



IN COLLABORATION WITH:

INCEIF
UNIVERSITY

**CENTRE OF EXCELLENCE
ISLAMIC SOCIAL FINANCE**

SOCIAL IMPACT REPORT:

LEMBAGA ZAKAT NEGERI KEDAH: THE WORLD CLASS ZAKAT MANAGEMENT AGENCY

SOCIAL IMPACT REPORT LZNK: THE WORLD CLASS ZAKAT MANAGEMENT AGENCY

FIRST EDITION 2024

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Published and Printed by:



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PREFACE

At Lembaga Zakat Negeri Kedah (LZNK), we aim to be the world class Islamic social finance agency by enhancing the management of Islamic social finance with efficiency and integrity to uplift the socio-economic status of Muslims. LZNK is determined to provide quality and world-class services that are comprehensive and continuous for the collection and distribution of zakat based on Islamic law to meet the needs and satisfaction of customers. We are driven by our vision and we work hard to deliver on our values. We are proud to present our inaugural Social Impact Report, which showcases how we have made a difference in the lives of our beneficiaries, partners, and stakeholders.

In line with the mission LZNK which outlines managing and increasing the collection operation and distribution of zakat in the state of Kedah with integrity efficiency and quality in order to upgrade the socio-economic status of the Muslim, this social impact report would enable LZNK to show how it is not only planned and executed but more important than that it is now measured and being reported. The social impact report also synchronises the objectives of LZNK in empowering the governance of LZNK optimises zakat collection, developing the society economic status as well as increase the awareness of the public on zakat.

In this report, you will find stories and data that illustrate our impact. We have used I-O-O-I (Input-Output-Outcome-Impact) framework and indicators to measure and evaluate our performance. We are grateful to all our supporters and collaborators who have made our work possible. We could not have done it without your trust, generosity, and commitment. We also want to thank our dedicated team of staff and researchers from INCEIF University who have shown resilience, creativity, and passion.

We hope that this report will inspire you to join us in our journey of creating positive social change. We invite you to share your thoughts and suggestions with us, as we are always eager to learn and improve. Together, we can make the world a better place for everyone.



Dato' Sheikh Zakaria Othman
Chief Executive Officer
Lembaga Zakat Negeri Kedah



SECTION 1

INTRODUCTION

ROLE OF LZNK

Society Welfare Optimisation

- Improve social services for the community, such as education, health, economic, and social.

Community Empowerment

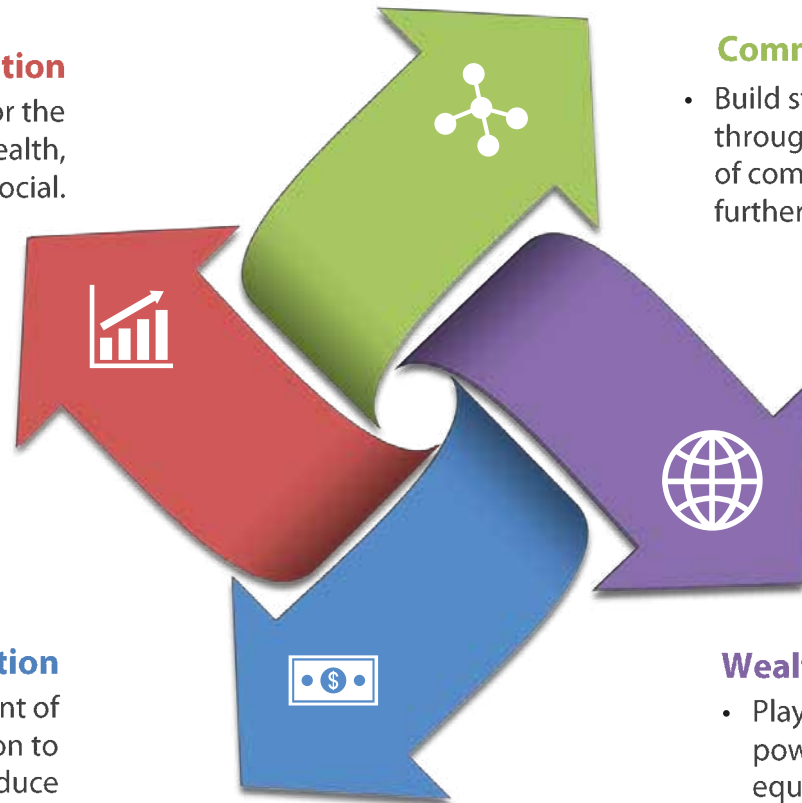
- Build stronger and more resilient communities through the act of giving which can foster a sense of compassion, unity, and social responsibility, further promoting community empowerment.

Poverty Eradication

- Facilitate zakat as instrument of growth, extension and purification to function as means to reduce inequalities and eradicate poverty.

Wealth Redistribution

- Plays important role by leveraging on Zakat as a powerful instrument to allow for a more equitable distribution of wealth. It provides a source of income and empowerment for the marginalized groups.



LZNK & SDGs

- LZNK plays an impactful and vital role in economic development and society empowerment, through the wealth transfer
- Strong alignment with the Sustainable Development Goals (SDGs), which are a set of 17 global goals adopted by the United Nations to end poverty, protect the planet, and ensure peace and prosperity for all by 2030.
- Contribute **directly** to several SDGs:
 - Providing basic needs i.e. food, clothing , shelter & healthcare (SDG 1,2&3)
 - Supporting education, training & entrepreneurship (SDG4)
 - Providing humanitarian aid for refugees and displaced people (SDG10)
 - Supporting and financing environmental projects i.e. renewable energy, reforestation and water conservation (SDG11, 17)
- LZNK also contribute to several SDGs **indirectly** by promoting social justice, solidarity, compassion, and harmony among people of different backgrounds and beliefs.



LZNK & MAQASID ALSHARIAH



Preservation of Religion



Preservation of Wealth



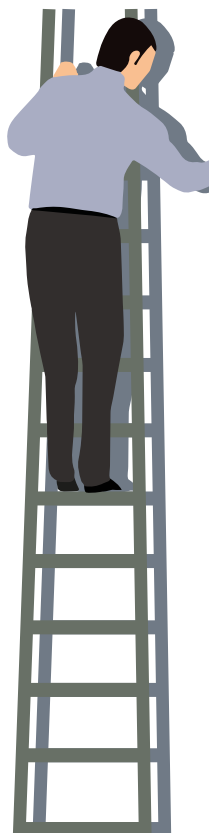
Preservation of Progeny



Preservation of Mind



Preservation of Life



- Religious Schools
- Funds for Masjid and Surau maintenance
- Upskilling and reskilling training
- Entrepreneurship assistance (Knowledge and Financial)
- Marriage aid
- Zakat Secondary School
- Scholarships (Local and International) (Undergraduate & Post-Graduate)
- Food assistance
- Medical Treatment
- Disaster/Emergency Help

EMPOWERMENT SECTOR

SOCIAL	ECONOMIC	HEALTH	EDUCATION
• Food Bank • Housing Development Scheme • Mualaf Empowerment Centre • Meat Distribution via Qurban, Aqiqah and Sadaqah • Asnafs' House Repair and Maintenance 	• Monthly Zakat Distribution • Ummah Economic Development Project • Asnaf Development Program • Smart Sawah • Asnaf Barbershop • LZNK Sewing Centre 	• Haemodialysis Centre • Mobile Clinics 	• Zakat School • Distribution Zakat via Religious School • Distribution via university Zakat Scholarship • Overseas Scholarship 



SECTION 2

ECONOMIC SECTOR

SMART SAWAH



INPUT



OUTPUT



OUTCOME
(Internal Stakeholders)



IMPACT
(External Stakeholders)

Main Project:

Paddy Cultivation:

- i. Phase 1: 11 participants
- ii. Phase 2: 45 participants
- iii. Phase 3: 68 participants
- iv. Phase 4: 77 participants

Complementary Project:

- i. Fish Breeding
- ii. Duck Breeding
- iii. Side Crops

Direct Distribution:
RM2.5 million/ year

- Total participant is 77 people Asnaf
 - Output of the Smart Sawah Project :
 - i. By participants
 - ii. By land area
 - iii. By output in tonne
 - iv. By Zakat Collection
 - v. By area in Kedah
- (Refer to next slide)*

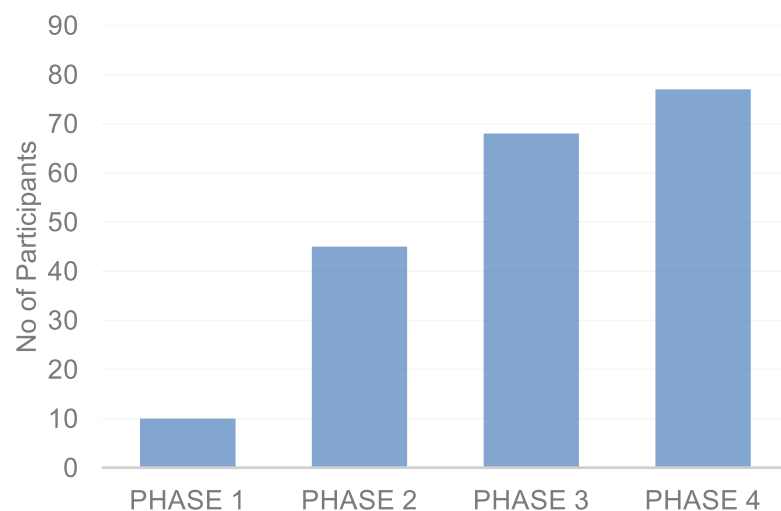
- Productive use of land
- Income and employment creation
- Community empowerment
- Increased impactful zakat collection and distribution
- Creation of supply chain (downstream and upstream)

- Food Security
- Poverty eradication
- Income inequalities reduction
- Productive use of land
- Mitigate climate change risk
- State and national GDP contribution

SMART SAWAH PROJECT

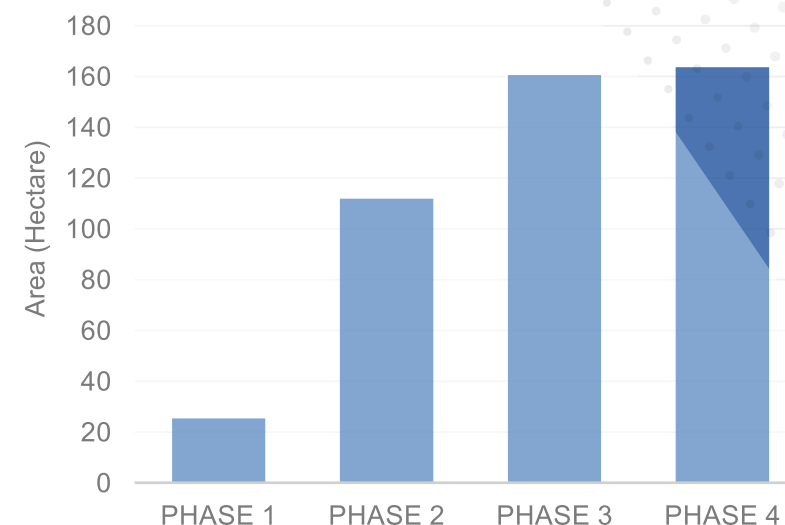
(PARTICIPANT & LAND USAGE)

NO OF PARTICIPANTS BY PHASES



- Total 77 Asnaf participants:
 - Phase 1: 11 Asnaf
 - Phase 2 : Increased 350% to 45 Asnaf
 - Phase 3: Increased 51% to 68 Asnaf
 - Phase 4: Increased 13% to 77 Asnaf

LAND AREA BY PHASES



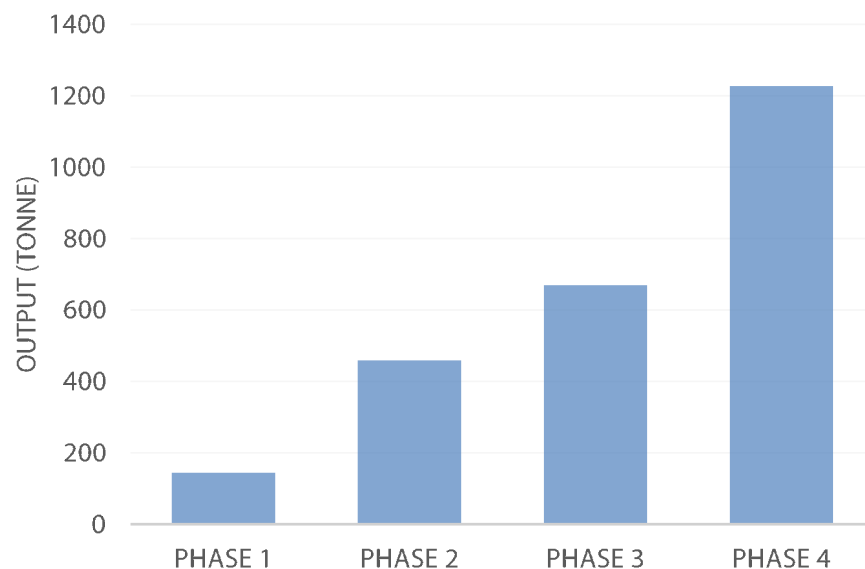
- Total of 163.6 hectares cultivated:
 - Phase 1 : 25.36 hectares
 - Phase 2 : Increased 342% to 111.9 hectares
 - Phase 3: Increased 43% to 160.5 hectares
 - Phase 4**: Increased 2% to 163.6 hectares

**** Data collection on Sik (Phase 4) is still in progress**

SMART SAWAH PROJECT

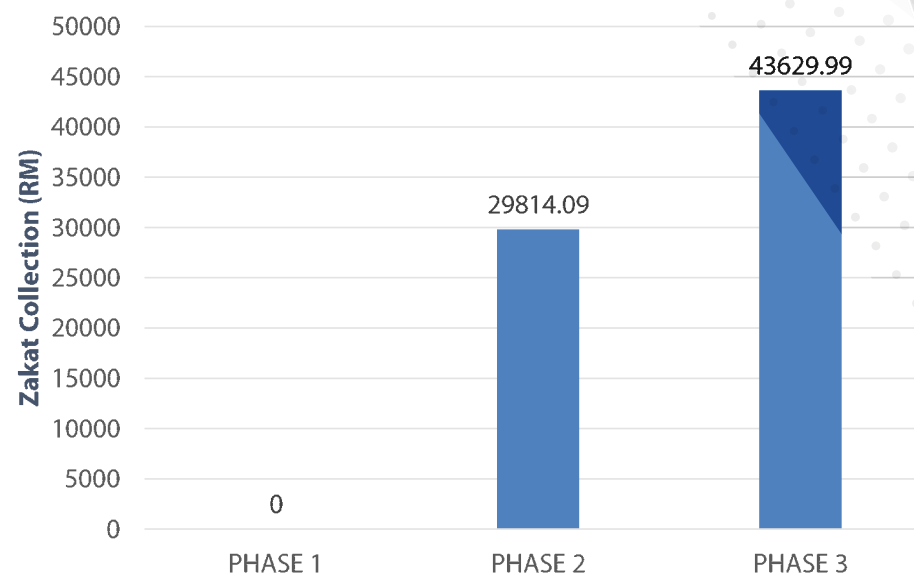
(BY PADDY ZAKAT COLLECTION)

TOTAL OUTPUT BY PHASES



- Total output:
 - Phase 1: Produced 143.75 tonne
 - Phase 2 : Increased by 219% to 458.4 tonne
 - Phase 3: Increased by 46% to 669.2 tonne
 - Phase 4: Increased by 83% to 1227.1 tonne (estimated)

PADDY ZAKAT COLLECTION BY PHASES



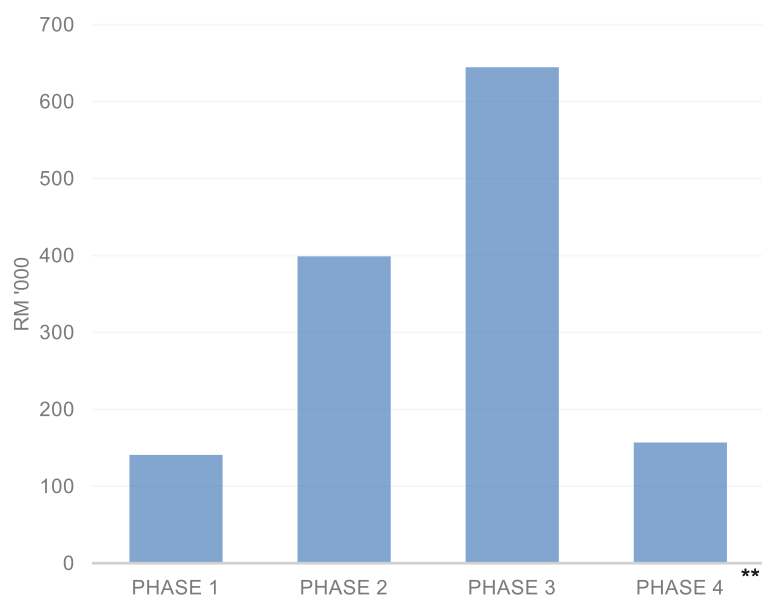
- Total Zakat collection:
 - Phase 1 : No Zakat collection recorded
 - Phase 2 : Recorded at RM29,814
 - Phase 3: Increased by 46% to RM43,629

**** For Phase 4 is still in progress**

SMART SAWAH PROJECT

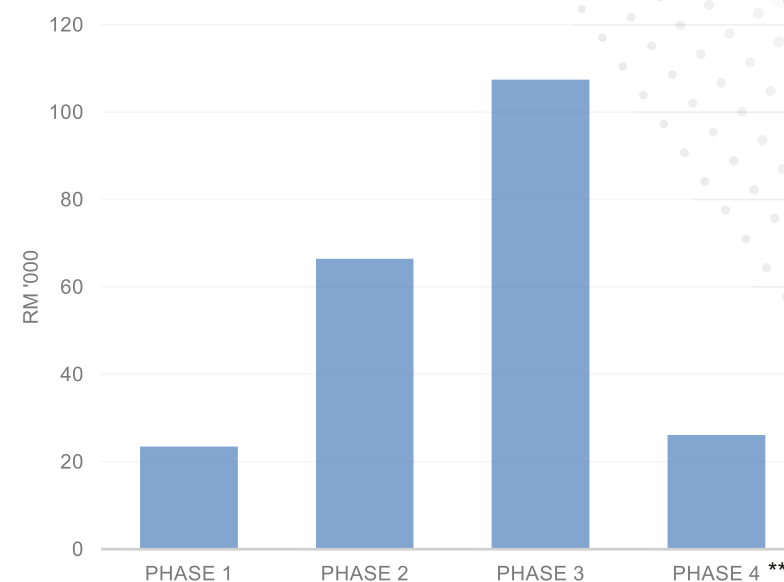
(PROFITABILITY)

TOTAL NET PROFIT (PER ANNUM) BY PHASES



- Total of net profit (per annum):
 - Phase 1: Generated RM141,743
 - Phase 2 : Increased by 183% to RM398,743
 - Phase 3: Increased by 62% to RM644,598
 - Phase 4: On-going data generation

TOTAL INCOME (PER MONTH) BY PHASES



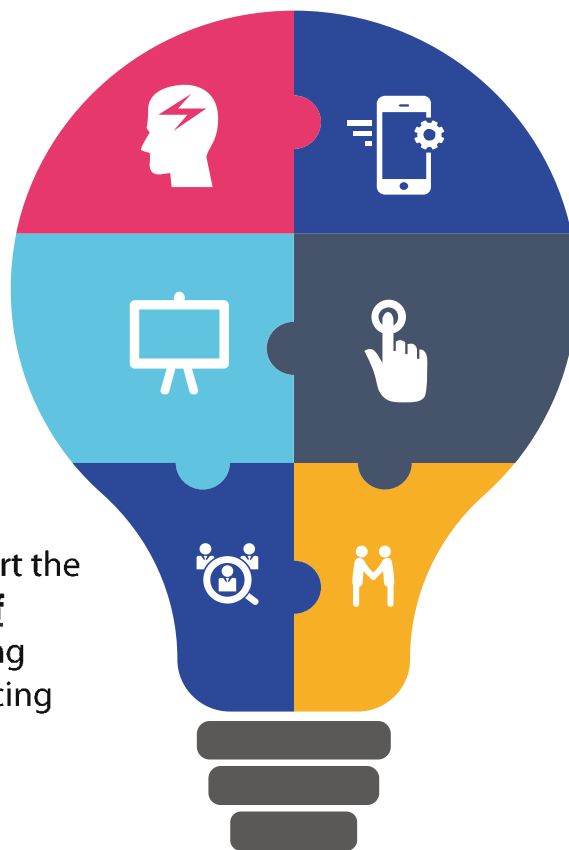
- Total income (per month):
 - Phase 1 : Generated RM23,457
 - Phase 2 : Increased by 183% to RM66,457
 - Phase 3: Increased by 62% to RM107,433
 - Phase 4: On-going data generation

SMART SAWAH: THE IMPACT

- It helps **mitigate climate change** by sequestering carbon and reducing greenhouse gas emission

- **Increase rice self-sustainability** of the Nation

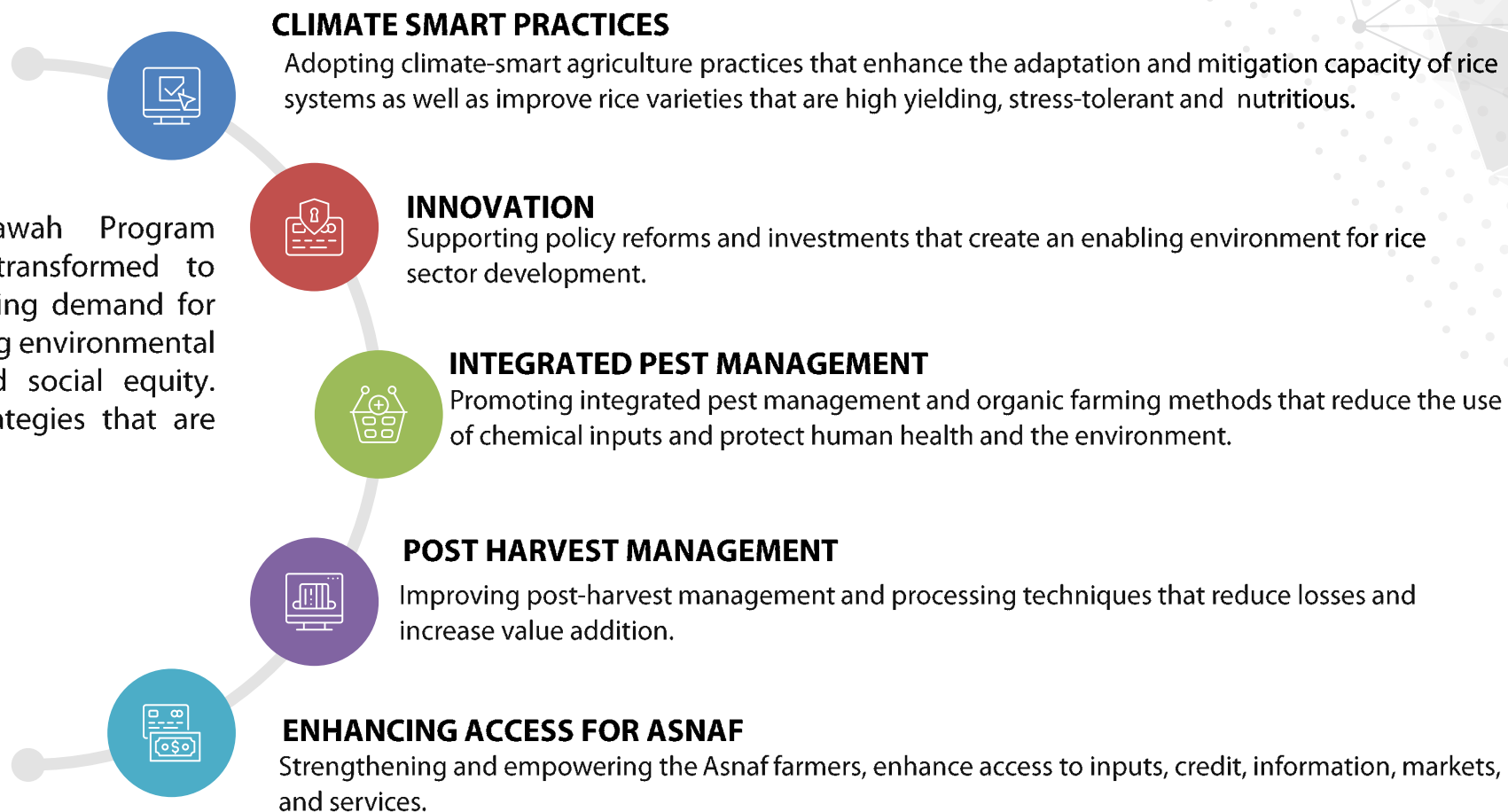
- LZNK supporting activities support the **diversification and resilience of agricultural systems** by providing crop rotation options and enhancing soil fertility.



- Smart Sawah Program helps conserve **biodiversity and ecosystem** services by hosting a variety of flora and fauna and regulating water flows and quality.
- Cushion **food security** of the nation
- It contributes to the **income and livelihoods** of Asnaf within Kedah.

SMART SAWAH: LZNK STRATEGY

The SMART Sawah Program improved and transformed to meet the increasing demand for rice while ensuring environmental sustainability and social equity. Some of the strategies that are adopted:



SMART SAWAH



SMART SAWAH SUPPORTING ACTIVITIES

Machine	: Tractor (<i>Model: World Star 8.0</i>)
Quantity	: 3 units
Sponsor	: Permodalan Nasional Berhad
Total Value	: RM 411, 000
Impact	: 3 Asnaf as operator (employment creation & cost mitigation)
Saving for farmers	: RM30/relung
Service Charge	: RM 66/relung
Wage/ Labor cost	: RM17.50/relung
Note: 1 relung = 0.288 hectares	



SUPPORTING ACTIVITIES

Machine	: Ploughing Machine (<i>Model: MF</i>)
Quantity	: 2 units
Sponsor	: Bank Pembangunan Malaysia Berhad
Total Value	: RM 276,838
Impact	: 2 Asnaf as operator <i>(employment creation & cost mitigation)</i>
Impact to Farmers	: Mitigated cost

Type of Service	Labour Cost
Plough- 1 st layer	RM 20/relung
Plough-2 nd layer	RM 17/relung
Plough- 3 rd layer	RM 15/relung



SUPPORTING ACTIVITIES

Machine	: Dron (<i>Model: DJI Agriculture T20P</i>)
Quantity	: 2 units
Sponsor	: RHB Bank Berhad
Total Value	: RM 110, 000
Impact	: 2 Asnaf as operator (<i>employment creation & cost mitigation</i>)
Impact to Farmers	: Mitigated Costs
Wage/ Labor cost	: RM4.00/relung



SUPPORTING ACTIVITIES:

(THE IMPACT)

Supporting activities could increase productivity of the farm by providing additional labor, reducing cost, and enhancing efficiency:

EMPLOYMENT CREATION

Supporting activities create employment for Asnaf by offering their services to farmers or other clients who need to use their service.

INCREASE PRODUCTIVITY & EFFICIENCY

Asnaf could help with land preparation, harvesting, and post-harvesting processes by operating tractors and other machinery. This could save time and labor for the farmers and increase the yield per hectare.



MITIGATE COST

Supporting activities supports Asnaf communities to achieve financial resilience and generate sustainable income. Subsequently, reduce the dependency on subsidies and lower the cost of production for the farmers.

KNOWLEDGE TRANSFER

Asnaf could master new skills and knowledge and improve their livelihood. This could also foster social cohesion and solidarity among the community.

SUPPORTING ACTIVITIES



WAREHOUSE



DRONE



PLOUGHING



PADDY PROCESSING MACHINE



LORRY



PADDY FACTORY

COMPLEMENTARY PROJECTS

FISH BREEDING



DUCK BREEDING



SIDE CROPS



COMPLEMENTARY PROJECTS

(THE IMPACT)

SUPPLEMENTARY INCOME

Provide additional income for the Smart Sawah Participants and further elevate their socio-economic status.

INCREASE PRODUCTIVITY & EFFICIENCY

Productive usage and optimal return of land allocated.



MITIGATE COST

Organic source of fertilizers as well as improvised land quality.

FOOD SECURITY

Additional supply of poultry and vegetables both for personal consumption and supply

LZNK ENTREPRENEURSHIP PROGRAM



INPUT



OUTPUT



OUTCOME
(Internal Stakeholders)



IMPACT
(External Stakeholders)

Engaging, Educating and Empowering Asnaf in the areas of entrepreneurship:

- i. Barbers
- ii. Seamstress
- iii. Muslimah Hair Salon and Spa



Distribution: RM5.1 million/ year

- Produce nano entrepreneurs in the areas of high potential low capital investment and easy entry to the market.

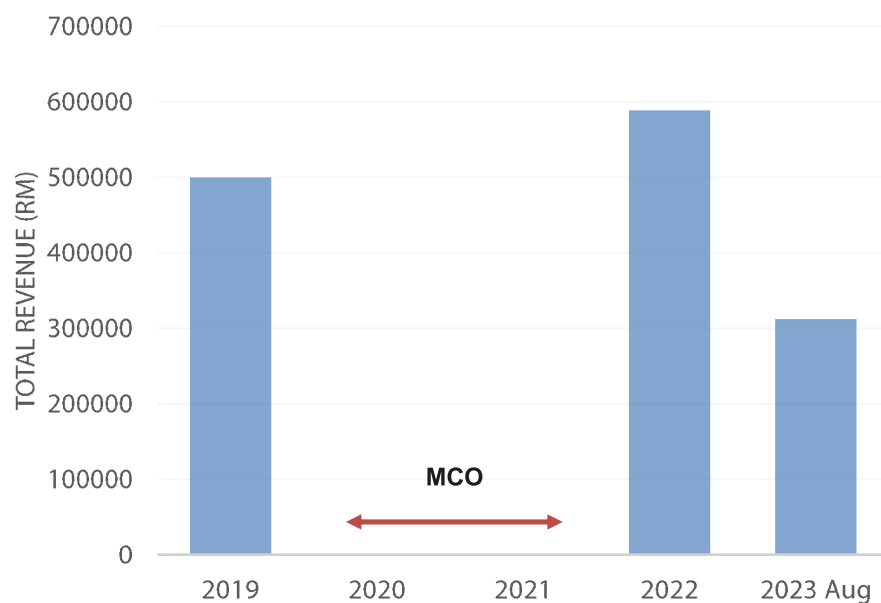
- Economically sustainable nano entrepreneurs
- Graduation from Asnaf category (from recipient to contributor)

- Contribution from NMSMEs towards resilient economic growth and development.
- Generate technical human capital, which is the total value of the workforce's skills, knowledge, and experience in technical fields, via education and training.

SEAMSTRESS PROJECT

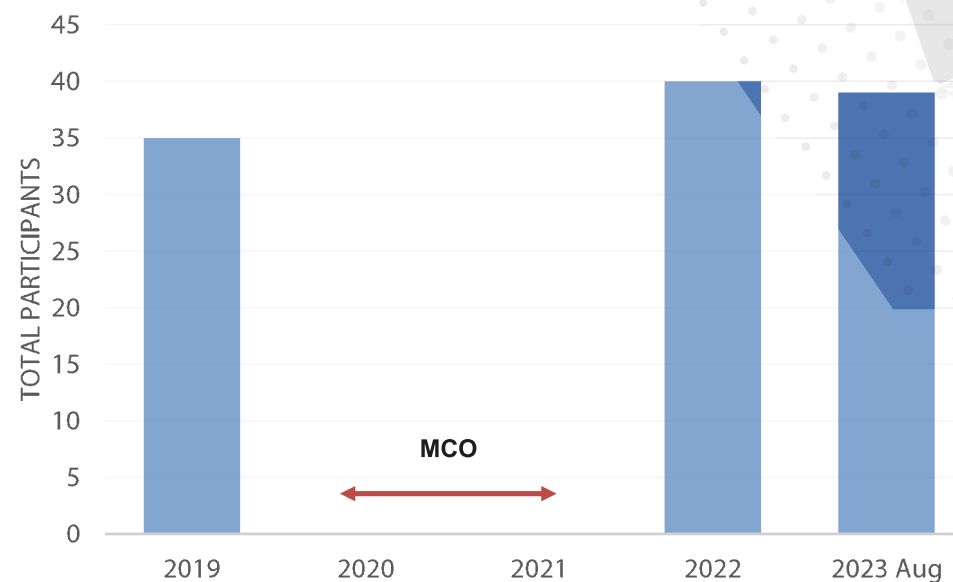
(PROFIT ABILITY)

TOTAL REVENUE 2019-2023



- Total of revenue (per annum):
 - i. 2019 : Generated RM 499,996
 - ii. 2020/2021 : MCO
 - iii. 2022 : Generated RM 588,696
(grew by 18% compared to 2019)
 - i. 2023 (Jan - Aug): RM 312,185

TOTAL PARTICIPANTS 2019-2023

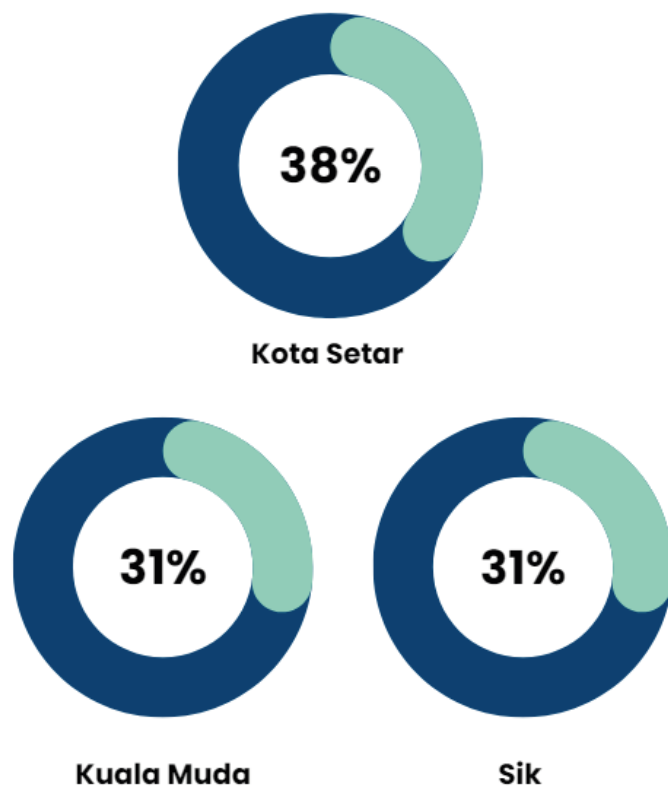


- Total participants (per annum):
 - i. 2019 : 35 participants
 - ii. 2020/ 2021 : MCO
 - iii. 2022 : 40 participants
 - iv. 2023 (Jan-Aug): 39 participants

SEAMSTRESS PROJECT

(PROFIT ABILITY)

TOTAL PARTICIPANTS BY AREA AS AT 2023



AREA	TRAINING OFFERED
Kota Setar	Corporate Shirts Training Program (By: Kolej Komuniti Padang Terap)
Kuala Muda	Slack Pants Training Program
Sik	Traditional Couture Training Program (By: Institut Kemahiran Belia Negara, IKBN Jitra)

LZNK SOCIAL ENTREPRENEURSHIP:

(THE IMPACT)



LZNK applies the principles and methods of social entrepreneurship to create positive change in society generally and Asnaf specifically. Their program is quite comprehensive, not only providing capital but also nurture, train, educate and provide access to the market.

Some of the benefits of LZNK social entrepreneurship include:

-  Generating income and employment opportunities for Asnaf.
-  Enhancing social capital and trust among different stakeholders and sectors.
-  Promoting social justice and inclusion by empowering vulnerable and excluded groups.

LZ NK SOCIAL ENTREPRENEURSHIP:

(THE IMPACT)



LZ NK strives to optimize the impact of the social entrepreneurship program by tackling the challenges that social entrepreneurs face include:

-  Accessing adequate funding and resources to start and scale their ventures.
-  Measuring and demonstrating their social impact and value creation.
-  Balancing financial sustainability and social mission
-  Building effective partnerships and collaborations with diverse actors.



SECTION 3

EDUCATION SECTOR

TERTIARY ZAKAT ASSISTANCE



INPUT



OUTPUT



OUTCOME
(Internal Stakeholders)



IMPACT
(External Stakeholders)

Under-graduate (local & overseas):

- i. One-off assistance
- ii. Scholarship & Sponsorship
- iii. Education Financing

Post-graduate :

- i. Scholarship & Sponsorship

Professional Certification

- i. Scholarship & Sponsorship

Distribution: RM2.3 million/ year

Graduates in the discipline of:

- i. Religious Studies
- ii. Engineering
- iii. Medicine
- iv. Applied Sciences
- v. Economic
- vi. Finance
- vii. Accounting
- viii. Business & Management

- Opportunities, competitiveness, and growth.
- Opportunity to acquire advanced knowledge and skills that are relevant for the labor market and the society as a whole.
- Higher chances of finding employment, earning higher wages, and coping with economic shocks.

- Economic growth and development.
- Enhancing collective value of the skills, knowledge, and experience of the workforce.
- Fosters innovation and productivity.
- Social cohesion, civic participation, cultural diversity, health awareness, and environmental sustainability.

ZAKAT SCHOOL

(SECONDARY EDUCATION)



INPUT



OUTPUT



OUTCOME
(Internal Stakeholders)



IMPACT
(External Stakeholders)

3 Zakat School (Secondary Education):

- i. Maahad Ad-Dini Sultan Abdul Halim, Sik
- ii. Kolej Agama Sultan Abdul Halim(Ulul Albab) Alor Setar
- iii. Kolej Agama Sultan Abdul Halim(Keusahawanan) Alor Setar.



Distribution: RM15 million/ year

- Enrolment of 500 students
- Special enrolment from indigenous community (Kensiu Tribe)
- Increased tertiary qualified students in Kedah (Asnaf & Kensiu)

- Secondary education is a vital stage in the formation of human capital.
- Allowing Asnaf to achieve inclusive and equitable quality education.
- Reduction in education gap (Asnaf- Non Asnaf)
- More inclusive education

- Contribution to Kedah human capital development.
- Higher satisfaction for Zakat payees.
- Human capital enhancement (Asnaf & Kensiu).
- Overall better socio-economic impact.

ZAKAT SCHOOL

(SECONDARY EDUCATION: THE IMPACT)



LZNK focus on secondary education due to its cruciality, as it helps them develop various skills and abilities that will benefit them in the future.

Secondary education is a time of transition, growth, and discovery.

- It provides support for Asnaf students' social, emotional, and physical growth. They learn how to understand and manage their emotions, treat others kindly, build relationships, choose right from wrong, and overcome challenges independently. Secondary education also helps Asnaf students cope with the changes in their bodies and brains that occur during this period.
- It fosters social skills and cultural awareness that are essential for living in a global society.

ZAKAT SCHOOL

(SECONDARY EDUCATION: THE IMPACT)



- It prepares students for the future. Students are exposed to more advanced and challenging curriculum that covers a wide range of subjects and topics. They also learn new study habits and skills that will help them succeed in high school and beyond. Secondary education enhances students' academic performance, critical thinking, creativity, and problem-solving abilities.
- It contributes to personal and social development. Asnaf students discover their interests, passions, strengths, and weaknesses through various activities and experiences. They also develop their identity, self-esteem, confidence, and resilience. Secondary education helps students find their purpose and direction in life.

Secondary education is a valuable and meaningful stage in a person's life. It can have a lasting impact on their well-being, happiness, and success. Therefore, it is important to provide quality secondary education that meets the needs and preferences of Asnaf students.

LZNK AND KENSIU: THE IMPACT



Formal education for Kensiui is seen as a means of empowering them to participate in the social, economic, and political development.

However, integrating formal education systems is not an easy task. It requires respect, recognition, and protection of the rights of indigenous people to their knowledge, languages, and cultures. It also requires dialogue and collaboration among different stakeholders, such as indigenous communities, educators, curriculum developers, policymakers, and researchers.

The Kensiui tribe is one of the six subgroups of the Negrito ethnic group of Orang Asli in Malaysia, the indigenous peoples of Peninsular Malaysia. They are believed to be the earliest inhabitants of the region.

The Kensiui tribe lives mainly in Kampung Lubuk Legong, a village in the Baling district of Kedah state. The village has 359 people from 88 families. The Kensiui tribe faces many challenges and problems, such as poverty, lack of education, drug abuse, alcoholism, and land rights issues. They also hope for more recognition and respect for their cultural identity, language, and knowledge from the government and society.

LZNK AND KENSIU: THE IMPACT



The Kensiu tribe is one of the oldest communities in the world, and has a rich and unique heritage that deserves to be preserved and celebrated. They are part of the diversity and beauty of Malaysia's multicultural society.

LZNK has a special education program to elevate the socio-economic status of Kensiu tribe and it has shown tremendous potential.

In the midst of the difficulties the Kensiu tribe faces, there's a bright spot thanks to efforts undertaken by LZNK. They have a special education program to help Kensiu children learn and grow, making positive changes and unlocking the hidden abilities of the Kensiu tribe. Currently, LZNK is actively working on shaping the new generation through different programs for Kensiu kids, imagining a future where Kampung Lubuk Legong is led by its own strong and empowered community members.



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SYNOPSIS

This comprehensive Social Impact Report is the first report published by LZNK. This report highlights LZNK's commitment to enhancing the management of zakat with efficiency and integrity to uplift the socio-economic status of Muslims in Kedah.

Driven by a vision to provide world-class, comprehensive, and continuous services, LZNK ensures the effective collection and distribution of zakat in alignment with Islamic law. This inaugural Social Impact Report showcases how LZNK's initiatives have made a significant difference in the lives of beneficiaries, partners, and stakeholders. The report aligns with LZNK's mission to manage and increase zakat collection and distribution operations in Kedah with integrity, efficiency, and quality. It details how LZNK meticulously plans, executes, measures, and reports its activities using the I-O-O-I (Input-Output-Outcome-Impact) framework. This structured approach underscores LZNK's dedication to transparency, accountability, and continuous improvement.

Within these pages, readers will find compelling stories and detailed data that illustrate LZNK's substantial impact on the community. The report highlights the organization's efforts to optimize zakat collection, enhance governance, develop socio-economic status, and raise public awareness about zakat.

The achievements documented in this report are made possible by the trust, generosity, and commitment of LZNK's supporters and collaborators, including the dedicated team of staff and researchers from INCEIF University. Their resilience, creativity, and passion have been instrumental in driving LZNK's mission forward.