

STAKEHOLDER ENGAGEMENT IMPACT REPORT:
DRIVING TRANSFORMATIONAL
IMPACT THROUGH
STAKEHOLDER ENGAGEMENT AT
LEMBAGA ZAKAT NEGERI KEDAH
(LZNK)



STAKEHOLDER ENGAGEMENT IMPACT REPORT: DRIVING TRANSFORMATIONAL IMPACT THROUGH STAKEHOLDER ENGAGEMENT AT LEMBAGA ZAKAT NEGERI KEDAH (LZNK)

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PRELUDE

In the name of Allah, the Most Compassionate, the Most Merciful.

“It is now more crucial than ever, to acknowledge and address the challenges that lie ahead. One of the most pressing challenges is the role of Zakat and Waqf in ensuring Sustainable Global Food Security. In a world marked by economic uncertainties, pandemics, and ongoing geopolitical crises, these issues must remain at the fore-front of our priorities. They require clear identification and resolution, thereby compelling cooperative efforts from all stakeholders involved.”



The Royal Address of
**Kebawah Duli Yang Maha Mulia Al-Aminul Karim Sultan Sallehuddin
Ibni Almarhum Sultan Badlishah**
World Zakat & Waqf Forum 2023
Raia Hotel & Convention Centre Alor Setar | 18 October 2023

PREFACE

In the name of Allah, the Most Compassionate, the Most Merciful.

All praise is due to Allah SWT. By His grace, Lembaga Zakat Negeri Kedah (LZNK) continues to move forward with steadfast commitment to strengthen the role of zakat as a foundation for community wellbeing and sustainable progress.

This *Stakeholder Engagement Impact Report* presents LZNK's journey of collaboration with industries, financial institutions, academia and society in shaping a transparent and accountable zakat ecosystem. It highlights how every initiative contributes to meaningful and lasting impact for the asnaf and the wider community.



At LZNK, stakeholder engagement defines our way of service. Through strategic partnerships, institutional strengthening and innovation in zakat management, we continuously strive to empower the asnaf to live with dignity and contribute productively to society.

As Chairman, I am committed to ensure that LZNK continues to set a benchmark for good governance, social innovation and integrity in zakat administration. It is our shared responsibility to safeguard public trust, uphold transparency and ensure that every cent of zakat collected translates into real impact for those in need.

We believe that sustainable impact is achieved through shared responsibility. Hence, LZNK welcomes the continued collaboration of corporate partners, industry leaders and community institutions who share our vision to drive social transformation through compassion, integrity and commitment. Together, we can further strengthen the role of zakat as a bridge between prosperity and purpose.

May this report serve as both an inspiration and a guide to reinforce our shared mission ensuring that Kedah remains a model for the world: "A state where the poor are cared for and the rich contribute with devotion."

DATO' SERI HAJI NORIZAN BIN KHAZALI, SSDK., DSDK., AMK., BCK.

Chairman

Lembaga Zakat Negeri Kedah

FOREWORD

In the name of Allah, the Most Compassionate, the Most Merciful.

Stakeholder engagement is not merely a strategic imperative, it is a fundamental expression of collective responsibility. In an increasingly complex socio-economic landscape, the effective management and distribution of zakat demands collaboration across sectors, institutions, and communities.

Collaboration with Islamic banks aligns naturally with the principles of Value Based Intermediation (VBI), where financial institutions seek to deliver their intended outcomes of positive and sustainable impact to the economy, community, and environment. By engaging with LZNK, Islamic banks can strengthen their VBI commitments.

Engagement with Takaful operators resonates with the Value-based Intermediation for Takaful (VBiT) framework, which emphasizes the role of takaful in creating shared value for all stakeholders while upholding the principles of tabarru' and mutual assistance and through strategic collaboration with LZNK, takaful operators can enhance their social impact.

Partnerships with corporations, firms and various organizations reflect a holistic approach to stakeholder engagement. These collaborations open pathways for corporate social responsibility initiatives, skills development programs, employment opportunities for asnaf, and business partnerships that create dignified livelihoods. transforming lives through sustainable interventions.

Engagement with universities and research centres represents a vital investment in knowledge creation and evidence-based practice. It would provide access to cutting-edge research on poverty dynamics, zakat distribution models, behavioural economics, and community development strategies could be achieved.

This report represents commitment to transparency, accountability, and continuous improvement. As we move forward, we invite all stakeholders to deepen this partnership, working hand in hand to realize shared vision of a prosperous, equitable, and compassionate society rooted in the principles of Islam.



TAN SRI AZMAN MOKHTAR

Chairman

Board of Directors, INCEIF University



Section 1:
**Foundation of Trust: Defining LZNK's
Stakeholder Engagement**

Al Bayyinah: 5

“Even though they were only commanded to worship Allah ‘alone’ with sincere devotion to Him in all uprightness, establish prayer, and pay alms-tax. That is the upright Way.”

Stakeholder Engagement - Definition and Relevance to LZNK

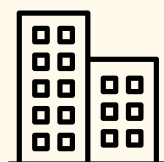
Stakeholder engagement refers to the process by which an organization involves individuals, groups, or entities that have an interest in or are affected by its activities, decisions, and outcomes. It is a strategic approach aimed at building meaningful relationships, fostering trust, and ensuring that stakeholders' perspectives are considered in planning and implementation.

In the context of Lembaga Zakat Negeri Kedah (LZNK), stakeholder engagement is particularly vital due to the diverse and interconnected nature of its stakeholders. These include:



Zakat payers (muzakki) – individuals and corporations who contribute zakat funds

Zakat recipients (asnaf) – those eligible to receive zakat assistance.



Corporate partners – companies involved in paying corporate zakat and supporting LZNK's charitable initiatives

Community organizations and NGOs – collaborators in outreach and social transformation programs.



Government agencies and religious authorities – regulatory and policy stakeholders.

Effective engagement with these stakeholders enables LZNK to:

1. Enhance transparency and accountability in zakat collection and distribution.
2. Strengthen public trust and confidence in its governance and operations.
3. Improve service delivery by incorporating feedback and addressing community needs.
4. Foster collaboration for impactful societal transformation through joint initiatives.
5. Encourage innovation in zakat management and socio-economic development programs.

By actively engaging its stakeholders, LZNK not only fulfills its religious and social mandate but also positions itself as a dynamic institution committed to inclusive development and continuous improvement.

Why Effective Stakeholder Engagement is Critical to LZNK

Lembaga Zakat Negeri Kedah (LZNK) operates within a complex ecosystem of stakeholders, each playing a vital role in its mission to collect, manage, and distribute zakat for societal transformation. Effective stakeholder engagement is not merely a communication exercise, it is a strategic imperative that drives value creation and informed decision-making. Here are five key reasons why it is critical:

Enhancing Transparency and Accountability

Transparency and accountability are foundational principles in zakat management, especially for an institution like LZNK that handles public trust and religious obligations. Stakeholder engagement ensures that zakat payers, recipients, and partners are kept informed about how funds are collected, allocated, and utilized. This openness builds confidence in the institution's integrity and governance.

From a strategic planning perspective, transparent engagement allows LZNK to align its operations with stakeholder expectations. When stakeholders understand the rationale behind decisions and see clear reporting mechanisms, they are more likely to support long-term initiatives. This alignment reduces resistance and enhances the effectiveness of strategic implementation.

In terms of value creation, transparency transforms stakeholder relationships into assets. Trust built through openness leads to increased zakat contributions, stronger community partnerships, and a positive institutional reputation. These outcomes are not just ethical imperatives, they are strategic advantages that enable LZNK to expand its reach and impact.

Strengthening Public Trust and Confidence

Public trust is the lifeblood of any zakat institution. LZNK's ability to fulfill its mission depends heavily on the confidence of its stakeholders. By engaging stakeholders through regular communication, consultation, and participatory processes, LZNK demonstrates its commitment to ethical leadership and community welfare.

Strategically, trust facilitates smoother decision-making and policy adoption. When stakeholders believe in the institution's values and direction, they are more likely to support new initiatives, even in times of change or uncertainty. This trust also enables LZNK to take bold steps in innovation and transformation without fear of backlash.

Value creation through trust is long-term and sustainable. It leads to recurring zakat payments, voluntary collaborations, and advocacy from stakeholders who become ambassadors of the institution. In essence, trust converts passive stakeholders into active contributors to LZNK's mission.

Improving Service Delivery and Responsiveness

Effective stakeholder engagement allows LZNK to gather real-time feedback on its programs and services. This feedback is crucial for identifying gaps, inefficiencies, and emerging needs among zakat recipients and contributors. By listening and responding, LZNK can continuously improve its service delivery.

From a strategic planning standpoint, responsiveness ensures that LZNK's initiatives remain relevant and impactful. It enables the institution to adapt its programs based on data and stakeholder input, rather than assumptions. This agility is essential in a dynamic socio-economic environment where needs evolve rapidly.

Value creation here lies in the optimization of resources and outcomes. Responsive service delivery ensures that zakat funds are used effectively, reaching the right beneficiaries at the right time. It also enhances stakeholder satisfaction, which in turn strengthens loyalty and long-term engagement.

Fostering Collaborative Innovation

Stakeholder engagement opens doors to collaboration with corporate zakat payers, NGOs, and community leaders who bring fresh ideas and innovative approaches. These partnerships can lead to the development of new programs, technologies, and models for zakat distribution and social empowerment.

Strategically, collaboration enables LZNK to leverage external expertise and resources, reducing the burden on internal systems. It also allows for experimentation and pilot projects that can be scaled based on success. This approach aligns with modern strategic planning frameworks that emphasize co-creation and shared value.

In terms of value creation, innovation driven by collaboration enhances the effectiveness and visibility of LZNK's initiatives. It positions the institution as a forward-thinking leader in Islamic social finance, attracting more stakeholders and expanding its influence beyond traditional boundaries.

Supporting Strategic Planning and Informed Decision-Making

Stakeholder engagement provides LZNK with a rich source of qualitative and quantitative data. This information is invaluable for strategic planning, helping the institution identify priorities, assess risks, and forecast future needs. Engaged stakeholders become contributors to the planning process, not just observers.

Informed decision-making is a direct outcome of this engagement. When decisions are based on stakeholder insights, they are more likely to be effective, accepted, and sustainable. This reduces the likelihood of misalignment or failure, and enhances the institution's ability to respond to challenges proactively.

Value creation in this context is multidimensional. It includes better resource allocation, improved program outcomes, and stronger stakeholder relationships. Ultimately, strategic planning rooted in stakeholder engagement ensures that LZNK remains mission-driven, adaptive, and impactful in its role as a catalyst for societal transformation.



*MLC Key Focus Area: Strengthening Zakat.
Scaling Smart Sawah Berskala Besar Asnaf (Smart SBBA) Through Islamic Finance*



Section 2: The Footprint of Collaboration

At Tawbah: 103

*“Take from their wealth ‘O Prophet’ charity to purify and bless them,
and pray for them—surely your prayer is a source of comfort for them.
And Allah is All-Hearing, All-Knowing.”*

Contributing Stakeholders

Islamic Financial Institutions



Contributing Stakeholders

Higher Education Institutions



Government Agencies



Contributing Stakeholders

Government Linked Companies



Other organizations



Stakeholder Engagement Economy I

(SMART SAWAH)

Number of Participant
9

Telok Chengai
Land Area (Relong) :
71.79

Number of Participant
11

**Kampung Alor Berah,
Gunung Keriang**
Land Area (Relong) :
87.02

Number of Participant
13

Kubang Pasu
Land Area (Relong) :
89.96

Additional Notes :

1 Hectare **3.475** Relong

1 Relong **468** Jemba

1 Relong **30,976** kps

1 Jemba **64** kps

The Total Amount of Participant **111** People

Number of Participant
2

Bendang Man
Land Area (Relong) :
18.17

Number of Participant
14

Kampung Hutan Putus
Land Area (Relong) :
116.20

Number of Participant
33

Yan
Land Area (Relong) :
275.62

Number of Participant
3

Kuala Muda (Semeling)
Land Area (Relong) :
21.94

Number of Participant
5

Kuala Muda (Kota)
Land Area (Relong) :
32.02

Number of Participant
3

Sik (Jeneri)
Land Area (Relong) :
19.95

Number of Participant
4

Sik (Chepir)
Land Area (Relong) :
34.46

• Total Area (Relong)
767.13

• Total Participants
97



5 Operator
5 icons of people



4 Operator
4 icons of people



3 Operator
3 icons of people

Stakeholder Engagement Economy I

(SMART SAWAH)



BPMB

Malaysia Development Bank

Bank Pembangunan Malaysia Berhad (BPMB)

Tractor



- Price/Unit
RM 138,419.00
- Amount
RM 276,838.00

Tractor



- Price/Unit
RM 150,100.00
- Amount
RM 300,200.00

Mini Harvester



- Price/Unit
RM 150,000.00
- Amount
RM 150,000.00

Rice Milling Machine



- Price/Unit
RM 19,550.00
- Amount
RM 78,200.00



Permodalan Nasional Berhad (PNB)

Mini Harvester



- Price/Unit
RM 138,000.00
- Amount
RM 414,000.00

Stakeholder Engagement Economy I

(SMART SAWAH)



Bank Rakyat



Lorry

- Price/Unit
RM 176,317.00
- Amount
RM 705,268.00



RHB Islamic Bank



Agricultural Drone

- Price/Unit
RM 55,000.00
- Amount
RM 110,000.00



Lorry ISUZU NPR 150

- Price/Unit
RM 160,956.00
- Amount
RM 160,956.00



Forklift

- Price/Unit
RM 80,000.00
- Amount
RM 80,000.00



Tractor Challenger Jentan

- Price/Unit
RM 133,000.00
- Amount
RM 266,000.00

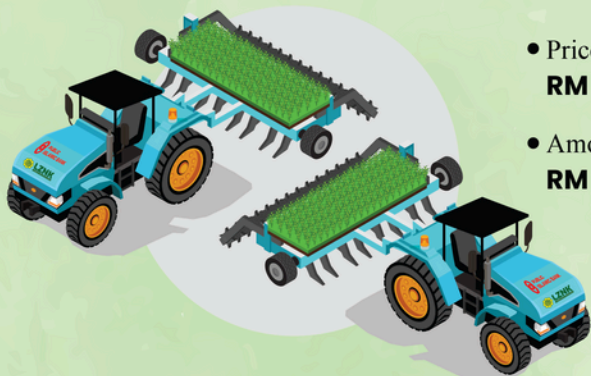
Stakeholder Engagement Economy I

(SMART SAWAH)



Public Islamic Bank

Transplanter



- Price/Unit
RM 62,000.00
- Amount
RM 124,000.00

Power Tiller



- Price/Unit
RM 48,000.00
- Amount
RM 48,000.00



CIMB Islamic Bank

Harvester



- Price/Unit
RM 298,000.00
- Amount
RM 298,000.00



AFFIN ISLAMIC

Affin Islamic Bank

Loader Crane



- Price/Unit
RM 318,000.00
- Amount
RM 318,000.00



MBSB BANK

MBSB Bank Berhad

Lorry HINO 300



- Price/Unit
RM 160,956.00
- Amount
RM 160,956.00

Stakeholder Engagement **Economy I**

(SMART SAWAH)



Agro Bank

Mini Harvester



- Price/Unit
RM 150,000.00
- Amount
RM 150,000.00



Syarikat Air Darul Aman
(SADA)

Agricultural Drone



- Price/Unit
RM 61,400.00
- Amount
RM 61,400.00



Maybank Islamic Berhad

Drone Transport Truck



- Price/Unit
RM 89,000.00
- Amount
RM 89,000.00

Agricultural Drone



- Price/Unit
RM 44,000.00
- Amount
RM 88,000.00

Stakeholder Engagement Economy I

(SMART SAWAH)



Yayasan Waqaf Malaysia

Yayasan Waqaf Malaysia

- Value
RM 600,000.00



ETIQA Takaful

- Value
RM 397,500.00



HongLeong
Islamic Bank

- Value
RM 205,000.00



Bank Islam
Malaysia Berhad

- Value
RM 200,000.00



FGV Holdings
Berhad

- Value
RM 100,000.00



BIMB Investment & MyWakaf

- Value
RM 100,000.00



Bank Simpanan
Nasional

- Value
RM 40,000.00



United Overseas
Bank (UOB)

- Value
RM 27,800.00

• Details
Hassan Project Contributor



Timeline of Projek Hassan

**9 May
2024**



Coordination Meeting with MIFC and CEOs of Islamic Banks chaired by Tan Sri Azman Mokhtar at AICB.

Launch of Projek Hassan by the Prime Minister of Malaysia, YAB Dato' Seri Anwar bin Ibrahim, as one of the 18 MLC Impact Projects through the MLC Policy Paper.



**28 May
2024**

**31 July 2024
1 August 2024**



Projek Hassan Round Table Discussion with representatives from the Banks, GLCs, AIBIM, Yayasan Waqaf Malaysia, and management of LZNK.

Launch of the Cash Waqf for Projek Hassan by KDYMM the Sultan of Kedah at One World Hotel.



**3 October
2024**

**25 April
2025**



Forum Perdana Hal Ehwal Islam jointly organised by LZNK and BIMB at Dewan Insaniah, Kompleks LZNK.

Background

Upon the royal consent of Kebawah DYMM Tuanku Sultan Kedah, LZNK launched Smart Sawah program on 2021 with 111 asnaf participants. It represents Lembaga Zakat Negeri Kedah's (LZNK) innovative approach to transforming the lives of paddy farmers, particularly those from the asnaf category, through the integration of technology and sustainable agricultural practices. Strategic stakeholder engagement, in obtaining machineries such as tractors, lorries, drones, rice milling machine among others, via zakat wakalah, and sadaqah or infaq to reduce and mitigate the cost of the farmers in cultivating. Recognizing that Kedah, as Malaysia's rice bowl, is home to thousands of smallholder farmers who face challenges related to productivity, market access, and income stability, LZNK has developed Smart Sawah as a comprehensive digital ecosystem designed to modernize paddy cultivation while preserving the dignity and enhancing the livelihoods of farming communities.

The Smart Sawah initiative leverages digital platforms, precision agriculture techniques, and data-driven insights to provide farmers with real-time information on weather patterns, optimal planting schedules, pest management, and best farming practices. By equipping farmers with smartphones and connecting them to agricultural experts, market information, and financial services, Smart Sawah bridges the digital divide and empowers farmers to make informed decisions that increase yield and profitability.

Beyond technological intervention, Smart Sawah embodies LZNK's holistic approach to poverty alleviation. The program integrates skills training, access to quality inputs, mechanization support, and direct market linkages that eliminate exploitative middlemen and ensure farmers receive fair prices for their produce. Through this initiative, asnaf farmers transition from subsistence farming to becoming competitive agro-entrepreneurs, achieving sustainable income levels that lift them out of poverty.

Smart Sawah exemplifies LZNK's commitment to innovation and its vision of utilizing zakat funds not merely for immediate relief, but for long-term economic empowerment that creates generational impact. By investing in the agricultural backbone of Kedah, LZNK demonstrates how traditional Islamic philanthropy can be reimaged through contemporary solutions to address modern challenges facing our communities.

Projek Hassan

Projek Hassan was officially launched by the Prime Minister of Malaysia, YAB Dato' Seri Anwar bin Ibrahim on May 28, 2024, as one of the 18 MLC Impact Projects through the MLC Policy Paper, which is a collaborative effort between Lembaga Zakat Negeri Kedah, MIFC Leadership Council (MLC), INCEIF University, and the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM). This Project represents a synergy between key players in the Islamic finance sector to address socioeconomic challenges through innovative solutions. It reflects the collective aspiration in creating a financial ecosystem that is inclusive, empowering, and based on Islamic economic principles.

Projek Hassan is LZNK's flagship agricultural empowerment program designed to transform asnaf recipients into sustainable farmers. Named with the vision of creating a generation of self-sufficient individuals, Projek Hassan focuses on providing comprehensive support to asnaf families venturing into paddy cultivation. The program operates on the principle that sustainable poverty alleviation requires more than temporary financial assistance, it demands the creation of income-generating opportunities that enable asnaf to achieve long-term economic independence. With the underlying design of cash waqf, primary target of owning a rice factory under the trust of Kedah Waqf Board, and the benefits are shared across all recipients. Through Projek Hassan also, LZNK provides participants with initial capital, quality inputs such as seeds, livestock, or equipment, technical training in modern farming methods, and continuous mentoring throughout the production cycle. This holistic approach ensures that beneficiaries are not only equipped with resources but also possess the knowledge and skills necessary to manage their agricultural ventures successfully.

What distinguishes Projek Hassan is its integrated ecosystem approach. LZNK facilitates market access by connecting farmers directly with buyers, ensuring stable demand and fair pricing for their produce. The program also incorporates elements of financial literacy, business management, and cooperative development, encouraging participants to form groups that share resources, knowledge, and market opportunities. This collaborative model strengthens community bonds while building collective resilience.

Through Projek Hassan, LZNK demonstrates its commitment to dignified empowerment, transforming zakat recipients from aid dependents into productive contributors to Kedah's agricultural economy. The program's success is measured not merely by yield increases or income levels, but by the restoration of dignity, self-confidence, and the sustainable graduation of families from the asnaf category into muzakki (zakat payers), a transformation that embodies the true spirit of zakat as a tool for social mobility and economic justice.

Stakeholder Engagement Economy I (Smart Sawah)

The Smart Sawah program represents an innovative application of Islamic social finance, where IFIs such as Islamic banks, Takaful Operators, Islamic Fund managing institutions, contribute machinery (lorries, tractors, drones) to asnaf (zakat-eligible) farmers under the coordination of Lembaga Zakat Negeri Kedah (LZNK - Kedah State Zakat Board). This intervention demonstrates the integration of modern agricultural technology with traditional Islamic wealth redistribution mechanisms. The Smart Sawah machinery contribution by these IFI's (thru zakat wakalah or sadaqah) via LZNK represents smart application of Islamic social finance principles. By providing productive assets rather than consumptive charity, the initiative addresses both immediate needs and structural causes of poverty. It enhances asnaf farmers' economic status through productivity gains, income increases, and market access while simultaneously elevating social status through dignity preservation, skills development, and community standing.

This model exemplifies how IFI's can serve *maqasid al-Shariah* through developmental approaches that transform charity recipients into productive economic actors and eventually zakat contributors. The integration of modern agricultural technology with traditional Islamic wealth redistribution mechanisms creates sustainable pathways out of poverty while maintaining religious authenticity and ethical foundations. The initiative's success depends on comprehensive implementation addressing not only equipment provision but also training, maintenance, market linkages, and holistic support. When executed effectively, it demonstrates Islamic finance's potential to contribute meaningfully to poverty alleviation and rural development while serving as an exemplar for innovative Islamic social finance globally.



DYAM Tunku Mahkota Kedah at paddy field

Through zakat wakalah on Asnaf Farmers in the Smart Sawah Berskala Besar Asnaf (Smart SBBA) Project are quite impactful. Among the items contributed are:

- Drone Transport Truck
- Drones
- Harvester
- Mini Harvester
- Loader Crane
- Lorries
- Power Tiller
- Transplanter
- Forklift
- Tractors

These provision of machineries, such as tractors and paddy harvester through the collaborative efforts of banks (often via their Islamic social finance or Zakat Wakalah funds) and the Lembaga Zakat Negeri Kedah (LZNK) is a core component of the Smart SBBA project. This initiative fundamentally transforms the farming model for Asnaf (zakat recipients) farmers, resulting in profound mitigation of their operational costs and tangible improvements to their economic and social status.

Mitigation of Operational Costs

For smallholder Asnaf farmers, the largest non-land costs typically involve hiring external services for major field operations. By providing access to collective or centrally managed tractors, the project dramatically reduces or eliminates these outsourcing costs. A typically cost of these machineries for a season of 6 months, per hectare cost of RM3,196.84 is now brought down to RM1,848.96. resulting a saving of RM1,347.88. Average hectarage per Asnaf farmer is 2 hectares, resulting total saving of approx. RM2,700.00 per season (6 months), or RM5,400.00 per annum.

Area of Cost Mitigation	How Tractors Achieve It
Outsourcing Fees	Farmers no longer need to pay high market rates to external contractors or cartels for critical tasks like ploughing, harrowing, and land preparation. The LZNK-owned machinery services are provided free or at heavily subsidised rates.
Labour Costs	Mechanization substitutes for costly and time-consuming manual labour. A tractor can prepare land in hours that would take days or weeks for manual or less efficient methods, significantly reducing the requirement for hired help.

Area of Cost Mitigation	How Tractors Achieve It
Timeliness and Input Efficiency	Using advanced machinery ensures that planting and harvesting are done promptly at the optimal time. This precision reduces crop loss, minimises the need for repeated applications of agrochemicals (better-timed weed/pest control), and directly lowers the cost per unit of output.
Fixed Asset Costs	Farmers are spared the prohibitive capital investment and ongoing maintenance/repair costs associated with purchasing their own heavy machinery (which can cost hundreds of thousands of Ringgit). The ownership and operational risk are absorbed by LZNK.



Harvester for Smart SBBA

Increase in Economic Status (Financial Empowerment)

The most direct and measurable impact of the tractor provision is the improvement in the Asnaf farmers' income and overall financial resilience, directly lifting them out of poverty.

Economic Mechanism	Explanation of Benefit
Higher Yields and Productivity	Tractors allow for better soil preparation (e.g., deeper tillage, superior land levelling) and enable the cultivation of larger areas. This leads to higher crop intensity and increased yields per unit of land compared to manual methods, boosting total farm output.
Increased Profit Margin	Since operational costs are drastically lowered (due to reduced outsourcing fees and labour needs), the percentage of gross revenue that translates into net profit for the farmer rises significantly. This moves the farmer beyond subsistence farming.
Access to Large-Scale Farming	By operating fields under the Smart SBBA model, farmers participate in a large-scale, coordinated operation. This allows them to benefit from economies of scale in purchasing inputs (seeds, fertilisers) and selling output, resulting in better prices and market access.
Creation of Value-Added Jobs	The project creates new job roles for the Asnaf themselves, such as skilled machinery operators, mechanics, and supervisors. This transition from basic labourer to skilled technician provides a stable, higher-wage income stream.



The Chairman of LZNK at the Smart Sawah Berskala Besar Asnaf (SBBA) initiative in Yan, Kedah

Improvement in Social Status

Moving out of the Asnaf category is not just an economic victory; it brings profound social dignity, recognition, and integration into the broader community.

Social Mechanism	Explanation of Improvement
Dignity and Self-Reliance	The shift from being a recipient of Zakat handouts (fakir or miskin) to an owner/manager of a productive, high-tech agricultural enterprise restores dignity. The concept of "From Asnaf to Asnaf" (where the produce is used to feed other poor families) makes them contributors, not just consumers, of Zakat.
Reduced Physical Drudgery and Health	Mechanization significantly reduces the heavy physical toil associated with traditional paddy farming. This reduction in drudgery improves the health and well-being of the farmers (and often women in agriculture), allowing them to focus energy on management and upskilling.
Community Leadership and Role Models	As the farmers gain new technical skills (e.g., operating and maintaining modern machinery like tractors and drones), they become knowledge leaders and role models within their communities. They are seen as successful entrepreneurs leveraging technology for prosperity
Enhanced Reputation and Influence	Participating in a high-profile, successful, government-endorsed project like Smart SBBA elevates the collective reputation of the Asnaf farmers. They gain better social standing and influence within local farming cooperatives and the broader community.

In conclusion, the provision of tractors and mechanization services is the engine that drives the socio-economic transformation of the Asnaf farmers. It cuts the ties to high-cost intermediaries, ensures optimal production for higher profits, and fundamentally shifts the farmers' identity from being the "poor" to being modern, technologically-equipped, and dignified contributors to national food security.

These activities by IFI's are also inline with Value Based Intermediation (for Islamic Banks), as well as VBiT (for Takaful Operators), which enables them to achieve their vision and mission as well as assisting in their Sustainability report. On top of that, it also serves multiple Shariah objectives:

Preservation of Wealth (Hifz al-Mal):

It does not only protect farmers' economic interests through productivity enhancement, it also prevents asset depletion through inefficient farming and enables wealth generation rather than mere subsistence.

Preservation of Life (Hifz al-Nafs):

It provides food security for farming families through improved yields on a micro perspective, while providing food security for the nation from the macro perspective apart of better nutrition and health outcomes from increased income. It also reduces physical hardship through mechanization.

Preservation of Dignity (Hifz al-'Ird):

The machineries provided, maintains farmers' dignity through productive empowerment, transforms charity relationship into partnership for development and enables self-sufficiency and independence

Social Solidarity (Takaful Ijtima'i)

As mentioned earlier. Islamic banks fulfil social responsibility beyond profit maximization (Value Based Intermediation) and Takaful operators (Value Based Takaful) whilst Zakat institutions serve developmental rather than merely distributional functions strengthening community-wide benefits through agricultural sector.

Justice ('Adalah):

The collaborative activity also addresses structural inequality in access to agricultural technology, provides equal opportunity for small farmers to compete with larger operations and redistributes economic opportunities, not merely income.

For this initiative to achieve its full potential and optimize returns to all the stakeholders, it needs to address:

Comprehensive Training:

Not merely equipment handover but sustained capacity building, ongoing technical support beyond initial training as well as peer learning networks among participating farmers

Maintenance and Sustainability:

Clear mechanisms for equipment maintenance and repair, not just deliver the equipment and leave. They have to ensure spare parts availability and affordability and potential for equipment replacement/upgrading over time. These steps are crucial in ensuring sustainable use of the equipment.

Coordination and Governance:

Effective LZNK coordination preventing equipment misuse or abuse, fair allocation systems ensuring equitable access, transparent monitoring and evaluation and no Shariah compliance oversight

Market Linkages:

LZNK also needs to connect improved production to reliable markets, negotiate fair prices for farmers and facilitate value-added opportunities. We have seen some initiatives towards that, whereby LZNK themselves have penetrated into the supply chain, godown, processing, packaging, and retail via Projek Hassan.

Holistic Support:

Complementary interventions (irrigation, seeds, fertilizers), Financial literacy and business planning support and access to Islamic microfinance for working capital. Undeniably, LZNK is indeed working closely with some Islamic banks, via iTekad providing microfinancing, but there are rooms for enhancement and expansion.



Mini harvester for Smart SBBA

The microfinance is crucial in ensuring there are no debt burden on vulnerable farmers as well as alignment with Islamic prohibition of exploitative lending and focus on social impact alongside any financial return.

This stakeholder engagement demonstrates distinctive features compared to conventional development approaches. It reduces dependencies to Government subsidies. LZNK could also achieve greater community ownership through Islamic institutional involvement. Religious motivation ensuring ethical implementation and most importantly, zakat funds leveraged rather than tax revenues. Comparing to typical NGO Charity, LZNK is able to achieve institutional sustainability through zakat permanence, integrate with broader Islamic financial ecosystem and it provides for potential for Islamic bank continued relationship (eventual banking customers). Productive asset creation rather than consumption support, skills development accompanying resource provision and sustainable impact beyond one-time assistance are also results of smart engagement between LZNK and stakeholders.

This model offers potential for replicability and scalability, via geographic expansion, replication in other Malaysian states or adaptation to different agricultural contexts (plantation crops, livestock, aquaculture) or even regional expansion across Southeast Asia. It can even be sectoral adaptation, application to other livelihood sectors (fishing, handicrafts, small manufacturing) as well as urban poverty alleviation through equipment provision for micro-enterprises. As for institutional innovation, this can be the model for Islamic bank CSR or VBI initiative and social finance. On top of that it can indeed be the framework for productive zakat utilization and template for Islamic finance-zakat institution partnerships. Looking from the policy integration angle, incorporation into national poverty reduction strategies, proper alignment with sustainable development goals (SDG 1: No Poverty, SDG 2: Zero Hunger) as well as template for inclusive green agriculture.



The rice mill under Projek Hassan in Yan, Kedah

Stakeholder Engagement Economy II

(GARMENT)

Map of Kedah

KEDAH



Langkawi

Sewing Workshop
Alor Setar

Number of Participant
18

Sewing Workshop
Kuala Muda

Number of Participant
9

Kubang Pasu

Kota Setar

Pokok Sena

Padang Terap

Pendang

Yan

Kuala Muda

Baling

Kulim

Bandar Baharu

Sewing Workshop
Kulim

Number of Participant
11

Sewing Workshop
Sik

Number of Participant
13

Maybank Islamic

Sewing Workshop Kulim & Sik 2 Workshop

IDAMAN

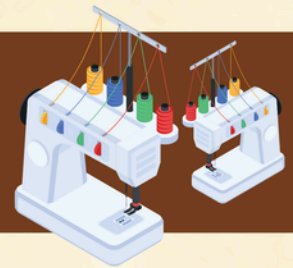
School Uniforms 10 Baling District School

SADA

Distribution of School Uniforms 404 Student

• Total Participants
51

Stakeholder Engagement **Economy II** (**GARMENT**)



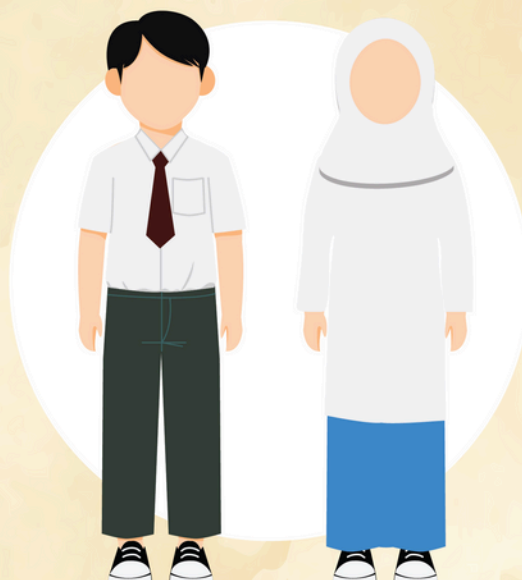
Maybank Islamic Berhad

- Total Value
RM 401,850.00
- Area
Sewing Workshop in Kulim & Sik
- Details
RM101,850.00 for the purpose of Renovating Costs for Sewing Workshops and Sewing Machines in the Sik distric

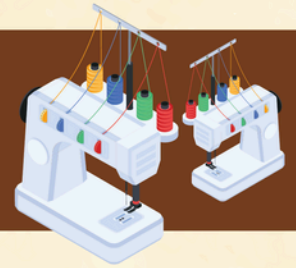


Idaman Pharma Manufacturing Sdn. Bhd.

- Price/Unit
RM 7,000.00
- Total Value
RM 556,000.00
- Number
10 Schools in Baling District
- Details
School Attire
- Record
556 Students



Stakeholder Engagement **Economy II** (**GARMENT**)



SADA

Syarikat Air Darul Aman (SADA)

- | | | | | |
|---------------------------------|--------------------------------------|---------------------------------|--|---|
| • Price/Unit
RM 52.00 | • Total Value
RM 21,008.00 | • Number
404 Students | • Details
Distribution of School Uniforms
For 12 Schools/Districts | • Area
Yan - 304
Langkawi - 100 |
|---------------------------------|--------------------------------------|---------------------------------|--|---|



Stakeholder Engagement Economy II (Garment)

This initiative represents an innovative circular Islamic social finance model whereby the stakeholders involved:

1. Provide sewing machines to asnaf (zakat-eligible individuals)
2. Create seamstress employment opportunities
3. Buy back the produced garments/items
4. Distribute products to asnaf students in Kedah

This creates a closed-loop value chain that simultaneously addresses multiple poverty dimensions while exemplifying Islamic economic principles of mutual benefit, social solidarity, and productive charity. The sewing machines are placed within the vicinity of the heartbeat of asnafs involved, in a training centre kind of environment, It would be led by instructors/supervisors salaried by LZNK. The asnafs are taught, trained and monitored. The sewing machines and other related machineries are kept in the same location. This activity removes financial barriers as we know sewing machines represent capital equipment most asnaf cannot afford. This also deemed as asset-based development, and it transforms recipients from having zero productive assets to having an access to income-generating equipment. On top of that it also aligns with Islamic principle application, as per "If you give someone a fish, you feed them for a day; if you teach them to fish, you feed them for a lifetime".

The circular mode of the activity ensures guaranteed income generation as well as immediate employment, whereby provision of machines coupled with employment creates instant livelihood. It also provides predictable income, as per the buyback guarantee clause which provides income security rare in informal sectors. There are also no market risk, unlike typical micro-enterprise development, beneficiaries don't face demand uncertainty and last but not least it provides cash flow regularity since regular production orders create stable monthly income. This initiative provides economic resilience building, via diversified household income whereby sewing income supplements other household earnings, it reduces vulnerability to single income source loss and creates household economic stability. It also ensures shock absorption capacity whereby savings from sewing income buffer against emergencies, and skills remain with individual permanently, providing ongoing livelihood security. The buyback mechanism is particularly innovative and creates multiple benefits primarily for seamstress asnaf, it is a guaranteed market, no need to find customers (major barrier for micro-entrepreneurs), it eliminates marketing costs and uncertainties. Steady, predictable demand enables planning and no inventory risk or unsold product losses.



DYTM Tuanku Raja Muda Kedah & DYTM Tuanku Raja Puan Muda Kedah distributing uniforms

This initiative also guarantees fair pricing, parties involved (LZKN and stakeholders) pay fair prices (not exploitative middlemen rates) in where prices likely cover costs plus reasonable profit and aligns with Islamic prohibition of exploitation (*ghaban fahish*). It also upholds quality standards, LZKN ensure skill development toward quality production since quality requirements build reputation and transferable skills and feedback loops improve workmanship. As for *asnaf* students who receives the uniform, the material needs fulfilment. School uniforms are essential but costly expense for poor families. Free/subsidized uniforms remove educational barrier and children can attend school properly dressed, reducing stigma and inferiority. It can also increase educational access, whereby it's a well-known factor that uniform costs often prevent school attendance. Removing this barrier increases enrolment and attendance and particularly impacts girls (families may prioritize boys' education when resources limited).

It upholds dignity in education, proper uniforms reduce social stigmatization at school. Children would not be identified as "poor kids" due to inadequate clothing anymore and this enhances self-esteem and learning engagement. As for parent-child connection, Parents producing uniforms for community children creates pride. Tangible connection between parents' work and children's education. Look at the multiplier effects, intra-*asnaf* solidarity, one group of *asnaf* (seamstresses) serves another group (*asnaf* students). It creates Islamic solidarity (*takaful*) within vulnerable community and demonstrates that poor can help poor, building agency. The bigger picture is the community economic circulation, whereby money circulates within *asnaf* community (seamstress earnings), products serve *asnaf* needs (student uniforms) and stake holders (IFIs) facilitate but wealth stays in community.

It also breaks the dependency cycles, whereby productive work rather than passive charity for seamstresses, essential goods rather than cash handouts for students and most importantly both groups experience dignity-preserving assistance.

This initiative serves multiple Shariah objectives (maqasid):

Preservation of Life (Hifz al-Nafs)

The income definitely enables food security and nutrition, access to education (through uniforms) supports children's development and economic security reduces health stress.

Preservation of Intellect (Hifz al-'Aql)

Looking from this angle. skills training develops cognitive capacities. School uniform provision enables education access and work discipline and planning enhance intellectual functioning.

Preservation of Wealth (Hifz al-Mal)

The initiative creates productive assets (sewing machines), generates sustainable income streams, enables savings and wealth accumulation and protects against exploitation through fair pricing

Preservation of Lineage/Family (Hifz al-Nasl)

Home-based work supports family cohesion. Income earned enables better child nutrition and education, at the same time it reduces economic stress improves family relationships as well as intergenerational impact through skills transfer and education access

Preservation of Dignity/Honor (Hifz al-'Ird)

Work-based income made possible by this initiative preserves dignity. The skilled craftsmanship learnt creates pride. Productive contribution generates social respect and Properly dressed students avoid school stigma

Additional Maqasid Dimensions

Justice ('Adalah):

Fair wages for seamstresses are also ensured, at the same time equitable distribution to asnaf students and it also addresses structural poverty through productive means.

Social Solidarity (Takaful Ijtima'i):

IFIs fulfil social responsibility, VBI, VBiT, wealthy serving poor through institutional mechanisms and asnaf serving asnaf (seamstresses producing for students).

This stakeholder engagements demonstrates unique features of Islamic finance approach, of them going beyond profit maximization, Corporate Social Responsibility (CSR) with religious foundation. These are not merely PR or compliance exercise. It is rooted in Islamic obligation to serve society. Fulfilling maqasid is institutional religious duty and zakat partnerships ensure religious authenticity. Islamic finance theory emphasizes multiple stakeholder benefits, not only shareholder returns but community welfare and aligns with Islamic ethical economy vision. The engagement are also proof of integration of social and commercial functions and represents blended value creation of social impact (poverty alleviation), economic value (productive enterprise development), religious merit (fulfilling Islamic obligations) and commercial relationship potential (future banking customers). As for long-term strategic perspective, it magnifies today's *asnaf* as tomorrow's customers, and build loyalty and trust through meaningful service. Lets not forget community development strengthens overall economic environment and sustainable business model aligned with social good.

LZNK - IFIs smart partnership via stakeholder engagement has complementary strengths. LZNK) is the religious legitimacy, provides *asnaf* identification, their needs assessment, and community connections whilst IFIS PROVIDES Financial resources, business expertise, quality standards, market linkages, and institutional capacity. Through coordinated implementation, LZNK identifies eligible *asnaf*, IFIs provide machines and create employment framework. LZNK may oversee distribution to student *asnaf* and share monitoring and evaluation. It also ensures scalability through partnership. Neither institution could achieve this impact alone, partnership leverages comparative advantages and its indeed a model for broader social finance collaboration.

The garment (Economic activity ii) compared to the traditional cash transfers, which only provides, immediate relief but temporary impact, no asset creation, no skills development and consumption-focused, not production-focused, this economic activity ii approach provides productive asset remains beyond initial assistance, ongoing income generation capacity, skills acquired permanently and investment in future productivity. Compared to typical microfinance which creates debt burden, whereby repayment pressure can be exploitative, interest charges (even if called "profit") and market risk borne entirely by borrower, it is synonym with no debt burden (zakat-funded), guaranteed market removes risk, fair pricing without exploitative elements and alignment with Islamic finance principles.



Compared to traditional charity which are synonym with recipient passivity, potential dependency creation, no dignity preservation and Short-term relief only this new approach ensures active participation, Self-sufficiency building, dignity through work and long-term impact through skills and assets. It's a fact that Government welfare programs often bureaucratic and stigmatizing, may create dependency, political considerations affect sustainability and most of the time not always reaching neediest.

To overcome these challenges Islamic Social finance model is embedded with religious motivation which ensures commitment. Community-based targeting are more accurate. Dignity-preserving design and it is sustainable through perpetual zakat institution.

The IFI's sewing machine initiative for *asnaf* under LZNK represents a sophisticated model of Islamic social finance that creates transformative impacts across multiple dimensions and have its immediate economic benefits. It provides productive assets, creates guaranteed employment with stable income, offers market security through buyback arrangements and enables income increases for participating households. As for long-term economic transformation, it builds permanent skills enabling sustained livelihoods, it creates pathways from poverty to self-sufficiency, enables asset accumulation and savings. It also facilitates graduation from *asnaf* (recipient) to *muzakki* (contributor) status and provides foundation for entrepreneurship and business development. It definitely provides social status elevation, whereby it transforms identity from charity recipient to skilled worker, enhances dignity through productive work rather than handouts, improves community standing and family respect and creates pride through craftsmanship and contribution. Looking from the angle of women's empowerment, it provides culturally appropriate income opportunities for women. It also enables economic participation while respecting family responsibilities and builds financial independence and decision-making power.

On top of that it develops technical and business skills and creates role models for daughters and community. Undeniably, it also has family and intergenerational impact via improved nutrition, health, and living conditions and enhanced children's educational access (through income and uniforms). Reduced household economic stress, positive role modelling for children and it breaks the intergenerational poverty cycles.

This initiative exemplifies how Islamic social finance can create sustainable, dignity-preserving pathways out of poverty while fulfilling religious obligations and demonstrating Islamic principles' practical relevance. It shows that poverty alleviation is not merely about income transfer but about transforming people's capabilities, opportunities, and social positions. By providing productive assets, creating employment, guaranteeing markets, and building skills, while simultaneously serving another vulnerable group (asnaf students), this model creates a virtuous cycle of empowerment where the benefits multiply across families and communities. It demonstrates that authentic Islamic finance extends beyond profit-seeking to serving human welfare and social justice—core maqasid that distinguish Islamic from conventional economic systems.

The sewing machine initiative is not merely a charitable program but a developmental intervention that addresses root causes of poverty, builds human capital, preserves dignity, and creates sustainable livelihoods. It represents the kind of innovative, values-driven, impact-oriented social finance that can genuinely transform lives while remaining faithful to Islamic principles. As such, it offers a powerful model for how Islamic finance institutions can fulfil their religious and social responsibilities while contributing meaningfully to inclusive, equitable, and sustainable development.



LZNM Asnaf Garment Facility

Stakeholder Engagement : Health

Map of Kedah

KEDAH



Zakat Tower, Kota Setar	4	Purchase of Dialysis Machines
Zakat Tower, Kota Setar	13	Purchase of Dialysis Machines
Zakat Tower, Kota Setar	5	Purchase & Maintenance of Hemodialysis Machines
Kota Setar	5	Dialysis Treatment



Stakeholder Engagement : Health



Idaman Pharma Manufacturing Sdn. Bhd.

- Total Value
RM 40,000.00
- Number
4
- Details
Purchase of Dialysis Machines
- Area
Zakat Tower, Kota Setar



Bank Pembangunan Malaysia Berhad (BPMB)

- Total Value
RM 40,000.00
- Number
13
- Details
Purchase of Dialysis Machines
- Area
Zakat Tower, Kota Setar



- Total Value
RM 340,000.00
- Area
Kota Setar, Kubang Pasu, Pokok Sena, Padang Terap, Yan & Pendang
- Details
Kedah Zakat Mobile Medical Clinic (in partnership with Kedah Medical Centre)



Stakeholder Engagement : **Health**



Maybank Islamic Berhad

- | | | | |
|--------------------------------------|----------------------|---|---|
| • Total Value
RM 40,000.00 | • Number
5 | • Details
Purchase & Maintenance
of Hemodialysis Machines | • Area
Menara Zakat, Kota Setar |
|--------------------------------------|----------------------|---|---|



eTiQA ETIQA Family & General Takaful Berhad

- | | | | |
|--------------------------------------|----------------------|--|-----------------------------|
| • Total Value
RM 30,000.00 | • Number
1 | • Details
Dialysis Treatment | • Area
Kota Setar |
|--------------------------------------|----------------------|--|-----------------------------|





Idaman Pharma Manufacturing Sdn. Bhd.

- Total Value
RM 84,000.00

- Details
Non-Mydriatic Fundus Camera Machine



Petronas

- Total Value
RM 100,000.00

- Details
Donation of Medical Equipment (COVID-19)

- Area
Hospital Sultanah Bahiyah



Kedah Medical Centre (KMC)

- Total Value
RM 30,000.00

- Details
**COVID-19 Special Aid
PHZK Patient Assistance**

- Area
Kota Setar



Stakeholder Engagement (Health)

This initiative represents a critical health intervention where Islamic Finance Institutions (IFIs) and other organizations collaborate with Lembaga Zakat Negeri Kedah (LZNK) to provide dialysis machines for asnaf (zakat-eligible individuals) suffering from kidney disease. Unlike the previous economic empowerment initiatives (agricultural machinery, sewing machines), this is primarily a health preservation intervention that indirectly but profoundly impacts social and economic status. This model addresses one of the most financially catastrophic health conditions—chronic kidney disease requiring regular dialysis—which without intervention would devastate families economically and socially while violating the fundamental Islamic obligation to preserve life (hifz al-nafs).

Understanding the crisis, albeit kidney disease and dialysis burden

Malaysia has high rates of CKD, particularly among populations with diabetes and hypertension. End-Stage Renal Disease (ESRD) requires regular dialysis or kidney transplant and the dialysis typically required 2-3 times weekly, 3-4 hours per session. Without treatment, ESRD is fatal within weeks to months. For asnaf families typically earning RM 500-2,000/month, dialysis costs represent 72-432% of monthly income (if paying privately).



Dialysis machines provided for asnaf

It is an impossible financial burden, necessitating impossible choices skip treatments (leading to death) or sell assets/go into debt (leading to destitution) or rely on charity (uncertain and dignity-compromising).

Preservation of Life:

The Foundational Maqasid, direct life-saving impact. Dialysis enables survival for years to decades. Quality dialysis can maintain near-normal life functionality. It also creates time for potential kidney transplant.

Islamic Imperative (Hifz al-Nafs):

Preservation of life is among the five essential maqasid. Providing dialysis machines fulfills this supreme obligation. Treatment access is a right, not a privilege in Islamic framework.

Classical fiqh recognizes medical needs as legitimate zakat expenditure whereby it falls under category of ibn al-sabil (traveler/person in need) or direct need category. Contemporary scholars emphasize healthcare as fundamental right and dialysis costs clearly qualify as critical need. Regular, quality dialysis maintains physical functioning. Patients can continue daily activities between sessions and it reduces uremic symptoms (fatigue, nausea, confusion) and it also prevents acute complications (fluid overload, electrolyte imbalances). Survival hope reduces depression and anxiety whereby the treatment access provides sense of security and continued life participation maintains purpose and meaning. Family connections preserved. Economic status protection and improvement, preventing catastrophic economic collapse.



Economic Impact Calculation:

Without Intervention, the annual dialysis cost:

RM 17,280-25,920 (private) or RM 4,680-9,360 (NGO)

Typical asnaf household income: RM 12,000-24,000/year

These initiatives provide outcomes protection such as educational continuity, whereby the children remain in school rather than leaving to work and educational expenses remain manageable. On top of that academic performance not devastated by family crisis ensuring long-term human capital development are preserved. As for psychological well-being, parental survival provides security and stability and the children are not traumatized by watching parent die from treatable condition. Family routine is also maintained (not constant crisis mode), childhood preserved rather than premature adulthood burden and this ensures that future life chances are not disturbed. Education completion enables better employment.

LZNK-IFI dialysis centers absorb asnaf load, Government resources freed for other patients. Overall system efficiency is improved. Indirectly it also prevents acute complications, whereby regular dialysis prevents emergency hospitalizations, reduces burden on emergency departments and prevents ICU admissions for acute kidney failure complications resulting lower overall healthcare system costs which means economic savings for Government. It is also aspired that LZNK-IFIs centers must maintain quality standards with professional training requirements and equipment quality assurance. This in turn would drive overall healthcare quality improvement. Modern dialysis machines bring advanced technology and training opportunities for healthcare workers.

Looking into scalability pathways, from the angle of geographical expansion within Kedah, from Alor Setar (main center) towards smaller towns (Sungai Petani, Kulim, Langkawi) and rural areas (mobile dialysis units). As for beyond Kedah, to other Malaysian states with replication in Selangor, Penang, Johor, etc. Adaptation to state zakat boards and state-specific needs assessment as well as coordinated national approach. looking into sectoral expansion, potentially expanded to other chronic diseases (cancer treatment, diabetes care) as well as preventive healthcare programs, health education and screening and integrated chronic disease management. As for institutional expansion, more IFIs joining this initiative such as Takaful companies participation, Waqf institutions involvement and international Islamic finance support.

The stakeholder engagement in health definitely has multi-dimensional impact. The IFIs-LZKN dialysis initiative represents far more than medical intervention. It is a comprehensive development program with cascading impacts, it has direct health impact in terms of lives saved (survival vs. certain death), quality of life maintained, suffering alleviated and family health stability. As for the economic impact, catastrophic expenditure prevented (RM 15,000-25,000/patient/year), assets protected (homes, land, vehicles, savings), productive capacity maintained (partial employment for 40-60% of patients), family income stability (preventing total economic collapse), national productivity preserved (human capital retention) and economic multiplier effects (family members can work, children stay in school).

From the perspective of social impact, dignity preserved through institutional service delivery, social marginalization prevented, family stability maintained (reduced divorce, separation, out-migration), community cohesion strengthened, intergenerational impact (children's life trajectories protected) as well as social capital formation. As for the psychological impact, hope restored (from death sentence to manageable condition), depression and anxiety reduced, family trauma prevented, life meaning and purpose maintained as well as spiritual well-being supported. It also has what is known as systemic impact, such as innovative Islamic social finance model demonstrated, public-private-civil society partnership template, healthcare financing innovation, policy influence toward universal health coverage, Islamic finance legitimacy and social value proven not forgetting replicable model for region and globally.

This initiative exemplifies Islamic finance's unique contributions via the values-driven, whereby it is rooted in maqasid al-Shariah, not merely profit. It Preserves life as highest priority, emphasizes dignity and social solidarity and operationalizes Islamic ethical economy. The engagement is holistically integrated, it connects health, economic, and social interventions. It adopts family-centered approach, community development orientation it is long-term transformation focus. It is dignity-preserving proving healthcare as right, not charity, professional service delivery, institutional rather than personal dependency and empowerment alongside assistance. It is very much collaborative in nature. Multiple stakeholder engagement (Islamic banks, zakat boards, healthcare providers, government, NGOs, community) with comparative advantage leveraging and shared responsibility and benefit and scalability through partnership. It operationalizes maqasid al-Shariah framework, demonstrates productive zakat utilization, shows Islamic finance's societal role beyond banking and provides model for Islamic welfare state. Blended value creation (social + economic + religious returns) with sustainable impact investment model.

It clearly shows that Islamic social finance can meaningfully contribute to national development goals. Public-private-zakat partnerships offer efficient service delivery, healthcare investment has high economic returns and prevention and early intervention are cost-effective. As for the IFIs, social responsibility creates business value (community relationships, future customers, reputation, legitimacy) and impact investment opportunities are abundant. Partnership with zakat institutions mutually beneficial and Values-driven business is sustainable business. Whilst for LZNK, productive zakat utilization achieves transformative impact, strategic partnerships amplify resources, healthcare is legitimate and high-impact zakat use and professional management ensures effectiveness.

Overall, community-based care improves access, alternative financing mechanisms can complement government, quality care possible in non-profit settings and prevention should be prioritized. The dialysis machine initiative transcends its immediate medical purpose. It represents proof of concept and that Islamic social finance can address society's most pressing challenges effectively, efficiently, and ethically. It is also a model for replication and a template applicable to diverse health and social issues beyond dialysis. It a pathway toward comprehensive Islamic social protection systems ensuring dignity, justice, and well-being for all and demonstrating Islam's relevance to contemporary challenges, and manifesting the Qur'anic vision of a just, compassionate society. It is not merely treating disease but transforming lives, families, communities, and demonstrating an alternative economic paradigm rooted in values, solidarity, and human dignity.



LZNM Mobile clinic

This initiative embodies the Islamic economic vision at its finest, wealthy serving poor through institutional mechanisms, preserving life and dignity, creating sustainable solutions, building community solidarity, and demonstrating that economic success and social justice are not contradictory but complementary goals when rooted in authentic Islamic principles.

The dialysis machines are not merely medical devices—they are instruments of hope, dignity, and comprehensive human development, saving lives while elevating social and economic status, preserving families while strengthening communities, fulfilling religious obligations while building sustainable institutions, and demonstrating that another world—guided by Islamic values of mercy, justice, and solidarity—is not only possible but already emerging through initiatives like this.

The question is not whether this model works—the evidence is clear. The question is how rapidly and comprehensively can it be scaled to ensure that no Muslim, anywhere, dies from treatable kidney disease while their family descends into economic catastrophe. The answer lies in collective commitment to the Islamic principle that every life is precious, every human deserving of dignity, and every community responsible for its vulnerable members. This is not charity. This is justice. This is Islam in action. This is the future of Islamic social finance. The dialysis initiative proves that Islamic social finance, when properly designed and implemented, can be transformative. It elevates not just economic status but human dignity, not just individual health but family stability, not just current generation but future generations, not just Muslims' material welfare but Islam's practical relevance to contemporary challenges. It is a model worthy of replication, expansion, and celebration as exemplar of Islamic values in action.

Stakeholder Engagement : Education

Map of Kedah

KEDAH



Stakeholder Engagement : Education



- Total Value
RM 2,953,754.5



**Pemodalan
Nasional Berhad**



PLUS Malaysia Berhad



**ETIQA Family
& General
Takaful Berhad**



**Malaysia Industrial
Development
Finance Berhad**



**Bank Kerjasama
Rakyat (M) Berhad**



**Angkatan Koperasi Kebangsaan
Malaysia Berhad (ANGKASA)**



**Petroleum
Nasional Berhad**



Al-Ikhsan Sport Sdn Bhd

- Area
Sik
- Details

Construction of Classroom and Dormitories at MDSA H Sik



Stakeholder Engagement : Education



**Bank Kerjasama
Rakyat (M) Berhad**

- Total Value
RM 300,000.00



**Pertubuhan
Keselamatan Sosial**

- Total Value
RM 13,928.39

- Area
Kota Setar

- Details
**Computer Laboratory Project,
Suka Menanti Building, KASAH**



Lembaga Jurukur Tanah Malaysia

- Total Value
RM 222,150.00

- Area
**SMA Taufiqah Khairiah
Al Halimiah (Pondok Pak Ya)**

- Details
Surau Construction Donation



Stakeholder Engagement : Education



pharmaniaga Pharmaniaga

- Total Value
RM 64,000.00

1 Individual Contributors

- Total Value
RM 24,000.00

2 Individual Contributors

- Total Value
RM 48,750.94

eTiqa ETIQA Takaful Berhad

- Total Value
RM 222,150.00
- Master's
3
- Doctor of Philosophy
1

PETRONAS Petronas

- Total Value
RM 300,000.00

- Details
Scholarship Sponsor at Public Universities



Permodalan Nasional Berhad (PNB)

- Total Value
RM 478,000.00

- Number
63 Sekolah Agama Rakyat (SAR) in Kedah

- Detail
Distribution of Digital Equipment



Stakeholder Engagement (Education)

This initiative represents a strategic educational investment where Islamic Finance Institutions (IFIs), through stakeholder engagement with Lembaga Zakat Negeri Kedah (LZNK), contribute to physical educational infrastructure for asnaf (zakat-eligible) communities. By building classrooms, dormitories, computer labs, and other educational facilities, this intervention addresses a fundamental prerequisite for human capital development: access to quality learning environments. Unlike direct monetary assistance or even skills training programs, infrastructure investment creates lasting institutional capacity that serves multiple generations. This represents a shift from consumptive to productive use of zakat, investing in the foundational architecture of poverty alleviation through education—the most powerful pathway for sustainable social and economic mobility. The stakeholder engagement where Islamic Financial Institutions (IFIs) contribute via Zakat Wakalah to Lembaga Zakat Negeri Kedah (LZNK) for educational infrastructure (classrooms, dorms, computer labs) significantly elevates the social and economic status of the Asnaf in Kedah through a two-pronged approach: improving human capital and fostering social mobility.



Computer Laboratory Project

Elevating Social Status Through Education and Empowerment

The investment in educational infrastructure directly tackles the social barriers and lack of opportunity often faced by Asnaf families. Improved access and quality of education by building classrooms and computer labs provides a conducive, well-equipped learning environment. This ensures Asnaf children have access to a quality education, comparable to their non-Asnaf peers.

Quality education is the foundation for developing human capital and aligns with Malaysia's broader development goals. Moreover, these infrastructures are built in the three boarding school which are managed and operated by LZNK, and 100% of the students are Asnaf, and they are full boarding Schools.

Safety and conducive living environment whereby the construction of dormitories offers a safe, stable, and disciplined living environment, especially for students from remote areas or unstable home environments. This stability allows them to focus on their studies without the distractions or burdens of poverty, promoting a sense of security and belonging.

On top of that, it also removes their sense of inferiority complex and insecurity. Reduced intergenerational poverty, by focusing on education, the initiative breaks the cycle of poverty. Educated Asnaf individuals are less likely to remain dependent on social welfare, which is the key to transforming them from mere recipients to productive contributors to society and potentially future zakat payers. Enhanced social standing and confidence, Asnaf students, achieving academic success and gaining practical skills (e.g., in computer labs), it instills confidence, self-reliance, and dignity. This positive shift in identity and capabilities elevates their social standing within the community, fostering a more equitable society.

Elevating Economic Status Through Skills and Opportunity

The educational support translates into tangible economic advantages by preparing Asnaf individuals for better employment and self-sufficiency. They have better probability of acquisition of marketable skills, whereby those computer labs are crucial for providing digital literacy and technical skills, which are essential in the modern job market. This training makes Asnaf children competitive for high-value jobs, shifting them from low-wage or unstable employment. This would also translates to increased earning potential. Education is directly correlated with higher income. The completion of a quality education enables Asnaf individuals to secure better-paying jobs and pursue higher education, thus dramatically increasing their economic resilience and earning potential. This would definitely be a catalyst for empowerment programs. The educational foundation prepares beneficiaries to take full advantage of LZNK's other economic empowerment initiatives (like entrepreneurship or agricultural projects). A well-educated individual is better equipped to manage a business, utilize new technology, and adapt to economic changes. Sustainable economic independence would be easier to achieve.: The ultimate goal of zakat is to empower Asnaf to achieve sustainable socio-economic independence. By funding infrastructure, IFIs are providing a long-term, structural solution that yields returns for years to come, moving the Asnaf group from relying on charity (consumption-based zakat) to generating their own wealth (productive-based zakat).

Maqasid al-Shariah Achievement Through Educational Infrastructure

Preservation of Intellect (Hifz al-'Aql):

Education is core to preserving and developing intellect, and infrastructure enables quality education delivery and it's the highest priority after life preservation in many scholars' frameworks of obligation to provide educational opportunities.

Preservation of Wealth (Hifz al-Mal):

Education creates productive capacity, skills and knowledge (economic value). education is the most reliable poverty escape pathway and it is the intergenerational wealth building foundation. Educated populace attracts investment, economic productivity enhancement resulting property values increase and tax base expands. It is also a productive zakat use (human capital investment), long-term poverty reduction vs. temporary relief, transforms recipients into contributors and has multiplier effects through generations.

Preservation of Life (Hifz al-Nafs):

Theoretically, and lately, empirically proven, educated individuals live longer (health literacy) and maternal education is crucial in ensuring child survival and health, understanding nutrition, sanitation, disease prevention as well as access to better healthcare through economic improvement. Education also improves livelihood security, reduced vulnerability to poverty-related mortality, food security through higher incomes and better housing and living conditions.

Preservation of Lineage/Family (Hifz al-Nasl):

Economic security reduces family stress and breakdown and educated children honour parents and family and definitely improves intergenerational family advancement. In the long run. educated parents provide better childcare, invest more in children's education and health, Break cycles of dysfunction and model positive behaviours and aspirations. Its also positively contagious, whereby educated community members support extended families. Social cohesion and mutual support networks will ultimately lift the whole asnaf community, at least in Kedah.

Preservation of Dignity/Honor (Hifz al-'Ird):

Education confers respect and social standing, it provides professional identity vs. stigmatized poverty. It also contributes to self-sufficiency and independence to be the voice and agency in society. Moreover it gives pride in educated children, an elevated family status, respected lineage and legacy building. Aggregately Asnafs, obtain collective pride in educational achievement, reduced dependency on external charity, self-determination and autonomy as well as positive reputation and identity.

Additional Maqasid Dimensions

Justice ('Adalah):

Educational equity addresses systemic injustice and provide equal opportunity by levelling playing field for asnaf children and enable merit-based advancement.

Social Solidarity (Takaful):

It would also indicate community investment in collective future whereby wealthy supporting poor through education as well as intergenerational contract (educate youth, they support elders) and strengthened social bonds

Public Welfare (Maslahah 'Ammah):

Educated citizenry is indeed classified as public good, and economic development benefits all. we could also achieve crime reduction through opportunity and democratic participation and good governance.



Maahad Dini Sultan Abdul Halim

Stakeholder Engagement : Social

Map of Kedah

KEDAH



• Total Chicken
2,434

• Total Cow
13

• Total House Aid
RM 1,878,151.57

Stakeholder Engagement : Social



**Bank Pembangunan
Malaysia Berhad (BPMB)**

- Total Value
RM 862,800.00
- Area
Kubang Pasu & Langkawi



**Tenaga Nasional
Berhad (TNB)**

- Total Value
RM 217,000.00
- Area
Pendang



**Maybank
Islamic Berhad**

- Total Value
RM 169,351.57
- Area
Yan



**Yayasan Pembangunan Ekonomi
Islam Malaysia (YAPEIM)**

- Total Value
RM 375,000.00
- Area
**Sik, Kuala Muda, Pokok Sena,
Baling & Kota Setar**



**Lembaga Jurukur
Tanah Malaysia**

- Total Value
RM 172,000.00
- Area
Kubang Pasu



**Idaman Pharma
Manufacturing Sdn. Bhd.**

- Total Value
RM 82,000.00
- Number
2 buah
- Area
Kuala Muda

- Details
**Aid for House Construction
& Renovation**



**Syarikat Takaful
Malaysia Berhad**

- Total Value
RM 50,000.00
- Area
Kg. Iboi Baling

- Details
**House Construction
Sponsorship for
Flood Victims**



**Bank Islam
Malaysia Berhad**

- Total Value
RM 281,600.00
- Area
**Kota Setar, Yan, Pendang,
Kubang Pasu & Pokok Sena**

- Details
**i-Asnaf Personal
Financing Scheme
(House Construction
Distribution)**



Stakeholder Engagement : Social



Perbadanan Kemajuan Negeri Kedah (PKNK)

- Total Value
RM 6,000.00
- Number
400 Chicken



Tenaga Nasional Berhad (TNB)

- Total Value
RM 5,000.00
- Number
334 Chicken



Kedah Medical Centre (KMC)

- Total Value
RM 3,000.00
- Number
200 Chicken



Pertubuhan Keselamatan Sosial (PERKESO)

- Total Value
RM 3,000.00
- Number
200 Chicken



Tenaga Nasional Berhad (TNB)

- Total Value
RM 9,000.00
- Number
600 Chicken
- Area
Pandang



Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN)

- Total Value
RM 6,000.00
- Number
400 Chicken
- Area
Pandang



Kedah Medical Centre (KMC)

- Total Value
RM 4,500.00
- Number
300 Chicken
- Area
Pandang



- Area
Pokok Sena, Kota Setar, Padang Terap, Kuala Muda & Yan
- Details
**Aidilfitri Infak 2023
Donation of Fresh Chickens to the Poor & Needy (Asnaf)**

Stakeholder Engagement : Social



Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN)

- Total Value
RM 12,000.00
- Number
2 Cows
- Area
Kuala Muda & Sik



QSR Brands (M) Holdings SDN BHD

- Total Value
RM 18,000.00
- Number
3 Cows
- Area
Pendang, Pokok Sena & Langkawi



Syarikat Air Darul Aman Sdn. Bhd

- Total Value
RM 36,000.00
- Number
6 Cows
- Area
Langkawi, Baling (x2), Kulim, Pendang & Yan

Individual Contributors

- Total Value
RM 12,000.00
- Number
2 Cows
- Area
Kota Setar & Bandar Baharu

- Details
Donation of Qurban Meat for the Poor & Needy (Asnaf)



Stakeholder Engagement : **Social**

RHB Islamic

RHB Islamic Bank

• Total Value	• Area	• Details
RM 329,200.00	Persatuan Nelayan Darat Tasik Gubir	Various tools and facilities were provided to help improve the lives of local fishermen
Engine Repair Workshop and Equipment Set : RM46,500		2 units of passenger boats : RM80,000
5 units of fishing boats : RM35,000		20 units of life jackets : RM2,800
100 units of fishing nets : RM20,000		1 unit of floating house : RM144,900



Pak Lah Seni Kraf Pisau

• Total Value	• Area	• Details
RM 23,500.00	Sik	Self-Reliance Assistance (Workshop Construction) : RM15,000.00 (Year 2023)
		I-Tekad Entrepreneur Transformation Program : RM2,000.00 (Year 2023) : [Public Islamic Bank]
		Self-Reliance Assistance (WKM Belt Grinder Equipment) : RM6,500.00 (Year 2020)



Stakeholder Engagement : Social



PUBLIC ISLAMIC BANK

Public Islamic Bank

- Total Value
RM 23,000.00

- Area
**Persatuan Nelayan
Darat Tasik Gubir**

- Details
Cabin for fishermen community



PETRONAS Petronas



BPMB
Malaysia Development Bank

**Bank Pembangunan
Malaysia Berhad (BPMB)**

- Total Value
RM 400,000.00

- Total Value
RM 170,000.00

- Area
Belantik, Sik

- Details
One-stop community Activity Center Al-Wustho Mosque



Stakeholder Engagement : Social



eTiqa ETIQA Family & General Takaful Berhad

- Total Value
RM 15,000.00
- Area
Baling & Pokok Sena
- Details
Assistance for Basic Needs of Flood Victims



Permodalan Nasional Berhad (PNB)

- Total Value
RM 50,000.00
 - Area
Pulau Tuba, Langkawi
 - Details
Dry Snack Processing Training Program for the Asnaf Community
- Total Value
RM 50,000.00
 - Details
Project on Smart Coop System for Kampung Chicken for the Asnaf Community



SME BANK Malaysia

- Total Value
RM 19,926.75
- Area
Pulau Tuba, Langkawi
- Details
Business Support Equipment for the Asnaf Community



Stakeholder Engagement (Social)



The Chairman of LZNK, together with corporate partners, distributing fresh chickens to asnaf in conjunction with Hari Raya Aidilfitri

The collaboration between Islamic Financial Institutions (IFIs) and Lembaga Zakat Negeri Kedah (LZNK) provides multifaceted support that significantly elevates the economic and social status of Asnaf (zakat recipients) in Kedah. This assistance moves beyond simple charity to focus on empowerment and long-term sustainability.

Elevating Economic Status (Focus on Sustainability and Income)

The interventions help to elevate the Asnaf's economic status by addressing immediate needs while also fostering skills and income generation, moving them from being mere recipients to productive economic agents.

IFI/LZNK Initiative	Economic Impact
Building/Repairing Houses	Reduces financial burden of housing costs (rent, maintenance) and frees up a significant portion of the Asnaf's meagre income for other essential needs like food, education, or starting a micro-business. It provides a stable asset and a safe, suitable environment for the family.

IFI/LZNK Initiative	Economic Impact
Mobile Clinics/Health care Aid	Directly reduces immediate cost of living, particularly for essential protein sources, allowing the family to allocate their limited cash towards investments in human capital (like education/skill training) or business capital.
Mobile Clinics/Health care Aid	Reduces healthcare expenditures for the Asnaf family, preventing financial shocks from medical emergencies or chronic illnesses. Healthy Asnaf are productive Asnaf, ensuring they can participate in economic activities without being hindered by sickness.



Houseboat initiative to support and develop asnaf entrepreneurship

Enhancing Social Status (Focus on Dignity and Opportunity)

The social initiatives restore dignity, improve quality of life, and integrate the Asnaf more fully into the community, enhancing their overall social standing.

IFI/LZNK Initiative	Economic Impact
Building/Repairing Houses	Restores dignity and pride by providing a decent and safe living environment. It helps to reduce the social stigma associated with poverty and living in dilapidated conditions, allowing children to focus better on education and the family to engage more confidently with the community.
Mobile Clinics/Healthcare Aid	Demonstrates that the community (via the IFIs and LZNK) cares for their well-being, fostering a sense of belonging and reducing marginalization. It also improves quality of life by addressing health issues that might otherwise lead to chronic suffering or premature death.
Comprehensive Support (shelter, food, healthcare, economic empowerment)	This holistic approach breaks the intergenerational cycle of poverty. By ensuring basic needs are met and providing opportunities for skill development and income, the Asnaf gain social mobility. This change in circumstances and capability boosts their self-esteem and encourages their participation as active, respected members of society, in line with the Islamic objective (Maqasid Shariah) of uplifting the Muslim community.



Section 3: **Understanding Stakeholder Experience**

Luqman: 4 - 5

"Those who establish prayer, pay alms-tax, and have sure faith in the Hereafter. It is they who are 'truly' guided by their Lord, and it is they who will be successful."

Overview

Lembaga Zakat Negeri Kedah (LZNK) plays an important dual role: ensuring that all zakat activities follow Shariah principles while also using zakat as a tool to improve people's lives. Beyond simply collecting and distributing funds, zakat under LZNK aims to reduce poverty, promote fairness, and empower the asnaf community. Over the years, LZNK has worked closely with government agencies, universities, NGOs, and Islamic financial institutions, including INCEIF University, MIFC, AIBIM, YWM, MyWakaf, and several Islamic banks. These collaborations have led to creative initiatives, such as financing programs, machinery support, drone use in agriculture, and digital tools that help asnaf build sustainable livelihoods. These efforts show LZNK's commitment to linking zakat with broader social and economic development goals.

However, one key area still needs improvement: the documentation and public sharing of results from these collaborations. Without clear reporting, it can be difficult for stakeholders and the public to fully appreciate the positive outcomes achieved. Transparency and communication are crucial in maintaining trust, as studies have shown that zakat institutions earn greater confidence when they are open, fair, and service-oriented (AB. Aziz & Mohd Anim, 2020; Zainal et al., 2016). This report seeks to fill that gap by exploring how LZNK engages with stakeholders to strengthen zakat governance, improve program delivery, and measure real impact. Instead of focusing only on how much zakat is distributed, the report highlights broader outcomes, such as new financing models, the use of technology, and asset-based support that together contribute to long-term empowerment and sustainable change for the asnaf community.

Foundations of Knowledge

The idea of stakeholder engagement began with the concept of stakeholder theory in the 1960s–1980s, when the Stanford Research Institute (1963) first described stakeholders as groups that are essential for an organization's success. Later, Freeman (1984) emphasized that organizations should not focus only on shareholders, but also consider the needs and interests of employees, customers, communities, governments, and financial partners. In the 1990s and 2000s, the idea became more established through corporate social responsibility (CSR), sustainability reporting, and governance reforms. International frameworks such as the Accountability AA1000 Stakeholder Engagement Standard (first issued in 1999 and updated in 2008 and 2015) promoted principles like inclusivity, materiality, and responsiveness, while the Global Reporting Initiative (GRI) encouraged organizations to involve stakeholders more actively in their reporting and decision-making processes.

In simple terms, stakeholder engagement means having a clear understanding of why the organization is engaging, who should be involved, and how the engagement should take place. Stakeholders include anyone who affects or is affected by the organization's activities, both internal, such as employees or management, and external, such as partners, beneficiaries, or the public. This report uses the AA1000 Stakeholder Engagement Standard (AA1000SES) which focuses on five key areas: inclusivity, materiality, responsiveness, satisfaction, and impact. These principles help ensure that LZNK's engagement with stakeholders, especially in managing zakat and waqf, remains open, relevant, and truly responsive to the needs of the community.

Zakat Governance and Stakeholder Engagement: The Case of LZNK

Zakat administration in Malaysia is managed at the state level by zakat boards or State Islamic Religious Councils under the Sultan's authority. In Kedah, the Majlis Agama Islam Negeri Kedah (MAIK) supervises zakat affairs, while the Lembaga Zakat Negeri Kedah (LZNK) implements policies, collection, and distribution (Ramli, 2020). With a mission of efficiency, transparency, and integrity, LZNK nearly doubled its collection from RM149.3 million in 2016 to RM277 million in 2023 (Government of Kedah, 2024), largely through digitalization and collaborations with Islamic banks via wakalah arrangements (Astro Awani, 2021).

While following the Qur'anic framework of eight asnaf, LZNK emphasizes empowerment through programs in food security, housing, healthcare, and education, including Projek Hassan and Smart SBBA in agriculture (Ismail et al., 2023) and blended financing schemes like SakeenaHOPE with Bank Islam (LZNK, 2024). In 2025, it targeted RM417.1 million in zakat distribution, with RM90 million disbursed by March through initiatives like FoodBank, mobile health clinics with BPMB, and education support (MMK Kedah, 2025). Beyond delivery, LZNK also advances knowledge-sharing through the Kedah International Zakat Academy (KEIZAC), engaging regional and global counterparts like BAZNAS (MMK Kedah, 2023).

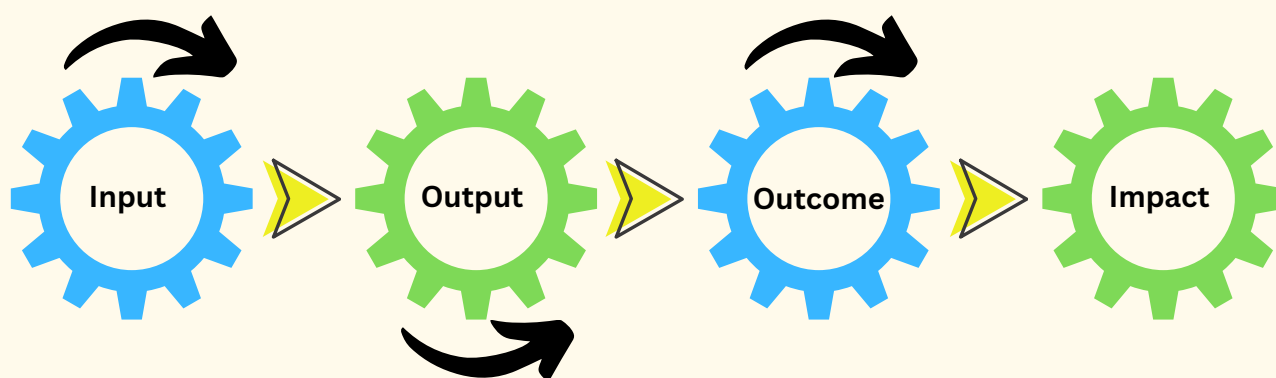
As the sole authorized amil in Kedah, LZNK is responsible for ensuring that zakat is distributed fairly and in full compliance with Shariah principles, under the supervision of MAIK and with oversight from JAWHAR. Its governance structure is supported by regular audits and guidance from Shariah advisory councils (Yaacob & Nahar, 2017; Wahab & Rahman, 2011). Through programs in entrepreneurship, housing, education, and agriculture, LZNK positions zakat not only as a religious duty but also as a means to promote long-term social and economic development (Embong, 2013). Research shows that effective stakeholder engagement through transparency, collaboration, and beneficiary participation, helps strengthen public trust and social impact (Aziz & Anim, 2022; Tajuddin & Takril, 2021; Johari, 2023).

More broadly, studies find that when zakat institutions work together with various partners, they can improve fundraising, reputation, and program sustainability (Amar, Purwoko & Sihite, 2024; Sugeng et al., 2022). The Pentahelix model in Malang, for example, demonstrates how cooperation among government, academia, business, communities, and the media can effectively reduce poverty (Minarni et al., 2025). By embedding stakeholder engagement in its governance, LZNK can continue to enhance transparency and accountability and ensuring zakat remains a transformative tool for Islamic social finance and community empowerment.

Approach and Process

This study uses a qualitative approach to understand how Lembaga Zakat Negeri Kedah (LZNK) engages with its various stakeholders. Conducted between July and September 2025, the research focused on LZNK because of its innovative programs and strong collaborations with universities, financial institutions, NGOs, and community groups. Data were gathered mainly through interviews and questionnaires designed for different stakeholder groups, including academic partners, corporate collaborators, financial institutions, and asnaf beneficiaries, and supported by institutional reports and documents. Participants were carefully selected to ensure that those involved had direct experience with LZNK's programs. Around 10 to 12 respondents took part, representing diverse backgrounds from academia, industry, government-linked bodies, and community organizations. This number was considered sufficient to capture meaningful insights, as previous studies suggest that in-depth understanding can be achieved through a focused group of interviews (Marshall et al., 2013; Wutich et al., 2024).

Analytical Approach



I-O-O-I Framework

The study combined two approaches: the Input-Output-Outcome-Impact (I-O-O-I) framework (Weiss, 1997; Kaplan & Garrett, 2005) and thematic analysis (Braun & Clarke, 2006), to better understand how LZNK's programs create change. The I-O-O-I framework helped map the process of how resources, or the input, such as zakat funds, staff expertise, and technology are turned into real activities and results. For example, training programs and financial assistance provided to asnaf are the outputs; the resulting improvements in income, skills, or financial awareness are the outcomes; and the longer-term effects like poverty reduction, stronger livelihoods, and contributions to national goals and maqasid al-Shariah represent the impacts.

At the same time, thematic analysis was used to capture the voices and experiences of different stakeholders: what they think, value, and experience when working with LZNK. This approach looked for common themes such as trust, transparency, collaboration, and empowerment. By combining both methods, the study was able to link measurable program results with real stakeholder experiences and perceptions. This provides a clearer picture of how partnerships with organizations such as Maybank Islamic, RHB Islamic, Bank Islam, Permodalan Nasional Berhad, and UniSHAMS contribute to LZNK's wider mission of delivering meaningful and sustainable social impact.

Ethical Considerations


All participants were informed of the research objectives prior to their participation. Information of consent was obtained, and participants were assured that their contributions would remain confidential and be used exclusively for research purposes. The study adhered to ethical research standards to respect the rights, privacy, and dignity of all stakeholders involved.

Insights and Implications

LZNK Stakeholder Identification and Engagement

The identification of stakeholders is central to LZNK's sustainability commitment, ensuring inclusive and transparent engagement across the zakat ecosystem in Kedah. As both a regulator and implementer, LZNK manages the end-to-end process of zakat collection, distribution, and verification of eligible recipients (asnaf).

Academic partners such as UniSHAMS and INCEIF University play an essential role in supporting LZNK's efforts with research, policy insights, and technical guidance. UniSHAMS contributes closely at the state level, not only serving as a zakat wakalah for its community but also participating directly in LZNK's decision-making through board representation. Its localized hadd kifayah model provides valuable input for determining living standards that fit the Kedah context.



Meanwhile, INCEIF University, recognized globally for its expertise in Islamic finance, brings thought leadership and research that strengthen zakat governance both regionally and nationally. Together, these academic partnerships help LZNK make more informed, evidence-based decisions and enhance the overall credibility of the zakat system.

Corporate partners, particularly from the financial sector, also play a key part. Banks such as Maybank Islamic contribute through financial innovation and social responsibility programs. As Malaysia's largest Islamic bank, Maybank Islamic introduced digital auto-debit zakat services, making it easier for individuals to fulfill their zakat obligations. The bank also supports community development through initiatives like KEIZAC, women's entrepreneurship programs, and blended social finance projects that combine zakat and waqf funds to help asnaf achieve long-term independence.

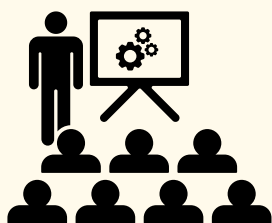
RHB Islamic has reinforced its commitment through zakat wakalah allocations for agricultural machinery, corporate zakat contributions for modernization projects, and alignment with Value-Based Intermediation (VBI), with ambitions to uplift 10,000 asnaf and B40 individuals by 2030. Bank Islam Malaysia Berhad, the country's first Islamic bank, supports LZNK's mission through several impactful initiatives. Its Sadaqa House platform helps co-fund social and educational programs that benefit the asnaf community. One of its flagship efforts, the Sakeena Home Ownership Programme (SakeenaHOPE), combines zakat assistance with i-Asnaf personal financing to help eligible families own affordable homes. Through Projek Hassan – Smart SBBA, Bank Islam also empowers agricultural entrepreneurs by integrating asnaf farmers into rice production chains. These initiatives mark a shift from providing short-term aid to building long-term economic resilience among beneficiaries.

Another key partner, Permodalan Nasional Berhad (PNB), extends its commitment to social responsibility through zakat contributions that have been ongoing since 2003. Collaborating with LZNK, PNB has funded various community-focused initiatives, including the ZPEU Paddy Field Development Programme which provided RM414,000 worth of harvesters, and entrepreneurship programs in Pulau Tuba with RM250,000 in support. At the heart of these collaborations are the asnaf communities themselves, the main focus and ultimate measure of zakat's success. Their experiences, from gaining access to better education and housing to participating in income-generating activities, reflect how effective stakeholder collaboration can transform zakat from short-term financial aid into a pathway for long-term empowerment and socio-economic inclusion.

LZNK Stakeholder Insights: I-O-O-I Framework

The perspectives gathered from diverse stakeholders, ranging from academic institutions, financial institutions, and corporate investors to beneficiaries themselves, offer a comprehensive view of LZNK's role and performance in the zakat ecosystem. This section applies the Input–Output–Outcome–Impact (I-O-O-I) framework to assess the engagement of Lembaga Zakat Negeri Kedah (LZNK) with its key partners. By structuring the analysis around these four stages, the report captures not only the resources and commitments invested (inputs), but also the activities delivered (outputs), the changes achieved at the community level (outcomes), and the broader systemic shifts that represent long-term transformation (impacts).

Input



- Academic and research expertise
- Financial resources and social finance experience
- Machinery and equipment
- Agricultural tools for product transportation
- Funding and technical support

UniSHAMS brings strong academic and research expertise to its partnership with LZNK. Through research grants and wakalah-based funding, the university focuses on studies that explore the psychological, social, and economic aspects of zakat. One of its key contributions is the Hadd Kifayah study, which provides a localised benchmark for assessing the needs of asnaf in Kedah. While UniSHAMS continues to strengthen its research output, it also recognizes the importance of translating these findings into community-based actions that directly benefit beneficiaries.

Bank Islam Malaysia plays an important role through its financial resources and social finance experience. The bank supports agricultural and livelihood programs, while also using its Sadaqa House platform to channel social funds to meaningful projects. Guided by its philosophy of holistic empowerment, Bank Islam ensures that beneficiaries not only receive financial assistance but also the education, training, and tools they need to become more self-reliant. Permodalan Nasional Berhad (PNB) contributes by providing machinery and equipment that help paddy farmers improve their productivity. Its partnership with LZNK focuses on sustainability ensuring that the support given benefits multiple farmers and continues to have impact over the long term. PNB's approach reflects its broader national mission to uplift communities while maintaining strong governance and accountability.

RHB Islamic Bank supports agricultural initiatives, particularly for paddy farmers, by providing financial assistance and practical tools such as drones and lorries for product transportation. These contributions help farmers move from low-income livelihoods toward more stable and sustainable income sources. Maybank Islamic strengthens LZNK's programs through both funding and technical support. Its projects include sewing programs that empower women entrepreneurs and the use of agricultural drones to modernize farming practices. These efforts are part of Maybank Islamic's commitment to advancing Islamic social finance while ensuring that zakat and CSR initiatives deliver real value to communities.

Output



- Development of Had Kifayah policy paper
- Smart Sawah Project
- Housing programs
- Agricultural machinery
- Women sewing program
- Drone based farming initiatives
- Blended financing models

One of the most meaningful output from UniSHAMS' partnership with LZNK is the development of the Hadd Kifayah policy paper, commissioned directly by LZNK. Unlike other research projects, this Hadd Kifayah study was designed for immediate policy use, with its findings presented to and adopted by the LZNK Board. This shows UniSHAMS' ability to produce research that directly supports decision-making, not just academic publications. For improvement, UniSHAMS recognizes the importance of making its research more accessible and practical for community applications. For Bank Islam Malaysia, notable outputs include the Smart Sawah (SBBA) project, which combines financing with training to help paddy farmers increase productivity. The bank has also supported housing programs that improve both physical infrastructure and family well-being. Through its Sadaqah House platform, Bank Islam has also created engaging storytelling content to showcase the impact of these initiatives; helping the public better understand how zakat and social finance contribute to community development.

Permodalan Nasional Berhad (PNB)'s collaboration with LZNK has focused on providing agricultural machinery, significantly improving farmers' productivity. The equipment is shared among farming communities, ensuring that resources are maximized and benefits are spread widely. Progress is monitored through income comparisons before and after project participation, helping to measure real changes in farmers' livelihoods. Maybank Islamic has delivered practical outputs through projects such as the women's sewing program, which provides participants with a steady income, and drone-based farming initiatives that modernize agricultural practices. In addition, Maybank Islamic continues to explore new ways of combining zakat and social finance to create blended funding models that are more flexible and impactful.

Outcome



- Long term sustainable assistance
- Business growth
- Greater stability and access to education
- Increase in income
- Stable income

The Hadd Kifayah study by UniSHAMS shows how research can directly improve zakat management in Kedah, especially in deciding fair levels of support for recipients. Through this study, UniSHAMS has helped LZNK move from giving short-term aid such as monthly allowances or house repairs to more long-term and sustainable assistance. The university also realizes that zakat research is often shared in traditional ways that may not reach a wider audience. Going forward, UniSHAMS aims to make research more practical, creative, and easy to apply on the ground.

The collaboration with Bank Islam Malaysia has shown clear improvements in the lives of asnaf families. Farmers under the Smart Sawah project have been able to grow their businesses, while housing support has given many families greater stability and access to education. Bank Islam notes that the biggest impact comes when the whole family is supported from parents' livelihoods to children's education. The lessons learned in Kedah have also helped Bank Islam design similar programs in other states, showing how valuable this partnership has been in sharing knowledge and experience.

Through the partnership with PNB, farmers have seen real increases in their income. LZNK's monitoring shows that the rise in earnings has been steady and continues over time, thanks to shared use of farming machinery. However, more detailed information on each farmer's progress would help to tell a fuller story of success and improvement. The collaboration with RHB Islamic has also brought positive results, with many asnaf farmers moving from earning less than RM1,000 to enjoying more stable incomes. These projects have proven effective in helping families move toward better financial conditions, though continuous monitoring will be important to understand their long-term impact.

Meanwhile, Maybank Islamic's partnership with LZNK has shown strong results in creating income opportunities, especially through sewing and small business projects. Many participants have reported earning up to RM1,000 a month, gaining better access to savings, education, and financial stability. While current tracking focuses mainly on income, this collaboration has provided valuable insights on how to adapt and expand these models to other states, particularly in areas like food, beverage, and sewing industries, to reach more beneficiaries and create lasting change.

Impact



- Improved livelihoods
- Real, long-term improvements for farmers
- Moved out of asnaf category
- New job opportunities
- Stronger agricultural ecosystem in Kedah

The collaboration between UniSHAMS and LZNK has helped change how people think about zakat. Through the Hadd Kifayah study, UniSHAMS has shown that research and evidence can directly guide zakat decisions by moving the focus from short-term charity to long-term development. This shift helps LZNK make zakat a tool for sustainable change, not just temporary relief. Still, UniSHAMS recognizes that the journey is ongoing, that more effort is needed to turn research insights into wider reforms that can be applied across the zakat system.

The impact of Bank Islam's collaboration can be clearly seen in the improved livelihoods of asnaf families. Many farmers who once depended on zakat are now earning steady incomes and no longer need financial aid, allowing others to benefit from LZNK's programs. Projects like Smart Sawah and housing assistance have shown that when people receive complete support, including financial help, training, and guidance, they can achieve self-reliance. The success of these models has even inspired other countries, such as the Maldives, to adopt similar social finance approaches. For Bank Islam, this partnership strengthens its role as a leader in Islamic social finance and deepens its contribution to LZNK's mission of empowering communities.

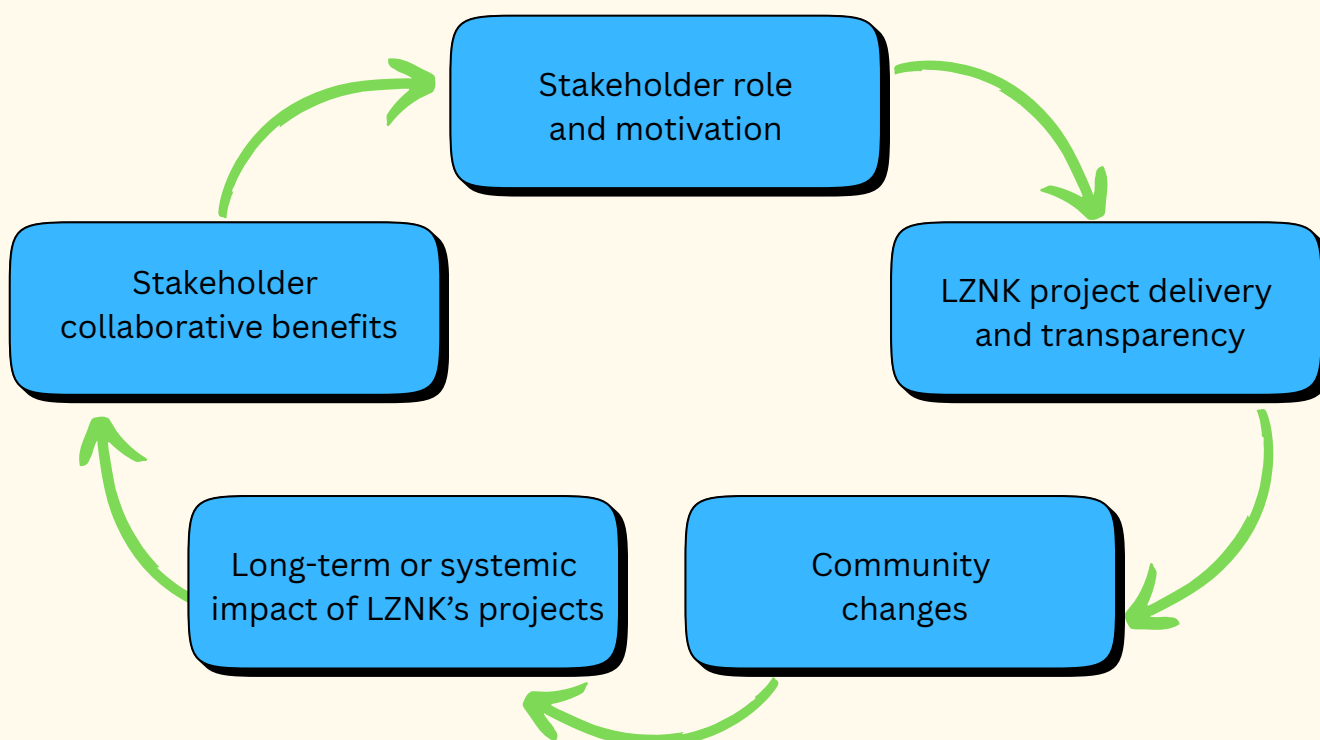
The partnership with PNB has created real, long-term improvements for farmers. By providing essential farming machines, PNB has helped farmers increase productivity and reduce dependency on aid. Some farmers have even moved out of the asnaf category entirely. This collaboration shows how corporate zakat contributions, when managed well, can bring large-scale benefits to the agriculture sector and rural communities. RHB Islamic's involvement has also brought widespread benefits. The bank's support, including the use of drones and farm equipment, has not only improved harvest efficiency but also opened up new job opportunities, such as drone operators and logistics workers. These benefits extend beyond individual farmers, helping families and strengthening the entire agricultural ecosystem in Kedah. This shows that well-designed zakat programs can create a "multiplier effect," where one project generates benefits for many others.

For Maybank Islamic, the collaboration has enhanced both impact and visibility. Their projects, such as Projek Hassan, have strong potential to grow into long-term empowerment programs that help asnaf become fully independent. The bank is also developing innovative ideas such as a wakalah zakat facility for high-net-worth donors and exploring new social finance models that combine zakat with inclusive financing. These efforts not only support national goals for community empowerment but also show how Islamic finance can balance social good with sustainable business growth.

The analysis of LZNK's stakeholder engagement using the Input-Output-Outcome-Impact (I-O-O-I) framework shows how different partners, such as financial institutions, universities, and corporate bodies, work together and contribute in their own ways. These collaborations highlight both the potential and the challenges of integrating zakat management into wider social and economic development efforts.

Discussion

To analyze these insights systematically, the material has been organized thematically around five key areas:



Each theme highlights areas of strength, recurring challenges, and opportunities for improvement for LZNK.

Stakeholder Role and Motivation

Across the interviews, a recurring theme is that stakeholder engagement with LZNK is guided by institutional mandates, governance frameworks, and strategic priorities, which is revolve by six principles: value creation, strategic planning, innovation and program development, learning and knowledge creation, reporting and communication, and ESG/sustainability performance. Academic institutions, such as UniSHAMS and INCEIF University focus on knowledge and educational contributions, from zakat collection to technical expertise and research, such as studies on hadd kifayah, aligning their academic mission with LZNK's operational needs.

On the other hand, financial institutions classify their motivations differently. Maybank Islamic prioritizes ESG, SDGs, Maqasid al-Shariah, and VBI to ensure zakat programs benefit both society and the organization. PNB balances compliance with branding value, viewing direct zakat distribution as an alternative to strengthening reputation and public trust. RHB Islamic emphasizes accountability and reporting to demonstrate measurable impact, while Bank Islam focuses on innovation and program development, positioning itself as a co-creator of new social finance models.

Taken together, these findings show that collaborations with LZNK are not just about short-term exchanges as well as reflect deeper strategic alignments between institutional priorities and LZNK's mission. While financial institutions balance compliance, branding, reporting, and sustainability frameworks, academic institutions contribute through expertise and knowledge-building. When combined, these strengths help improve the overall effectiveness of zakat distribution and support broader national development goals.

LZNK Project delivery and transparency

Stakeholders widely agree that LZNK's delivery performance is efficient, responsive, and committed in project execution. PNB described the institution as "very fast" in preparing proposals and accommodating requirements, while RHB Islamic affirmed that LZNK "delivers all the things that have been promised." Maybank Islamic also praised LZNK's ability to meet agreed targets from fund spending to participant numbers and income outcomes, although they suggested that timelines could be improved to create a stronger long-term impact.

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When it comes to reporting, stakeholders generally receive project updates, though the depth varies. RHB Islamic Bank reported receiving periodic reports via email or hard copy, supplemented by site visits when necessary. PNB uses pre- and post-project visits to verify outcomes. Maybank Islamic suggested that project evaluations should look beyond immediate beneficiaries and consider how the programs affect families and communities over time. However, concerns were raised about limited public transparency. Bank Islam highlighted the absence of LZNK's annual report on its website, while UniSHAMS noted insufficient post-project reporting and long-term follow-up although with effective collaboration on research and seminars.

Communication practices are seen as positive but largely informal. Maybank Islamic mentioned frequent WhatsApp communication and occasional online meetings, while Bank Islam emphasized the use of emails, face-to-face engagements, and ceremonial events. PNB and RHB see site visits as essential for accountability. However, UniSHAMS observed that follow-up discussions tend to move quickly to new initiatives rather than reviewing past project outcomes.

Overall, stakeholders recognize LZNK as a reliable partner whose structured delivery and responsiveness inspire confidence. Yet, institutionalizing consistent reporting, enhancing public accountability, and strengthening follow-up mechanisms will be essential for sustaining trust and long-term effectiveness.

Community Changes

At the community level, LZNK's collaborations have helped increase zakat participation and improve the livelihoods of asnaf families. At UniSHAMS, staff are now contributing more zakat, showing stronger trust and confidence in LZNK's programs. Bank Islam highlighted projects such as Projek Hassan and the Smart Sawah Berskala Besar (SBBA), where farmers not only gained better access to markets but also received training in entrepreneurship and technology. Some of them have even expanded into food and beverage businesses and successfully moved beyond asnaf status. Still, Bank Islam pointed out the need for clearer impact measurement since current reporting is mostly based on verbal updates, making it harder to show results to funders or connect them to institutional goals.



Participants of Smart SBBA together with agricultural drones and a lorry contributed by corporate partners

Corporate partners also observed clear improvements in income and financial resilience. RHB Islamic reported that SBBA farmers are now earning between RM2,500 and RM5,000 per month, supported by more affordable drone services and farming tools. Maybank Islamic's Projek Hassan and sewing programs have enabled many women to earn between RM1,000 and RM1,500 monthly, providing valuable additional income for their families. PNB supported farming communities by providing agricultural machinery and zakat-based micro-takaful, which strengthened income security and helped some participants move out of asnaf classification. These efforts show how different kinds of programs, from welfare support to entrepreneurship, can create both short-term income improvements and long-term empowerment.

Stakeholders also agree that lasting change requires continuous and holistic support. Bank Islam emphasized that family-centered approaches, especially education for children, are vital to breaking the cycle of poverty. Maybank Islamic noted that shared ownership models such as managing drones through LZNK rather than individual farmers help maintain sustainability and prevent misuse. PNB's micro-takaful scheme added another layer of impact by generating returns higher than the original zakat contributions, while also protecting hundreds of asnaf households. Altogether, these initiatives have not only raised household incomes but also strengthened community resilience. LZNK's approach, particularly through projects like Projek Hassan, is now seen as a promising model that other states could adopt to achieve similar results.

Long-term or systemic impact of LZNK's projects

LZNK's programs do more than just provide short-term help. They also bring long-term changes that strengthen policies and institutions in Kedah. For example, UniSHAMS highlighted the development of the hadd kifayah standard as an important improvement. Instead of using old benchmarks, LZNK now uses data-based guidelines that better reflect people's real needs. UniSHAMS also noted how zakat has supported higher education through scholarships and hostel facilities, helping to build a new generation of skilled and educated individuals in Kedah. These efforts show that zakat can play a key role in developing human capital and supporting long-term community growth.

Corporate partners also shared how some zakat projects are starting to focus more on being sustainable and scalable. For instance, PNB mentioned that expanding projects like the paddy farming program can be difficult when funding depends only on yearly zakat allocations. They suggested combining zakat with other Islamic finance tools such as waqf or bank financing to make the programs stronger and longer-lasting. Bank Islam agreed, explaining that the main challenge is not the lack of money, but ensuring the projects are well-planned and ready to grow. Drawing from its experiences with Sadaqah House and Projek Hassan, the bank emphasized the need to move beyond one-off charity and instead build full economic ecosystems from production to distribution that can sustain themselves over time.

Stakeholders also raised some challenges. RHB Islamic noted that the Smart Sawah project worked well because it was personally driven by LZNK's leadership, showing that strong commitment can create a wider impact in the farming sector. Maybank Islamic pointed out that because zakat institutions are managed by each state, it can be hard to replicate successful projects elsewhere, while NGOs sometimes have more flexibility. They also mentioned new trends, such as allowing high-income individuals to distribute their zakat through banks under the wakalah concept, giving them more control over how their contributions are used. Overall, these insights show that LZNK is not only improving lives at the individual level but also helping to build stronger systems through policy innovation, creative financing, and effective collaboration, even as challenges remain in expanding and monitoring these efforts across the state.

Stakeholder collaborative benefits

For corporate partners like Maybank Islamic, RHB Islamic, and PNB, the main return from working with LZNK lies in reputation and visibility. Maybank Islamic shared that the collaboration helps strengthen its brand credibility and public trust, while also showing how social finance can align with business goals. RHB Islamic noted that being part of LZNK's agricultural programs has boosted its image as a bank that genuinely supports community livelihoods, something that also lifts staff morale and attracts positive media coverage. PNB, meanwhile, values how its involvement reinforces public confidence in its role as a national investment institution. Visible contributions, such as branded farming equipment also help build emotional connection and trust with local communities.

For Bank Islam, the greatest impact has been in strengthening internal commitment and positioning itself as a leader in Islamic social finance. Through its Sadaqah House platform, the bank has developed a strong reputation as an “ecosystem builder,” even inspiring similar initiatives abroad, such as in the Maldives. The partnership with LZNK has also encouraged staff to contribute more actively through zakat and sadaqah deductions, showing that the collaboration enhances not only external reputation but also internal culture and sense of purpose.

UniSHAMS, on the other hand, has gained academic and institutional growth from its engagement with LZNK. The partnership has helped the university move beyond its teaching role into more active research, policy, and grant-based work. This collaboration also strengthens its connection with the Kedah community, ensuring its research responds to real social needs. While these collaborations may not always generate direct financial returns, the overall institutional benefits, such as better visibility, stronger reputation, international recognition, and enhanced academic capacity clearly show that LZNK's partnerships create mutual value for all involved (AB. Aziz & Mohd Anim, 2020; Zainal et al., 2016).

Feedback from Stakeholders

Stakeholders across different sectors expressed generally positive views of LZNK's performance, capacity, and engagement approach, while also providing constructive suggestions for improvement. Their feedback highlights both the strengths that underpin LZNK's reputation and credibility, as well as the gaps and opportunities that could enhance its effectiveness going forward.


Strength and achievement

A common theme across the interviews was the appreciation of LZNK's dynamic leadership and human capital. Representatives from UniSHAMS pointed out that the organization has placed "the right person in the right place, with the right authority," supported by many young staff aged 20–40 whose generational strength, combined with expert guidance, has made LZNK more flexible and forward-looking compared to the past. The CEO as a key figure was consistently highlighted as significant in aligning stakeholders, mobilizing resources, and sustaining momentum. For example, RHB Islamic mentioned on how the CEO played a crucial role in keeping long-term projects like the Smart Sawah initiative on track, providing clear direction and steady leadership from start to finish.

Maybank Islamic similarly praised LZNK's clarity of vision and culture of innovation, contrasting its focused three- to five-year goals with the scattered initiatives of many organizations, a strategic clarity that builds partner confidence. Banks including RHB Islamic, Bank Islam, and Maybank Islamic further mentioned positive working relationships with LZNK by good communication, responsiveness, and transparency, although minor operational issues occasionally arose, they were easily resolved through communication. In the end, LZNK's good reputation and strong network have made it a go-to partner for many. As Bank Islam shared, financial institutions are naturally drawn to work with LZNK because they trust its leadership and track record.

Gaps and areas for improvement

Despite its many strengths, stakeholders highlighted several areas where LZNK could improve engagement and delivery. UniSHAMS noted that much of the interaction still occurs informally through channels like email or WhatsApp, with limited structured, face-to-face meetings; although monthly or bi-monthly meetings were planned, they have not been consistently implemented due to busy schedules. Bank Islam observed that LZNK may be overstretched in managing its growing portfolio of collaborations, raising concerns about capacity in partnership coordination, and further pointed to the need for more systematic measurement and communication of results. It suggested that LZNK could enhance its reporting frameworks by engaging with institutions such as Social Value Malaysia or Social Value International.



From the perspective of project design and reporting, RHB Islamic advised that successful initiatives should be replicated and scaled rather than remain one-time programs, while Maybank Islamic recommended that LZNK invest in integrated digital systems to strengthen data provision. Examples were cited of NGOs that provide funders with access to beneficiary platforms, enabling them to track outcomes, select participants based on set criteria, and enhance transparency and branding. Such systems could professionalize LZNK's reporting while improving the overall partner experience, thereby reinforcing its position as a credible and trusted collaborator.

Proposed Action based on Feedback

Interviews reveal that stakeholders recognize LZNK as a trustworthy, transparent, and responsive institution, yet several important lessons emerged from their feedback. Bank Islam, Maybank Islamic, and UniSHAMS emphasized the need for LZNK to strengthen its measurement framework beyond project completion and compliance by assessing systemic and long-term outcomes such as income mobility, household resilience, and the graduation of beneficiaries from zakat dependency. UniSHAMS also highlighted that research recommendations and seminar insights are not always integrated into subsequent program designs, highlighting the need for stronger follow-up and structured feedback loops. Similarly, banks requested better mechanisms to track beneficiary progress over time.

Stakeholders further encouraged LZNK to treat them not only as funders or collaborators but as genuine ecosystem partners through co-creation of initiatives, shared data ownership, and enhanced visibility of contributions. Maybank Islamic highlighted the potential of broader collaboration to amplify program reach, while PNB stressed the importance of due diligence and verification to safeguard credibility. Also, while partners appreciated the transparency, they suggested having more detailed, layered reports that go beyond output to show real impact stories. Some also recommended finding a better balance between being efficient and allowing enough time to see lasting social results.

In sum, stakeholders respect LZNK's innovation, strategic clarity, and credibility but encourage it to evolve from project-based delivery towards systemic impact, from one-off reporting towards continuous learning, and from transactional partnerships towards co-created outcomes. Taken together, the feedback points to several opportunities for LZNK to further strengthen its institutional performance:



Formalize structured and regular engagement mechanisms with stakeholders, instead of relying on occasional or unplanned communication.



Build applied impact measurement systems that can capture, quantify, and communicate community-level transformation.



Expand capacity for partnership management, possibly through dedicated teams or digital coordination tools.



Develop integrated digital platforms that enhance data transparency, support funder requirements, and strengthen branding opportunities.



Replicate and scale successful projects to broaden their reach and sustainability.



Section 4: **Voices of the Beneficiaries**

At Tawbah: 60

“Alms-tax is only for the poor and the needy, for those employed to administer it, for those whose hearts are attracted ‘to the faith’, for ‘freeing’ slaves, for those in debt, for Allah’s cause, and for ‘needy’ travellers. ‘This is’ an obligation from Allah. And Allah is All-Knowing, All-Wise.”

The distribution of Zakat by LZNK follows a clear strategy, classifying initiatives into two key focus areas. This approach moves the Asnaf community from dependency toward self-reliance and dignity by balancing social welfare with productive economic change.

Health and Education Cluster

This area is focused on boosting human potential. We close social welfare gaps by ensuring beneficiaries get better access to education, healthcare, and basic living standards. This use of Zakat strategically strengthens long-term human capital

Agriculture and Economic Empowerment Cluster

This area is focused on helping people earn a reliable living. It embodies the productive role of Zakat by funding income-generating activities, skill development, and entrepreneurial support, creating sustainable livelihoods and economic inclusion.

LZNK successfully runs both clusters using an integrated multi-stakeholder approach. This means we bring Islamic financial institutions, government agencies, and community organizations together to contribute financial resources, technical skills, and management expertise for maximum impact.

Program/ Initiatives	Inputs	Outputs	Outcomes	Impacts
Educational and Infrastructure Assistance (Maahad Dini Sultan Abdul Halim, Sik)	Funding from Maybank Islamic and Etiqa; oversight by LZNK; coordination by KKM and KPM	Redeveloped school facilities and Talent & Leadership Centre established	Improved learning environment, health support, and teacher performance	Enhanced academic outcomes, community trust, and asnaf educational empowerment

Program/ Initiatives	Inputs	Outputs	Outcomes	Impacts
Clean Water Filter Tank Project (Kampung Bukit Batu, Sik)	Zakat wakalah from Tabung Haji via LZNK; technical execution by Yayasan Ikhlas	Two filter tanks installed (5,000L & 10,000L capacity)	Access to safe drinking water and reduced health risks	Improved community health, reduced living costs, and strengthened community sustainability model
Kolej Agama Sultan Abdul Halim (Yan)	RM300,000 sponsorship by Bank Rakyat; digital equipment and training	Computer laboratory established; digital learning integrated	Improved student IT proficiency and academic engagement	Advancement of Islamic digital education and model for community-based academic excellence
Pusat Haemodialisis Zakat Asnaf (Menara LZNK, Alor Setar)	Haemodialysis machines from PNB and Maybank Islamic; operational support from LZNK	15+ dialysis machines installed; medical staff employed	Accessible and affordable treatment for asnaf patients	Improved health, reduced financial stress, and restored dignity for asnaf families
Asnaf Housing Assistance (Kampung Belantek Dalam, Sik)	RM50,000 housing aid from Tabung Haji; support from JKM	One 3-bedroom house constructed	Improved safety, stability, and family well-being	Enhanced living conditions, children's motivation, and sustainable livelihood potential

Program/ Initiatives	Inputs	Outputs	Outcomes	Impacts
Smart Large-Scale Paddy Field Project (SBBA Yan)	Zakat and wakaf land; funding from CIMB, Agrobank, Maybank, Bank Islam; technical support from MADA & MARDI	Smart farming equipment, drones, and training implemented	Improved yield, lower production costs, increased farmers' income	Sustainable rural economic growth and model for wakaf-based smart agriculture
Solar Hydration Dome Project (Kampung Sungai Udang, Yan)	Funding and technical support from LZNK	Solar-powered fish drying dome constructed	Enhanced hygiene, product quality, and production efficiency	Sustainable small-scale industry and community entrepreneurship model
Asnaf Zakat Kedah Sewing Workshop (Beris Jaya, Sik)	Maybank Islamic funding, training support, and equipment	Workshop established with 13 women participants	Skills acquisition, teamwork, and steady income (~RM1,600/month)	Empowerment of women entrepreneurs and creation of social enterprise potential
Blacksmith Workshop (Pak Lah Golok, Kampung Padang Keras, Sik)	RM15,000 zakat capital; machinery from MARDI & KEDA; facilitation by Public Bank, Bank Rakyat, JKM	Workshop established, traditional tools production started	Increased productivity, improved livelihood, and cultural skill preservation	Sustained artisanal economy and intergenerational transmission of local heritage

Program/ Initiatives	Inputs	Outputs	Outcomes	Impacts
Houseboat Tourism Project (Tasik Gubir, Sik)	RM300,000 funding from RHB Islamic Bank; community management by Persatuan Nelayan Darat Tasik Gubir	One main houseboat and five support boats completed	Diversified income sources and increased community participation	Long-term eco-tourism sustainability and inclusive rural economic empowerment

Results and Accountability

Input: Resources and Partnerships (How We Mobilize)

This stage details how we secure the necessary funding and expertise. It is not limited to LZNK's Zakat funds; it includes contributions from diverse partners. Financial institutions like Maybank Islamic and RHB Islamic provide targeted funding, while agencies like MARDI and the Ministry of Health (KKM) supply technical know-how and professional support. This intentional convergence of resources demonstrates a vital shift from a traditional one-way charitable model to a shared-value co-creation approach where expertise and networks maximize impact.

Outputs: Tangible Deliverables (What We Built/Did)

Outputs are the immediate, measurable results of our projects:

- Health and Education: Established 3 Rumah Asnaf clinics offering free medical checks, distributed 150 sets of school uniforms, and launched tuition support classes in two districts.
- Economic Empowerment: Formed 2 cooperative farming groups, supplied essential tools and seed capital, and hosted product branding and marketing workshops for 35 participants.

These concrete outputs confirm LZNK's operational efficiency in turning funds and partnerships into visible, practical initiatives.



Recipients of i-Tekad

Outcomes: Short-Term Changes (What Changed for Beneficiaries)

This stage assesses the early positive changes in beneficiary capacity, behavior, and well-being:

- Improved Access: The Asnaf Dialysis Centre has directly made life-saving treatment accessible and affordable. The Clean Water Filter Tank Project has resulted in safer water access and reduced health risks for rural communities.
- Increased Livelihood Stability: The Smart Paddy Project helped smallholder farmers adopt modern techniques for better yields. Meanwhile, the Sewing Workshop and Blacksmith initiatives demonstrated that Zakat assistance translates into viable, income-generating small-scale enterprises.



Transplanter in use

Impact: Long-Term Transformation (The Big Picture Change)

Impact reflects sustained, community-level transformation: strengthening community resilience and the gradual advancement of self-sufficiency.

- **Model Replication:** The Smart Paddy Project established a collective empowerment model, transitioning farmers from subsistence to organized, technology-driven production.
- **Sustained Livelihood:** Entrepreneurship projects (like the Sewing Workshop and the Blacksmith) show sustained income generation well beyond the initial grant, confirming the formation of lasting livelihood stability.
- **Social Infrastructure:** The Health and Education programs have built durable social infrastructure (dialysis centers, clean water) that continues to benefit local communities beyond the direct recipients in remote areas.



KDYMM Tuanku Sultan Kedah visiting craft booth at World Zakat & Waqf Forum 2023

Key Lessons and Future Recommendations (How We Improve)

Field experience highlighted critical challenges and clear recommendations for program refinement and long-term sustainability:

Area	Key Lesson Learned	Future Recommendations (What's Next)
Health (Dialysis)	Sustainability requires more than initial setup; ensuring continuous care is paramount.	Establish a recurring funding model (Zakat/CSR) for long-term operations. Integrate community health education on disease prevention.
Water	Success depends on proper management and ongoing maintenance.	Mandate regular water quality monitoring. Implement a partial subsidy program for filter replacement for low-income households to maintain use with good quality. Also can replicate this model to other remote places that have the same issue of getting clean water.
Education	Digital adoption is key, but teacher capacity is the bottleneck.	Expand digital tools (Smart TVs, AI apps). Mandate continuous capacity building and training for teachers on effective digital learning methods.
Economic	Financial support must be paired with structured business training to reach broader markets.	Combine aid with structured training in branding, packaging, and marketing. Provide a mentorship program to train others as well. Introduce access to micro-takaful support to protect beneficiaries against economic shocks.

Conclusion: A Model for Sustainable Zakat-Based Development

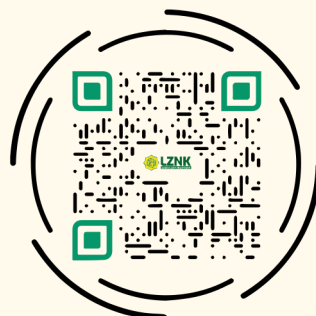
LZNK's integrated model is highly effective. We strategically mobilize resources (Inputs), deliver clear results (Outputs), see positive shifts in people's lives (Outcomes), and are creating lasting community strength and self-sufficiency (Impact). This framework strengthens accountability, improves program effectiveness, and positions LZNK as a forward-looking institution that uses Zakat as a strategic tool for modern, evidence-based poverty alleviation.



4th Kedah International Zakat Conference (KEIZAC) 2025

Al-Baqarah: 43

"Establish prayer, pay alms-tax, and bow down with those who bow down."



Scan here for more information about LZNK

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Synopsis

This Stakeholder Engagement Impact Report presents Lembaga Zakat Negeri Kedah's (LZNK) strategic approach to multi-sectoral collaboration in advancing the welfare of asnaf and the broader community of Kedah. The report documents how LZNK has positioned itself as a catalyst for meaningful partnerships that bridge the objectives of Islamic finance, corporate social responsibility, and social development.

At the heart of LZNK stakeholder engagement model is a mutually beneficial ecosystem where Islamic Financial Institutions (IFIs), Takaful operators, Government-Linked Companies (GLCs), government agencies, and various organizations contribute funds through zakat wakalah arrangements and infaq contributions. These financial commitments are strategically deployed by LZNK through targeted programs and interventions designed to uplift the socio-economic status of asnaf, transforming lives through sustainable income generation, skills development, financial inclusion, and community empowerment initiatives.

This collaborative framework creates a win-win paradigm for all stakeholders involved. For Islamic Financial Institutions, partnerships with LZNK provide tangible pathways to fulfill their Value Based Intermediation (VBI) commitments, enabling them to demonstrate positive impact on the economy, community, and environment through direct participation in poverty alleviation and wealth redistribution. Their contributions support financial literacy programs, microfinancing initiatives for asnaf entrepreneurs, and community development projects that align with their institutional missions of creating shared prosperity while maintaining Shariah compliance.

Similarly, Takaful operators find strategic alignment between their engagement with LZNK and the Value-based Intermediation for Takaful (VBiT) framework. Through their contributions and collaborative programs, takaful operators enhance their social impact credentials by supporting protection schemes for vulnerable communities, promoting the principles of mutual assistance (tabarru'), and demonstrating their commitment to holistic stakeholder value creation beyond mere transactional relationships.

For GLCs, government agencies, and corporate partners, collaboration with LZNK offers authentic opportunities to fulfill their ESG commitments, strengthen their social license to operate, and contribute meaningfully to national development priorities related to poverty eradication and inclusive growth. Their support enables LZNK to scale proven interventions, reach more beneficiaries, and create sustainable pathways out of poverty.

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