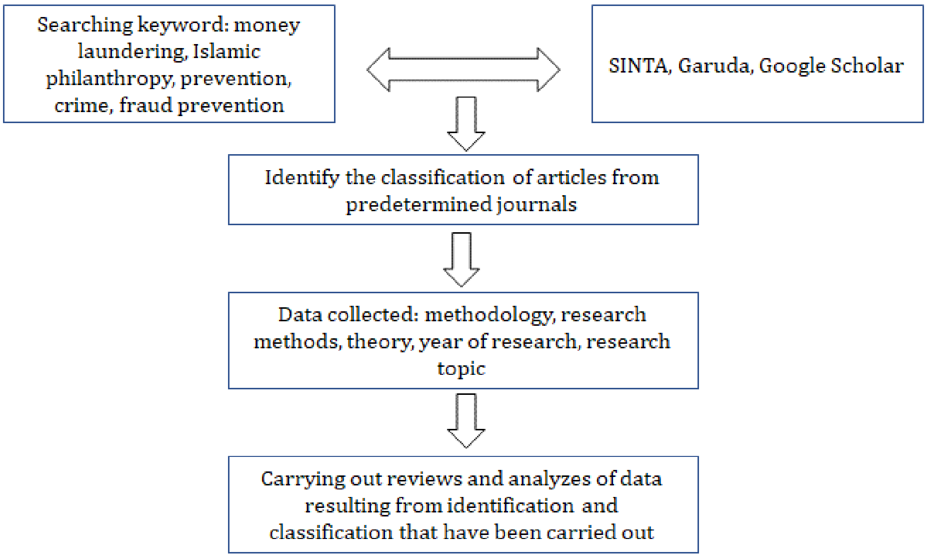

Figure 1. Literature Review Stage

C. Result and Discussion

1. Islamic Philanthropy Institution in Indonesia

Philanthropy is a form of caring for a person or group of people for other people based on love for fellow human beings (Maftuhin, 2022). Meanwhile, Islamic philanthropy is associated with the terms *shodaqoh* (alms), *al-birr* (good deeds), *ata' khayri* (giving for good), *al-ata' al-ijtima'i* (social giving), and *al-takaful al-insani* (human solidarity). Islamic philanthropy is a form of kindness to others anywhere and anytime, either through obligations or recommendations binding on a Muslim by Islamic law (Setiawan, 2023a). Islamic philanthropy has two principles: 1) it is a binding obligation on every Muslim in the form of a zakat instrument (compulsory law), and 2) it is a suggestion or kindness that is called upon every Muslim (sunnah law) as a form of generosity in the form of an *infaq* instrument, *shodaqoh*, endowments, and grants (Al-Jaza'iri, 2017; Al-Khalafi, 2011; BAZNAS, 2022; Rahman & Ma'adi, 2023). Zakat is the obligation of every Muslim with assets that have reached the *nishab* under certain conditions. *Infaq* is a sunnah practice broader than zakat on a Muslim's property. *Shodaqoh* are all the good deeds of a Muslim, both in the form of material (property) and non-material. Waqf is the detention of an asset so that the property cannot be inherited, sold, or donated, and the proceeds are given to the recipient. A grant is a gift given by someone to whom money or goods are taken from his property.

Islamic philanthropic activities consist of three activities: collection, management, and distribution (KNEKS, 2019). Collection activities consist of every activity involved in receiving funds from property owners (*muzakki, wakif*, and donors), from outreach to receiving funds from philanthropic officers. Management activities include planning, resource management, fund management, monitoring, and evaluation. Distribution activities include channeling funds according to Islamic law to *mustahiq, mauquf 'alaih*, and recipients of donations. The utilization of Islamic philanthropic funds is expected to generate benefits in alleviating poverty and supporting the national economy by allocating both to the consumptive sector (education, health, social, and da'wah) and the productive sector in the development of the halal industry (KNEKS, 2019; Rahman & Ma'adi, 2023; Setiawan & Soewarno, 2024).

Islamic philanthropy in Indonesia includes various activities aimed at providing benefits to society by the principles of Islamic teachings. Some forms of Islamic philanthropy in Indonesia involve charitable activities, donations, and social projects by individuals, groups, or institutions inspired by Islamic values. The following are some examples of Islamic philanthropy in Indonesia (KNEKS, 2019):

a. Zakat, *Infaq*, and *Shodaqoh* (ZIS): The practice of giving zakat, *infaq*, and *shodaqoh* is an integral part of Islamic teachings. Many organizations in Indonesia, both religious institutions and charities, manage zakat and *infaq* funds to support social welfare programs.
b. Charity and Social Institutions: Many Islamic charity institutions in Indonesia focus on assisting needy people. They can provide health assistance, education, housing, and so on.
c. Islamic Education: Contributions to Islamic education involve the construction of schools, Islamic boarding schools, and other educational centers. This philanthropy aims to improve the quality of education and expand access to Islamic education.
d. Humanitarian Assistance: In emergencies or natural disasters, Islamic philanthropic organizations can provide humanitarian assistance, including food, clean water, medical supplies, and other assistance to disaster victims.
e. Community Economic Development: Several Islamic philanthropic projects in Indonesia focus on community economic development, such as providing small business capital, skills training, or assistance for agriculture.
f. Women's Empowerment: Islamic philanthropy can also focus on empowering women through various programs, such as skills training, education, and financial support.
g. Infrastructure Projects: Several Islamic philanthropic institutions in Indonesia are also involved in infrastructure projects to improve community welfare, such as building mosques, wells, or other public facilities.

2. Money Laundering Crimes

Money laundering is the purge of money resulting from crime. Money laundering is an activity by a criminal person or organization against illicit money, namely money originating from a crime, change, or acquisition, and illegally hiding the origin of the money from the government or the competent authority. Take action against crimes by primarily entering the money into the financial system (financial system) so that if the money is removed from the financial system, the finance has turned into legal money (Sumadi, 2017). Law No. 8 of 2010 concerning Money Laundering Crimes (TPPU) states that money laundering is the process of placing, transferring, diverting, spending, paying, granting, depositing, taking abroad, changing form, exchanging currency or securities, or other actions. At the price of assets that he knows or reasonably suspects constitute proceeds of crime, conceal or disguise the origin of the assets.

Based on Article 2, paragraphs 1 and 2 of Law No. 8 of 2010, the proceeds of crime that become objects of money laundering are assets obtained from the following criminal acts: corruption, bribery, drugs, psychotropics, labor smuggling, migrant smuggling, in the field of banking, in the capital market, in the field of insurance, customs, excise, trafficking in persons, illegal arms trade, terrorism, kidnapping, theft, embezzlement, fraud, counterfeiting money, gambling, prostitution, in the field of taxation, in the forestry sector, in the environmental sector life, in the field of maritime affairs and fisheries, or other crimes punishable by imprisonment of four years or more committed in the territory or outside the Republic of Indonesia and these crimes are also crimes under Indonesian law (Sumadi, 2017). The limit on the amount of wealth that can be categorized as the result of illegal funds classified as money laundering is above IDR 500 million, originating from activity income as defined in the TPPU Law. People with a high social level commit this crime, are smart, and already have capital. Perpetrators of crimes like this are commonly referred to as white-collar criminals," who have the following characteristics: 1) invisible (low visibility), 2) very complex (complexity), 3) ambiguity of criminal responsibility (diffusion of responsibility), 4) diffusion of victims, 5) vague or unclear legal rules (ambiguous criminal law), and 6) hard to detect and prosecute (weak detection and prosecution) (Eleanora, 2011).

There are three stages in money laundering: 1) placement, 2) layering, and 3) integration (Anggun, 2022; Eleanora, 2011; Geno, 2019). The placement phase, or the placement/saving phase, moves illegal funds or the proceeds of crime from the source from which the funds were obtained to avoid being traced so that law enforcement authorities do not know the source of the funds. The most common method of placement is smurfing. The obligation to report cash transactions under applicable laws and regulations can be tricked into or avoided through smurfing. There is a relationship between placement and layering, namely that any placement procedure that means changing the physical location or the illegal nature of the money is a form of layering. Layering strategies generally include converting cash into physical assets such as motorized vehicles, jewelry made of gold or expensive gemstones, etc. The integration or merging phase integrates funds legitimately into normal economic processes. This is done by submitting false reports regarding money loans and all actions in the illegal fund laundering process. This allows the perpetrators to use large amounts of funds to maintain the scope of their crimes or to continue to proceed in the world of crimes involving narcotics or corrupt officials.

Preventing money laundering crimes in Indonesia involves a series of efforts by the government, financial institutions, and law enforcement agencies. Some developments in this regard involve improvements to the legal framework, steps to strengthen financial supervision, and cooperation with international institutions. The following are developments in preventing money laundering in Indonesia (Sumadi, 2017):

a. Money Laundering Law: Indonesia has Law Number 8 of 2010 concerning the Prevention and Eradication of the Crime of Money Laundering (UU PPTPU). This law has undergone several changes and improvements to strengthen the legal framework in the fight against money laundering.
b. Increased International Cooperation: Indonesia has participated in various international initiatives and cooperation, including with the Financial Action Task Force (FATF) and other international institutions. This collaboration aims to develop best practices for preventing money laundering and terrorist financing.
c. Strengthening Authorities and Supervisory Institutions: The Financial Services Authority (OJK) and Bank Indonesia (BI), as financial supervisory institutions in Indonesia, play an active role in supervising financial institutions to prevent and detect money laundering. Strengthening the capacity and role of supervisory authorities is key to this prevention effort.
d. Reporting Suspicious Financial Transactions: Financial institutions in Indonesia must report suspicious financial transactions to the Financial Transaction Reports and Analysis Center (PPATK). PPATK is an institution responsible for analyzing financial data and providing information to law enforcement agencies.
e. Increased Awareness and Training: The Indonesian government and related institutions continue to increase awareness and understanding of money laundering among financial institutions and the public. Training programs and information campaigns are intended to improve money laundering identification and prevention capabilities.

3. Islamic Perspective on Money Laundering

In the Islamic context, money laundering is considered an act that violates Sharia principles (Sumadi, 2017). Islam emphasizes the importance of justice, transparency, and honesty in all aspects of life, including financial matters. The practice of money laundering is considered a form of injustice and a violation of moral values in Islam. In Islamic law, there is a prohibition against usury (interest), gambling, and economic activities that are detrimental to society (Al Agha, 2007). In the Islamic context, money laundering is considered an act that violates sharia principles (Sumadi, 2017). Islam emphasizes the importance of justice, transparency, and honesty in all aspects of life, including financial matters. The practice of money laundering is considered a form of injustice and a violation of moral values in Islam. In Islamic law, there is a prohibition against usury (interest), gambling, and economic activities that are detrimental to society (Al Agha, 2007). Money laundering is often related to illegal activities, where individuals or groups attempt to legitimize ill-gotten funds through various phishing methods. Islam also emphasizes the concept of legal ownership and halal sources of funds. Therefore, money laundering practices are considered to damage the financial system's integrity and create societal inequality.

The importance of maintaining economic and moral justice in Islam strengthens the rejection of money laundering. Islam teaches that individuals and society are collectively committed to preventing these illegal practices to maintain stability and collective prosperity. In the Islamic view, preventive measures against money laundering involve cooperation between individuals, financial institutions, and legal authorities to ensure that the financial system operates transparently and follows Islamic moral principles (Geno, 2019). Thus, handling money laundering from an Islamic perspective involves joint efforts to ensure economic integrity and justice in society.

Money laundering is also considered a threat to public security and welfare (Maulidiyah, 2023). This practice can trigger economic and social instability and endanger the integrity of financial institutions. Islam emphasizes the concept of trust in managing property and finances, and money laundering can be considered a betrayal of that trust. Therefore, preventing money laundering is a legal matter and a moral responsibility for individuals and society. Islam encourages strict regulation and supervision of financial transactions to prevent money laundering. Islamic financial institutions have developed mechanisms and procedures to ensure compliance with Sharia principles in every transaction. Apart from that, public education and awareness about the dangers of money laundering are also considered important in involving all parties in this prevention effort. The importance of business and financial ethics in Islam also plays a crucial role in dealing with money laundering (Smaili, 2023). Businesses and investments that comply with Sharia principles are expected to positively contribute to society and the economy while effectively preventing illegal practices that could undermine the foundations of a just and sustainable economy.

Prohibitions against money laundering practices can be found in various verses of the Qur'an and Hadith (Al Agha, 2007). Some emphasize the principles of justice, honesty, and compliance with legal rules governing finance and business. Although no verses or hadiths may directly mention the term "money laundering," these principles provide a legal basis for rejecting the practice.

One of the relevant verses of the Qur'an is:

"And do not falsely consume the wealth of other people among you, and do not bring the matter to the judge so that you can consume some of the wealth of other people by (using) sin, even though you know." (Surah Al-Baqarah:188).

This verse emphasizes the importance of honesty in financial matters and the prohibition of consuming other people's wealth unfairly or through false means. In the hadith, the Prophet Muhammad *shallallaahu 'alaihi wasallam* also provided guidelines related to fairness in financial transactions. One of the relevant hadiths is the hadith narrated by Abu Hurairah, where the Prophet Muhammad *Sallallahu 'alaihi wasallam* said:

" There is no faith for people who are not trustworthy, and there is no religion for people who do not keep their promises." (HR. Bukhari dan Muslim)

This hadith emphasizes the importance of trust in all aspects of life, including financial matters, and reminds Muslims to adhere to their promises. Although they do not directly mention money laundering, these principles form the basis of ethics and morals in Islam that are relevant to preventing and dealing with illegal practices, including money laundering.

Several principles in Islamic teachings for preventing money laundering crimes (Al Agha, 2007):

a. *Amanah* (Trustworthiness): Trustworthiness is a fundamental principle in Islam. Islamic teachings emphasize the importance of having a trustworthy attitude in all aspects of life, including financial transactions. Business people and individuals are expected to maintain trust in every transaction and not abuse the funds or trust given to them.
b. Prohibition of *Riba* and Fair Transactions: Islam prohibits *riba* (interest) and emphasizes the importance of fair and balanced transactions. Money laundering practices often involve dishonest or unfair transactions. Following Islamic principles regarding fair transactions can help prevent financial system abuse.
c. Economic Empowerment and Social Welfare: Islam encourages economic empowerment and the social welfare of society. Creating a fair and equitable economic environment can reduce the motivation to engage in illegal activities, including money laundering.
d. Importance of Reports and Supervision: Islam encourages its followers to prioritize accuracy and supervision in financial transactions. Muslim communities are encouraged to report suspicious activities and participate in monitoring illegal practices, thereby creating a safer and cleaner environment.
e. Principles of Social Justice: Islamic teachings emphasize the principles of social justice, which include the fair distribution of wealth and opportunities in society. Economic disparities can be reduced by creating a more just society, and the motivation to engage in illegal acts can be reduced.
f. Importance of Education and Awareness: Islam encourages education and awareness about financial ethics. Increasing public understanding of legal and illegal practices can help prevent money laundering by increasing financial awareness and literacy.

4. Money Laundering Crimes in Islamic Philanthropic Institutions

Money is the most targeted target in various modes of crime, and fraud is the most targeted target in various modes of crime and fraud. In addition to the liquidity factor, money is easily converted into anything to meet the needs of perpetrators (Christensen & Byington, 2003). Crimes against money are also more accessible than crimes against other types of assets (McGee & Byington, 2013). Money is also an object in money laundering crimes (Eleanora, 2011).

As places for collecting and distributing funds, Philanthropic institutions also cannot avoid the potential for money laundering (Fatmawati, 2019), especially since the funds collected and managed by philanthropic institutions are not small. Philanthropic institutions must be selective in receiving funds from property owners in the form of cash or through bank transfers, especially for incoming donations with a value of more than IDR 500 million. Islamic philanthropic institutions have three main activities: fundraising, fund management, and distribution. The potential for money laundering crimes is found in fundraising activities, namely when receiving funds from donors who hand over their funds to philanthropic institutions to be channeled into religious activities such as building houses of worship, schools, and other allotments with a value of more than IDR 500 million. Whether the funds came from legal or illegal activities is unknown.

Money laundering crimes in Islamic philanthropic institutions are a severe problem that can damage the reputation and integrity of these institutions (Ohalehi, 2019). Islamic philanthropic institutions, or zakat institutions, are organizations or charities that operate based on Islamic religious principles to assist those in need. Unfortunately, because Islamic philanthropic institutions collect and distribute funds for charitable purposes, there is the potential for them to be misused by those who intend to launder the proceeds from illegal activities. Some of the ways that are often used to carry out money laundering in Islamic philanthropic institutions include a) Anonymous donations: Money launderers can hide the origin of funds by making anonymous donations or using fake names when making donations to philanthropic organizations; b) Unreasonable transactions: Money launderers may carry out large transactions at unusual amounts and not by the usual profile of philanthropic institutions; c) Distribution of unmeasured funds: Money launderers can infiltrate illegal funds into programs or projects of philanthropic institutions and distribute them in immeasurable ways or not by the intended charitable purposes; d) Use of fake businesses: Money launderers can create fake businesses or projects pretending to be beneficiaries of Islamic philanthropic institutions to hide the origin of illegal funds.

One example of a money laundering crime case in Indonesia is ACT (Alfarissa et al., 2023). ACT is an institution from Indonesia that focuses on collecting funds to distribute to Muslims in areas affected by disaster, conflict, and poverty. This institution is one of the most prominent collectors of donations from the public. In July 2022, PPATK revealed a suspicious transaction involving the ACT Foundation. Transaction data shows that incoming funds from abroad amounted to IDR 64.9 billion, and outgoing funds from Indonesia amounted to IDR 52.9 billion (Hendartyo, 2022). This finding became the basis for an investigation by law enforcement officials regarding suspected money laundering. Four high-ranking ACT officials, namely A, NIA, HH, and IK, were faced with multiple articles, including embezzlement, information and electronic transaction crimes, foundation violations, and money laundering. The investigation into the ACT case focused on allegations of misappropriation of corporate social responsibility (CSR) funds and the use of donated money that was not appropriate for its intended purpose. Regarding money laundering crimes, the Indonesian government has a strong commitment to preventing and eradicating money laundering crimes (TPPU) and terrorist financing crimes (TPPT) by strengthening cooperation and working together to maintain the integrity and stability of the economic and financial systems (PPATK, 2021).

5. Prevention of Money Laundering Crimes in Islamic Philanthropic Institutions

Prevention of money laundering crimes involves a range of measures and policies to prevent people or organizations from trying to conceal the illegal or illegitimate origin of funds from criminal activity. Efforts must be made to prevent money laundering crimes in Islamic philanthropic institutions. This is to maintain the credibility of philanthropic institutions, which in turn can affect the organization's survival in the long term. Because philanthropic institutions depend on a positive public image and good perceptions from the public regarding the credibility of fund management, this will have an impact on the difficulty of maintaining the trust of fund owners and have significant implications for subsequent fundraising efforts after money laundering cases (Lauck & Brozovsky, 2018).

Prevention of money laundering crimes is an effort to maintain the integrity and credibility of Islamic philanthropic institutions. Engaging in these preventative measures not only prevents illegal practices but also contributes positively to the image and sustainability of the institution. In Islamic philanthropy, where Sharia principles dominate, preventing money laundering requires strategies and policies that follow Islamic values. The primary focus is to involve a series of effective measures and controls to prevent the illegal or unauthorized use of funds for criminal activities. The importance of this prevention effort lies in the institution's credibility in the public's eyes. This credibility plays an essential role in maintaining public support and the trust of fund owners. Losing credibility can jeopardize relationships with donors, affecting an institution's ability to raise funds. In addition, money laundering prevention measures impact the sustainability of institutional operations and can positively contribute to building a healthy and trustworthy Islamic philanthropic environment. A strong prevention approach also supports the broader goals of community empowerment and the sustainability of planned philanthropic programs. One example of the implementation of anti-money laundering in Malaysia is the adoption of several initiatives to combat money laundering, including the implementation of the Suspicious Transaction Reporting System (STRS), which enables banks and other institutions to report suspicious transactions electronically, and the meticulous documentation of transactions and customer identification to prevent money laundering (Jabbar, 2020).

The most effective way to prevent money laundering crimes in Islamic philanthropic institutions is through the implementation of donor due diligence (Burhan, 2022; Kho & Tantimin, 2022). This approach requires financial institutions and businesses to identify and understand the identity and background of their customers. By knowing the customer well, the institution can more easily detect suspicious behavior or transactions that do not match the customer's profile. Donor due diligence is an identification, verification, and monitoring activity carried out by the institution to ensure that the donation receipt transaction is by the donor's profile (Kho & Tantimin, 2022). Through the donor due diligence process, every incoming donation is subject to due diligence on the donor to get detailed insights about the donor and find out how significant the potential risk is for fraud and money laundering efforts. Donor due diligence activities are carried out by checking funding sources through an anti-money laundering mechanism and several legal aspects from partners and donors (Burhan, 2022).

Due diligence, in the context of money laundering prevention in philanthropic institutions, is a systematic approach to identifying and managing potential risks. Due diligence is highly visible in various aspects of the institution's operations. Due diligence allows institutions to identify potential money laundering risks associated with transactions or business relationships with particular parties. By checking their identity, background, and source of funds, institutions can evaluate whether there are any suspicious signs or activities. A better understanding of customers or business partners directly results from the due diligence process. This includes assessing the parties' transaction characteristics, financial profile, and resources. With a deeper understanding, institutions can design more effective prevention strategies. Compliance with regulations and laws is a crucial aspect of preventing money laundering. Due diligence helps institutions comply with applicable regulations by verifying customer or business partner compliance with applicable regulations.

Preventing misuse of funds is the focus of due diligence, which involves understanding the origins of the funds involved in transactions. This is a proactive step in preventing the potential use of funds for criminal purposes or money laundering. Due diligence also plays a role in screening and identifying parties that are undesirable or associated with illegal activities. This helps institutions avoid involvement with parties that may harm their reputation or engage in money laundering practices. Careful implementation of due diligence helps institutions build and maintain a good reputation. Trust from the public, regulators, and other interested parties can be gained through transparency and institutional compliance when carrying out due diligence. Due diligence also reflects an institution's corporate responsibility in managing risks and ensuring that its business activities are not exploited for criminal purposes. This is in line with socially responsible corporate principles.

Another form of prevention of money laundering crimes at philanthropic institutions is providing education both in print media that are displayed in the institution's offices and electronic media in the form of websites, Instagram, Facebook, WhatsApp, and so on, as well as on each blank sheet of paper recording receipt of funds from donors with a statement that the institution This philanthropy does not accept money laundering funds originating from criminal acts or illegal sources (Fatmawati, 2019). Several Islamic philanthropic institutions have implemented this explanation, including BAZNAS, LAZ Rumah Zakat, and LAZIS Muhammadiyah. BAZNAS Depok City states provisions for preventing money laundering for *muzakki* (donors) on the website (https://baznasdepok.id) with the following information:

"Muzakki agrees that the funds spent on zakat and infaq were not obtained from the proceeds of crime or money laundering."

LAZ Rumah Zakat mentions it on the media website (https://www.rumahzakat.org) with the following information:

"Funds donated through Rumah Zakat are not sourced and are not for money laundering, including terrorism or other crimes."

LAZIS Muhammadiyah is mentioned on the media website (https://lazismu.org) with the following information:

"LAZISMU is a national zakat institution with the Decree of the Minister of Religion No. 730 of 2016, which is devoted to community empowerment through the utilization of zakat, infaq, waqf, and other philanthropic funds from individuals, institutions, companies, and

other agencies. LAZISMU does not accept any form of funding originating from crime. RI Law No. 8 of 2010 Concerning Prevention and Eradication of Money Laundering Crimes"

The role of education for donors and the public, both through print and electronic media, has a central role in preventing money laundering for Islamic philanthropic institutions. This step connects institutions with donors, staff, and the wider community to build a shared understanding of the risks of money laundering and preventative steps that can be taken. Through educational campaigns, institutions can increase donor awareness regarding risks and preventive procedures that must be followed. Education also provides a deeper understanding of institutional financial transparency, builds donor trust, and ensures compliance with applicable regulations. More than just conveying information, education identifies signs of money laundering, builds a culture of prevention, and empowers the entire institutional ecosystem to actively participate in maintaining the integrity and security of funds. By utilizing print and electronic media, Islamic philanthropic institutions can create effective communication, be responsive to legal changes, and create an environment where preventing money laundering is an integrated principle in every aspect of their philanthropic activities.

Follow-up efforts to prevent money laundering crimes through education for donors are to make a blank statement as a legal step given to donors to fill out and sign that contains the source of donation funds and states that the funds deposited are not from money laundering activities resulting from criminal acts or other illegal sources. Requesting a blank statement from donors is crucial in preventing money laundering in philanthropic institutions. This action aims to increase the transparency and accountability of institutions regarding the origins of the funds received. Institutions can verify the legality of funds, understand the source of funds more deeply, and prevent the receipt of funds involved in illegal activities or money laundering. This step reflects the institution's commitment to regulatory and standard compliance, enhances the institution's reputation, and builds public and donor trust. Additionally, requesting an affidavit becomes part of a due diligence approach to donors, giving institutions a better understanding of potential risks beforehand. Apart from the preventive effect, this step can also create awareness among donors regarding the importance of maintaining the legality and clarity of the source of the funds they donate.

Another effort to prevent money laundering crimes in Islamic philanthropic institutions is to maintain transparency in financial reporting on the collection and distribution of funds (Aziza & Afiani, 2023; Setiawan, 2023b; Sitorus et al., 2013; Wahyudi et al., 2021). Financial transparency is essential for philanthropic institutions, especially regarding sources of funding that come from the public. Financial transparency can affect the sustainability of organizations because people need to get information, know, control, evaluate, and analyze the activities of Islamic philanthropic institutions (Wulaningrum & Pinanto, 2021). The principle of transparency in philanthropic institutions, especially foundations, can be seen from the rules in Law No. 16 of 2001 concerning foundations. Sources of institutional wealth can be obtained from non-binding donations or assistance, endowments, grants, testamentary grants, and other acquisitions that do not conflict with the institution's articles of association and applicable laws and regulations. It must be ensured that the source of the wealth obtained by the institution is not the result of a money laundering crime. Institutional organs consisting of supervisors, administrators, and supervisors must be more careful and thorough in managing institutional assets by applying the principle of transparency to prevent the practice of money laundering crimes.

Transparency of financial reports as an effort to prevent money laundering is the main foundation for Islamic philanthropic institutions. Transparent financial reporting is not just an administrative obligation but a fundamental principle in maintaining the integrity and sustainability of an institution. By providing clear disclosures regarding the origin and use of funds, philanthropic institutions can distance themselves from the potential misuse often associated with money laundering efforts. Through open financial reports, institutions can ensure that the funds they manage are not used to hide or launder the proceeds of crime. Transparency also contributes to strengthening public trust. People who believe in the integrity of philanthropic institutions will be more likely to provide support, both financially and morally. The trust built through transparency will be an essential asset for the institution in carrying out its mission and getting sustainable support from donors. Transparency of financial reports creates a monitoring mechanism, both internally and externally. By providing the basis for adequate internal supervision by supervisory organs and institutional management, transparency can help detect potential fraud or misuse of funds. In addition, external parties, such as supervisory authorities, can more easily monitor and evaluate the financial activities of philanthropic institutions.

Transparency in financial reports also plays an essential role in ensuring compliance with applicable laws and regulations. Islamic philanthropic institutions that maintain transparency can more easily comply with legal provisions related to money laundering and terrorist financing. Compliance with legal regulations maintains the institution's reputation and prevents potential legal sanctions that could harm the organization's sustainability. Transparency in financial reports also provides a solid basis for the long-term sustainability of philanthropic institutions. The institution can build consistent and sustainable support by providing confidence to donors, partners, and the community that the institution is managed with integrity and responsibility. In this context, transparency is a strategy to prevent money laundering and a foundation for maintaining Islamic philanthropic institutions' sustainability and positive impact.

D. Conclusion

The potential for criminal acts of money laundering in Sharia philanthropic institutions is found in fund collection activities. It arises from donors with a donation value of more than IDR 500 million, with the condition that the donor needs to provide information regarding the source of the funds, so it is yet to be known whether the origin of the funds comes from legal or illegal activities. This study recommends preventing money laundering in philanthropic institutions through implementing donor due diligence to find out in detail the profile and source of donor funds, providing education through print and electronic media, and making a statement letter from the donor stating that the funds deposited do not come from money laundering activities. Proceeds from criminal acts or other illegal sources and recommendations to philanthropic institutions to maintain transparency in financial reporting. This study identifies and addresses potential money laundering risks in Islamic philanthropic institutions in Indonesia. The impact of this research includes increasing awareness among practitioners and potential influence on policy changes and best practices in the Islamic philanthropy sector. Although this research has weaknesses in its descriptive and non-quantitative approach, suggestions for further research underline the need for a quantitative approach to obtain more measurable data and more in-depth validation of the findings. It is also recommended that further collaboration be involved with concrete philanthropic institutions to test the effectiveness of implementing prevention solutions. At the same time, legal and regulatory research can provide additional insights regarding the policy environment that supports efforts to prevent money laundering in Islamic philanthropic institutions.

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