

# Islamic Leadership Principles as a Driver of Innovation for Asnaf Development: The Kedah Zakat Experience

RABIATUL ADAWIYAH CHE HALIM, AZIZI ABU BAKAR,  
MOHD MURSHIDI MOHD NOOR

**Abstract:** *This study explores how Islamic leadership practices shape innovation processes within zakat institutions, focusing on Lembaga Zakat Negeri Kedah (LZNK). The research aims to identify various types of innovation and examine leadership values that facilitate innovation for asnaf development. Using a qualitative case study approach, data were collected through document analysis and semi-structured interviews. Then, thematic analysis was employed to explore how Islamic leadership principles shape organizational innovation. The findings reveal that amanah, hikmah, shura and ihsan are deeply embedded in how innovation is perceived and practiced within zakat institutions. These values guide product, process, and system innovations, thereby cultivating transparency, efficiency and asnaf empowerment in zakat governance. The study concludes that zakat institutions can strengthen their innovation capabilities by aligning leadership practices with Islamic ethical principles and system-oriented management. Overall, this research contributes to Islamic leadership theory by linking it with innovation and systems thinking in zakat management.*

**Keywords:** Islamic leadership principles, zakat, innovation, asnaf development

Rabiatul Adawiyah Che Halim (adawiya213@gmail.com) Islamic Business School, College of Business, Universiti Utara Malaysia, Sintok, Kedah

Azizi Abu Bakar (abazizi@uum.edu.my) PhD, Islamic Business School, College of Business, Universiti Utara Malaysia, Sintok, Kedah

Mohd Murshidi Mohd Noor (murshidi@uum.edu.my) PhD, Islamic Business School, College of Business, Universiti Utara Malaysia, Sintok, Kedah

## Introduction

Since ancient times, zakat has been recognized as a crucial instrument for strengthening the Muslim economy. As one of the five pillars of Islam, zakat plays a vital role in alleviating poverty and promoting socio-economic development among *asnaf* (eligible recipients). Islamic history demonstrates that the zakat system implemented during the reign of early caliphs such as Caliph Umar Al-Khattab served as a significant source of national income. Moreover, the strong reform efforts from the leaders during that era effectively addressed economic challenges (Suradilaga et al., 2019). The initiatives taken by past Islamic leaders to reform zakat collection and distribution should continue to be emulated and practiced today for the benefit of the Muslim community (Aisyah & Ismail, 2019) and society as a whole.

Efforts to assist vulnerable groups are also crucial for preventing poverty, income inequality, and limited access to education from negatively affecting economic growth and community development particularly in Muslim-majority countries. In Malaysia, the government recognizes the significant role of the third sector in Islamic finance including zakat, waqf, and *infaq* institutions in driving sustainable economic development (Noor, 2024). These institutions contribute not only by supporting economic growth but also by creating job opportunities, strengthening enterprises and enhancing workforce skills. Nevertheless, zakat institutions continue to face challenges today in fulfilling their responsibilities particularly in ensuring effective distribution of zakat to recipients. Takril & Othman, (2020) acknowledged that there remains substantial room for improvement particularly in refining zakat distribution methods. Without necessary advancements and inefficiencies in the distribution process may hinder the ability of zakat to reach those who are truly deserving.

Innovation within zakat institutions is therefore essential for addressing the evolving socio-economic needs of *asnaf*. While technological advancements such as digital platforms and financial technologies have proven effective in enhancing the efficiency of zakat distribution, the role of leadership practices rooted in Islamic principles remains critical in guiding these innovations. According (Abdul Haniff et al., 2021) the success of innovations implemented by zakat management authorities is essential for ensuring the continuity and relevance of systematic zakat services in an evolving landscape. Furthermore, the various initiatives and innovations introduced by zakat institutions positively influence zakat collection by strengthening trust among zakat payers, thereby encouraging sustained contributions (Don, 2024).

In recent years, scholarly interest has increasingly focused on leadership within Islamic organizations, exploring various leadership styles and their impacts. Studies conducted in the context of zakat institutions suggest that effective leadership can enhance organizational performance (Khalil & Buang, 2023) and generate high-impact outcomes (Suradilaga et al., 2019). However, much of this research has predominantly emphasized internal operational outcomes rather than broader societal impacts. The existing leadership literature also remains largely concentrated on aspects such as employee engagement, productivity, performance (Husti & Mahyarni, 2019) and motivation. This leaving a significant gap in understanding how leadership practices influence innovation initiatives that directly contribute to social

development. Empirical studies explicitly linking Islamic leadership with the success of innovation programs in zakat institutions remain limited. As noted by (Seng et al., 2018) numerous studies have analysed innovation from economic and strategic dimensions, yet little empirical or theoretical work has been conducted to contextualize innovation within the Islamic framework, particularly concerning zakat management and *asnaf* development. This observation aligns with (Mohamad Saleh et al., 2023) who highlighted that research exploring the role of opinion leaders in promoting sustainable lifestyles and Islamic values within Muslim-majority contexts, such as Malaysia, remains scarce.

Addressing this research gap, the present study explores how zakat institutions in Malaysia, with particular reference to the Lembaga Zakat Negeri Kedah (LZNK), implement innovation and how leadership practices influence these initiatives. The findings are expected to contribute to the theoretical advancement of Islamic leadership scholarship while offering practical insights for enhancing innovation strategies directed toward *asnaf* empowerment and socio-economic development. Furthermore, this study aims to deepen the understanding of how Islamic leadership can serve as a catalyst for social change and institutional innovation. Accordingly, the objectives of this research are twofold: (i) to identify and categorize the types of innovation initiatives implemented by selected zakat institutions, and (ii) to examine the forms and characteristics of Islamic leadership practices that underpin these initiatives.

## Literature Review

### Islamic Leadership Concept

Islamic leadership is fundamentally grounded in ethical and moral principles (Davis & Winn, 2016) Its moral foundations are derived from the Qur'an, Sunnah and *ijtihad* as its main sources, meanwhile its ultimate objectives must align with the *al-kulliyāt* or *al-ḍarūriyyāt al-Khams* known as the five essential goals that represent the higher purposes of Islam (Mutalib et al., 2022). Beekun & Badawi (2004), further conceptualize Islamic leadership through nine moral dimensions: *Iman, Islam, taqwa, ihsan* as Islamic moral character complemented by behavioural parameters such as *adl, mujahadah, ahd, birr* and *amanah*. Together, these moral and behavioural principles form a comprehensive ethical framework that guides leaders in fulfilling their responsibilities with integrity, justice, and accountability in accordance with Islamic values.

In order to understand the paradigm of Islamic leadership, Mutalib et al. (2022) also stated that its origins can be traced not merely to the Prophet Muhammad (PBUH) period of but much earlier which is to the time before the creation of humankind as described in the Qur'an stated in Surah Al-Baqarah verse 30 to 34. The framework of Islamic leadership anchored in *naqli* (Qur'an and Sunnah) and *aqli* (reason-based knowledge), whereby western leadership theories developed within secular contexts may be understood as part of the *aqli* foundation (AlSarhi et al., 2014). While it shares certain features with conventional leadership theories, Islamic leadership is distinguished by its strong religious, moral and humanistic foundations (Husti & Mahyarni, 2019). Therefore, Islamic leadership ultimately emphasizes the well-being of the community by prioritizing collective welfare over individual interests and

aligning leadership practices with the ethical and spiritual guidance of the Qur'an and Sunnah. It also represents a divinely inspired model that harmoniously integrates moral integrity, intellectual discernment, and communal accountability in the pursuit of justice and social harmony.

According to Beekun & Badawi (2004) leadership in Islam embodies two central roles as the servant-leader and the guardian-leader. The servant-leader safeguards the welfare of followers and guides them towards what is beneficial, while the guardian-leader protects the community from injustice and oppression, nurtures Allah-consciousness (*taqwa*), and upholds the principles of justice. Together, these roles emphasize that Islamic leadership is not merely administrative but deeply ethical and spiritual aiming to balance the material and moral dimensions of governance. Leaders are thus expected to serve their communities with humility and sincerity, while simultaneously acting as custodians of justice and accountability. This dual orientation positions Islamic leadership as a transformative force that not only addresses immediate social and economic needs but also ensures alignment with the *maqasid shariah* (the higher purposes of Islamic law) thereby fostering sustainable development and communal well-being.

In addition, Islamic leadership emphasizes a set of essential qualities that constitute the foundation for vision, effectiveness, productivity, and the overall growth of society (Randeree, 2009). Randeree outlines leadership qualities such as fitness for purpose, trustworthiness, lifelong learning, follower awareness, professional development, vision, responsibility, training, communication, patience, role modelling, consultation (*shura*), sound judgment, effective decision-making and respect for diversity. Complementing this perspective, Jamil (2015) asserts that the Prophet Muhammad (PBUH) exemplified a comprehensive set of qualities which when systematically applied across personal, professional and organizational domains will serve as guiding principles for attaining holistic and sustainable success. It can be observed that Jamil (2015) highlights more interpersonal and motivational dimensions including the ability to inspire and motivate, empathy and compassion towards followers, conviction, fairness, openness to recommendations, accountability, decisiveness, principled conduct, and long-term strategic thinking. Drawing from these perspectives, Randeree's (2009) framework emphasizes structural and organizational competencies necessary for effective leadership, whereas Jamil (2015) underscores the humanistic, ethical, and emotional attributes that strengthen the bond between leaders and followers. Therefore, these qualities demonstrate that Islamic leadership integrates both organizational competencies and prophetic values, offering a comprehensive framework that not only enhances institutional effectiveness while nurturing ethical, compassionate, and sustainable societal transformation. Ultimately, this integration reflects the holistic nature of Islamic leadership, which unites moral vision with practical governance.

In summary, the literature reveals that Islamic leadership is not a static or purely theological concept, but a dynamic framework that evolves in response to social, organizational, and epistemological contexts. Early scholarship (Beekun & Badawi, 2004) predominantly focused on the moral and behavioural dimensions of leadership, while more recent studies (Randeree, 2009; Jamil, 2015; Mutalib et al., 2022) expand the discourse toward strategic,

emotional, and institutional competencies. This progression signifies a growing effort to bridge normative Islamic ideals with contemporary leadership practices. Consequently, a critical engagement with Islamic leadership requires examining how these ethical principles can be operationalized within modern institutions to ensure that the spiritual and moral essence of leadership translates into practical, value-driven governance.

### **Core Attributes and Principles of Islamic Leadership**

Recent scholarship on Islamic leadership has grown substantially, with researchers aiming to clarify its underlying values, essential characteristics, and broader implications. Scholars consistently identify several fundamental principles underpinning Islamic leadership, such as *amanah* (trustworthiness), *'adl* (justice), *hikmah* (wisdom), *shura* (consultation), *taqwa* (piety), and *ihsan* (excellence) (Rahim et al., 2018; Naser et al., 2018; Ratnasari, 2020; Rizaldy & Hidayatullah, 2021; Khalil & Buang, 2023; Abdelwahed et al., 2025). These principles are further reinforced by essential leadership attributes such as integrity, accountability, sincerity, humility, and ethical decision-making. Together, these principles guide leaders ethically in balancing institutional priorities with religious and social responsibilities, ensuring that every decision remains consistent with the objectives of *maqasid syariah*.

While the application of these values differs across organizations, their influence in promoting innovative practices is becoming more widely acknowledged. In Islamic organizations such as financial institutions, attributes like fairness, wisdom, and spiritual values are essential in cultivating trust and motivating employees to engage in innovative practices (Astuti et al., 2020; Ratnasari, 2020; Alqhaiwi et al., 2023). Within zakat institutions, the emphasis on *shura* and *amanah* can be seen as a catalyst for collaborative problem solving and transparent governance, both of which are crucial for driving innovative programs that respond to the complex socio-economic challenges faced by the *asnaf*. Similarly, the study by Khalil & Buang (2023) on the zakat institution in Perlis, Malaysia highlights the importance of *ihsan*, righteousness, integrity, trustworthiness, and justice as principles that not only underpin effective leadership but also strengthen institutional capacity to deliver impactful and innovative socio-economic initiatives for the *asnaf*.

According to Toor (2008), one of the most distinctive features of Islamic leadership lies in its spiritual grounding. A Muslim leader is expected to lead with both heart and soul guided by the teachings of Islam and fully surrendering to the will of Allah s.w.t. These leaders act with conscious devotion and responsibility, acknowledging their accountability to both Allah and those they lead. This spiritual accountability reinforces essential values such as justice, *ihsan* (excellence), and *tawakkul* (reliance on Allah), thereby ensuring that leadership decisions strike a balance between organizational objectives and social welfare. In the context of zakat institutions, these principles guide leaders to prioritize programs that directly benefit the *asnaf* (zakat beneficiaries) while upholding the organization's religious and moral mission.

Then, another stream of scholarship has focused on Islamic leadership styles (Hidayat et al., 2017; Permana et al., 2019; Javed et al., 2020) which refer to a leader's characteristic approach to guiding and influencing subordinates that shaped by an integration of personal

philosophy, competencies, traits, and attitudes that determine how leadership is enacted within an organization. According to Hidayat et al. (2017) who examined leadership styles among public sector organizations in the Islamic country of Bahrain, transactional leadership was found to be the most commonly practiced, followed by transformational leadership, while laissez-faire was the least applied. The authors further suggest that transitioning towards transformational leadership is highly encouraged, as it aligns more closely with the core ethical and spiritual values of Islamic leadership. However, despite this compatibility with Islamic values, many public-sector institutions continue to rely heavily on transactional mechanisms, revealing an outcome-driven culture that tends to restrict creativity and employee autonomy. While these studies primarily identify and categorize leadership styles, recent research has increasingly examined how such leadership behaviours influence innovation, employee motivation, and organizational transformation within Islamic contexts.

Empirical studies have consistently demonstrated the positive influence of Islamic leadership on organizational performance, innovation, and employee outcomes. Islamic leadership contributes to stronger employee skills, encourages creativity, and fosters greater dedication toward institutional objectives (Husti & Mahyarni, 2019). When leaders exhibit decisiveness and provide consistent moral and professional support, innovation initiatives are implemented more effectively, even within small and medium-sized enterprises (SMEs).

In the context of zakat institutions, Islamic leadership plays a pivotal role in ensuring that strategies and programs remain aligned with Islamic values. By integrating moral, spiritual, and justice-based values into organizational strategies and choices, leaders can drive initiatives that improve the socio-economic well-being of *asnaf*, thereby aligning organizational objectives with broader societal benefits. This alignment between leadership values and innovation is crucial, as it ensures that innovation is not pursued solely for efficiency or competitiveness, but rather as a means of achieving *maqasid syariah* as particularly the promotion of social justice, equity, and collective welfare.

Numerous studies have explored the indirect pathways through which Islamic leadership enhances organizational outcomes, particularly via factors like innovation, employee satisfaction, and competitiveness. Husti & Mahyarni (2019) found that in the context of Indonesian SMEs, Islamic leadership encourages innovative behaviour that subsequently enhances firm performance. Similarly, Astuti et al. (2020) demonstrated that work motivation and job satisfaction mediate the relationship between Islamic leadership and employee performance, suggesting that spiritual and ethical values inspire employees to co-create the organization's vision and mission. Empirical findings by Ratnasari (2020), Zaim et al. (2024) and Abdelwahed et al. (2025) further indicate that Islamic leadership strengthens staff well-being, shapes organizational culture, and supports the embrace of innovative practices.

Overall, the growing body of literature on Islamic leadership demonstrates that it is inherently holistic, combining ethical, spiritual, and social dimensions that directly support institutional innovation. The persistent focus on justice, wisdom, faith, and trust illustrates a leadership approach aimed at improving institutional effectiveness while advancing collective prosperity (Zaim et al., 2024; Mohamad Saleh et al., 2023). For zakat institutions in particular, these

principles form the foundation for developing innovative solutions aimed at *asnaf* development, social entrepreneurship, and community-based empowerment programs.

Nonetheless, most prior studies have prioritized internal processes and efficiency metrics over wider social impacts as summarized in Table 1. This highlights a significant research gap that explicitly connects Islamic leadership attributes with social innovation and sustainable development, particularly in the context of zakat institutions. Addressing this gap, the present study explores how Islamic leadership practices in zakat institution can drive innovation initiatives that directly contribute to *asnaf* development and long-term community empowerment.

**Table 1:** Summary of Key Studies on Islamic Leadership Principles and Attributes

| Author(s) & Year       | Context                            | Leadership Principles / Attributes   | Focus of Research   | Key Findings   | Methodology   |
|------------------------|------------------------------------|--|---|--|---|
| (Hidayat et al., 2017) | Government organizations (Bahrain) | Transactional, transformational, laissez-faire (Compared with Islamic leadership concepts) | Comparison of leadership styles in public sector                | Transformational leadership aligns closely with the principles of Islamic leadership | Quantitative – Descriptive analytical               |
| (Rahim et al., 2018)   | Islamic organizations (Malaysia)   | Integrity, trust, knowledge, accountability, sincerity, communication                      | Islamic leadership and organizational performance               | Leaders with strong attributes achieve organizational goals effectively              | Qualitative – In-depth interviews, content analysis |
| (Naser et al., 2018)   | Private sector (Malaysia)          | Siddiq, Amanah, Tabligh, Fathonah  | Relationship between Islamic leadership and employee engagement | All four attributes significantly enhance employee engagement                        | Quantitative  |

| <b>Author(s) &amp; Year</b>    | <b>Context</b>                    | <b>Leadership Principles / Attributes</b>                    | <b>Focus of Research</b>  | <b>Key Findings</b>  | <b>Methodology</b>             |
|--------------------------------|-----------------------------------|--|---|--|--------------------------------|
| (Husti & Mahyarni, 2019)       | SMEs (Indonesia)                  | Collectivism, moral attitude, trusteeship of Allah           | Islamic leadership, innovation, competitive advantage, performance    | Islamic leadership indirectly improves performance via innovation and competitive advantage  | Quantitative                   |
| (Permana et al., 2019)         | Islamic organizations (Indonesia) | Islamic work ethics (moderator)                              | Leadership style, motivation, work discipline on employee performance | Leadership style and motivation significantly influence understanding of Islamic work ethics | Quantitative                   |
| (Ratnasari, 2020)              | Islamic banks (Indonesia)         | Wisdom, consistency, fairness, honesty, modelling            | Islamic leadership and employee welfare                               | Positive effect of Islamic leadership on employee welfare and performance                    | Quantitative                   |
| (Astuti et al., 2020)          | Islamic organizations (Indonesia) | Spiritual values in leadership                               | Influence of leadership and work culture on performance               | Leadership affects performance indirectly through motivation and job satisfaction            | Quantitative                   |
| (Rizaldy & Hidayatullah, 2021) | Business sector (Indonesia)       | Tawhid, Birr, Amanah, ‘Adl, Shura, Itqan, Mujahadah, Ukhuwah | Mapping core Islamic leadership values                                | Islamic values sustain organizational success and ethical practices                          | Qualitative – Content analysis |

| <b>Author(s) &amp; Year</b>   | <b>Context</b>                        | <b>Leadership Principles / Attributes</b>                     | <b>Focus of Research</b>                         | <b>Key Findings</b>  | <b>Methodology</b>                      |
|-------------------------------|---------------------------------------|---|--|--|---|
| (Zaim et al., 2024)           | Various Islamic institutions          | Wisdom, religiosity, justice, kindness                        | Virtue-centric Islamic leadership model          | Positive relationship between Islamic leadership and job performance                             | Quantitative – CFA                      |
| (Alqhaiwi et al., 2023)       | Business sector (Arab World)          | Shura, Amanah, Itqan + Arab tribal values (Ayb, Wasta, Karam) | Influence of culture on leadership behavior      | Shura & Amanah encourage relational orientation; Wasta obstructs good governance                 | Quantitative                            |
| (Khalil & Buang, 2023)        | Zakat institution, (Malaysia, Perlis) | Ihsan, righteousness, integrity, trustworthiness, justice     | Islamic regal leadership and poverty alleviation | Regal leadership traits benefit asnaf by providing business opportunities and poverty transition | Qualitative                             |
| (Mohammad Saleh et al., 2023) | Muslim-majority context, (Malaysia)   | Maqasid Shariah values + opinion leaders                      | Opinion leaders & sustainable lifestyle          | Opinion leaders strongly influence connection between Islamic values and sustainable behavior    | Mixed-method                            |
| (Omar et al., 2024)           | Islamic organizations (Malaysia)      | Amanah, Mujahadah, Taqwa, Lead by example                     | Application of Islamic leadership principles     | Principles shape decision-making and enhance leader performance                                  | Qualitative Phenomenological case study |

| Author(s) & Year           | Context                           | Leadership Principles / Attributes                     | Focus of Research                                      | Key Findings  | Methodology  |
|----------------------------|-----------------------------------|--|--|---|--------------|
| (Abdelwah ed et al., 2025) | Islamic organization s (Egypt)    | Justice, compassion, humility, ethical decision-making | Effect of Islamic leadership on employee performance   | Positive and significant effect on culture, motivation, and performance | Quantitative |
| (Rokhma n et al., 2025)    | Islamic organizations (Indonesia) | Ethical & spiritual leadership values                  | Leadership, work ethics, helping behavior & engagement | Leadership strongly influences helping behavior but not engagement      | Quantitative |

**Source: Compiled by the author based on reviewed literature (2017–2025)**

### **Innovation**

Innovation is broadly understood as the introduction of new elements that bring improvement and progress (Smith, 2010). It encompasses the development of novel methods, systems, customs, and approaches that enhance existing practices (Dewan Bahasa dan Pustaka, 2017). Smith (2010) further explains that innovation extends beyond the act of invention because it includes the processes that enable new or improved products and services to reach the market. According to Drucker (1985), innovation represents the act of giving existing resources new capabilities to generate wealth and create value effectively. Similarly, Sundbo (1995) describes innovation as the process of transforming an invention into a commercially viable outcome that gains acceptance within a social or organizational context. Therefore, these perspectives demonstrate that innovation may take multiple forms such as product, service, or process innovation and that it represents not only technological advancement but also a strategic and creative process that converts ideas into practical solutions driving both economic and social progress.

There are several paradigms commonly discussed in the study of innovation, including the entrepreneurship paradigm, the techno-economic paradigm, and the strategic innovation paradigm. According to Sundbo (1995), the entrepreneurship paradigm focuses on individuals who take the initiative to realize innovative ideas or pursue independence through creative ventures. The technology–economic paradigm views technological advancement as the primary driver of innovation and economic progress, while the strategic innovation paradigm highlights the importance of identifying and responding to market opportunities as the foundation for innovation and competitive advantage. These paradigms demonstrate that innovation may arise from personal creativity, technological progress, or strategic positioning, each contributing uniquely to the overall innovation process.

Smith (2010) also discusses several key theories and models that deepen the understanding of how innovation evolves within organizations. These includes the Technology S-Curve, Punctuated Equilibrium, Dominant Design, and Absorptive Capacity (ACAP) theories. The Technology S-Curve by Foster (1986) illustrates that technological progress follows an S-shaped trajectory beginning with slow advancement, accelerating as the technology matures, and eventually plateauing when performance improvements become limited. This model underscores the strategic need for organizations to identify the right time to shift toward new technological paradigms to sustain competitiveness. Complementing this, the Punctuated Equilibrium theory proposed by Tushman & Romanelli (1985) and further refined by Romanelli & Tushman (1994) explains that organizational and technological change unfolds in alternating phases of stability and disruption. Long periods of incremental improvement are periodically interrupted by short bursts of radical transformation driven by external forces such as market dynamics or technological change. This cyclical pattern gives innovation its characteristic rhythm of evolution and renewal.

Similarly, The Dominant Design theory by Suárez & Utterback (1995) explains that early stages of innovation are often marked by experimentation and competition among multiple alternatives, until one design eventually gains widespread acceptance and becomes the industry standard. Once a dominant design emerges, innovation typically shifts from radical to incremental improvement. Importantly, this model acknowledges the significant role of users in shaping technological development, as preferences for usability, compatibility, and reliability often outweigh purely technical superiority. The emergence of a dominant design thus underscores the dual need for standardization to encourage adoption and for firms to align their business strategies with prevailing market expectations to remain competitive (Smith, 2010).

Finally, the Absorptive Capacity (ACAP) theory proposed by Cohen & Levinthal (1990) introduces a learning-based perspective on innovation. It emphasizes that innovation depends on an organization's ability to identify, absorb, and apply external knowledge effectively. As noted by Smith (2010) innovation rarely occurs in isolation but results from an organization's capacity to integrate external insights into its internal processes. In extending this framework, (Zahra & George, 2002) further conceptualize ACAP as a dynamic capability composed of two dimensions known as potential and realized absorptive capacity. Potential absorptive capacity involves acquiring and assimilating external knowledge, which facilitates exploratory innovation through exposure to new perspectives. Realized absorptive capacity refers to transforming and exploiting acquired knowledge, enabling exploitative innovation that strengthens existing systems and practices. The interaction between these two capacities determines innovation effectiveness, as organizations must not only learn from external sources but also possess the internal mechanisms to apply and integrate that knowledge effectively. However, ACAP remains context-dependent; rigid structures or weak learning cultures may limit an organization's ability to translate knowledge into tangible innovation outcomes. Thus, absorptive capacity highlights the strategic importance of continual learning, knowledge sharing, and adaptability in sustaining innovative performance.

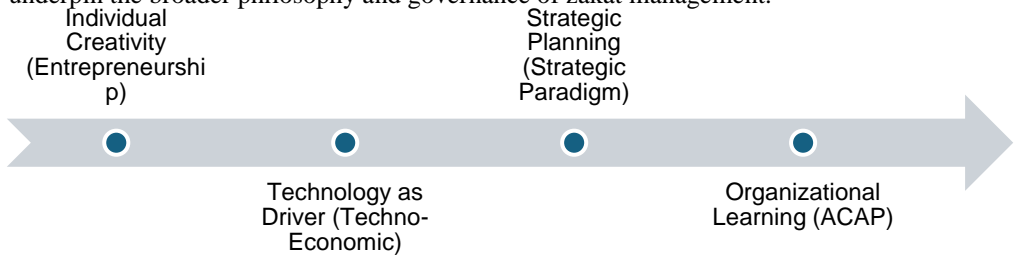
Collectively, these theories offer a comprehensive understanding of how innovation emerges, diffuses, and stabilizes within organizations as shown in Figure 1. Therefore, when applied to zakat management, they provide valuable insights into how Islamic leadership can cultivate a knowledge-driven and adaptive culture that supports continuous improvement, enhances service quality, and ensures that innovation aligns with the objectives of *maqasid shariah*. Moreover, Drucker (1985) further emphasizes that meaningful innovation must be purposeful, guided by vision, and directed toward creating both economic and social value. It requires the integration of conceptual and perceptual thinking within a clear strategic direction and principles that are essential for zakat institutions seeking to develop impactful and ethically grounded innovations.

In Islamic point of view, innovation may vary from western perspective. Innovation in Islam operates within the framework of Shariah and prioritizes the promotion of societal welfare and ethical advancement. Unlike conventional innovation, which often emphasizes profitability and market competition, Islamic innovation centres on value creation that supports the preservation of faith, life, intellect, lineage, and wealth as key objectives of the *maqasid shariah*. This reframes innovation as both a moral and social responsibility, where creative transformation is guided by ethical consciousness and collective well-being rather than material gain. Therefore, Islamic innovation represents a holistic approach that harmonizes progress with spirituality, ensuring that organizational development contributes simultaneously to worldly improvement and the fulfilment of divine objectives.

Leadership plays a pivotal role in cultivating an innovative organizational culture, particularly within the management of zakat institutions. Husti and Mahyarni (2019) highlight that Islamic leadership supports the implementation of innovation by fostering creativity, collaboration, and responsible risk-taking. These are elements that are essential for sustaining continuous improvement. Effective leaders not only promote a learning culture that enhances absorptive capacity but also ensure that innovation remains consistent with Shariah principles and ethical governance. Within Islamic institutions, value-based leadership is particularly significant as it guides innovation with integrity, compassion, and accountability, inspiring trust among members and encouraging innovation as a form of ibadah (service to Allah). Consequently, Islamic leadership functions as both a catalyst and a guardian of innovation, embedding creativity within a moral and sustainable framework that enhances efficiency, transparency, and public trust in zakat management. Such leaders are better equipped to design and implement programs that address community needs while preserving the organization's moral identity and accountability to both stakeholders and divine guidance.

In the management of zakat, innovation serves as a vital mechanism for enhancing institutional efficiency, transparency, and public trust. One of the most significant areas of innovation involves the integration of technology into both the collection and distribution processes. Zulkifli et al (2021), emphasizes that digital transformation in zakat institutions is essential for improving service delivery, ensuring greater accountability, and providing the public with clear and accessible information on the management of zakat funds. However, innovation in this context must not only focus on operational efficiency but must also remain

firmly grounded in Islamic legal and ethical principles. Any reform or technological adoption must therefore align with the will of Allah SWT and the objectives of *maqasid shariah*, which underpin the broader philosophy and governance of zakat management.



**Figure 1:** Timeline of Innovation Paradigms and Theories

**Source:** Author

### Islamic Leadership as a Driver of Social Innovation in Zakat Institutions

The ultimate aim of zakat programs is to strengthen the socio-economic wellbeing of the asnaf. When leadership and organizational innovation culture operate in synergy, zakat institutions can achieve tangible outcomes such as increased economic independence, improved livelihoods and enhanced welfare for beneficiaries.

Zakat has the power to drive positive change by fostering growth and improvement in various aspects of life. According to Qardawi (2000), zakat is a specific portion of wealth mandated by Allah s.w.t to be distributed among eligible recipients. It is also a divine obligation prescribed by Allah s.w.t for Muslims, ensuring the rights of designated groups are fulfilled and ultimately leading to goodness and blessings. A hadith narrated by Ibn Abbas highlights that zakat balances property ownership, benefiting not only specific groups but also the less fortunate. The Prophet Muhammad s.a.w sent Mu'adh to Yemen and said,

*"Invite the people to testify that none has the right to be worshipped but Allah and I am Allah's Messenger (ﷺ), and if they obey you to do so, then teach them that Allah has enjoined on them five prayers in every day and night (in twenty-four hours), and if they obey you to do so, then teach them that Allah has made it obligatory for them to pay the Zakat from their property and it is to be taken from the wealthy among them and given to the poor.*

(Sahih al-Bukhari: 1395)

Therefore, when zakat is strategically managed, it moves beyond charity to become a sustainable mechanism for community empowerment and economic development (Majid et al., 2024; Zulkifli et al., 2021). Recent scholarship has also linked Islamic leadership with social transformation. Empirical evidence shows that Islamic leadership positively impacts *asnaf* development. According to Khalil & Buang (2023), virtues such as benevolence, righteousness, and trustworthiness have helped lift *asnaf* out of poverty through entrepreneurial initiatives. Similarly, Omar (2024) revealed that leaders' adherence to Islamic principles shapes decision-making and enhances organizational performance. These findings suggest that leadership grounded in Islamic values can drive social transformation.

Unlike conventional leadership models, which often emphasize efficiency and performance, Islamic leadership integrates spiritual, ethical, and social values (AlSarhi et al., 2014). This makes it particularly relevant for zakat institutions, which not only manage resources but also aim to foster innovation and support disadvantaged communities. However, the role of leadership in promoting innovation for poverty alleviation remains underexplored. Most existing studies like (Hidayat et al., 2017; Naser et al., 2018; Husti & Mahyarni, 2019; Permana et al., 2019; Ratnasari, 2020; Astuti et al., 2020; Zaim et al., 2024; Abdelwahed et al., 2025; Rokhman et al., 2025) employ quantitative approaches that provide statistical insights but often overlook how leadership behaviours, decision-making processes, and institutional culture interact to drive social innovation. Furthermore, few studies have systematically examined the innovative initiatives of zakat institutions and their impact on the *asnaf*. This highlights the need for qualitative research to explore how zakat institution leaders apply Islamic leadership principles to foster innovation, enhance socio-economic outcomes, and empower *asnaf* communities. Understanding these dynamics can offer practical insights for designing effective zakat programs while advancing knowledge of Islamic leadership in practice.

In the context of zakat institutions, leaders therefore play a vital role not only as administrators but also as drivers of innovation, empowering *asnaf* development (Khalil & Buang, 2023) through leadership practices rooted in Islamic values. A true leader must also embody strong moral character and serve as a role model through honesty, fairness, humility and compassion (Jamil, 2015). When combined with sound judgment and consultative decision-making these qualities are essential for zakat leaders to ensure that innovation in *asnaf* development remains aligned with Islamic values and contributes to long-term community empowerment.

The literature suggests that Islamic leadership is not merely a managerial function but a catalyst for change and innovation. Leaders who embrace Islamic principles are more likely to design and implement programs that address socio-economic challenges faced by the *asnaf*, such as poverty alleviation, skill development, and financial independence. By adopting values such as *amanah*, justice, and *ihsan*, zakat institution leaders can ensure that innovation initiatives including digital transformation, social entrepreneurship, and empowerment projects remain ethically grounded and impactful.

A culture of innovation refers to an organizational environment that encourages creativity, experimentation, and collaboration. Islamic leadership plays a critical role in nurturing this culture by promoting openness to new ideas and supporting initiatives that address community needs. Innovative programs in zakat institutions and their impact on *asnaf* as one of the examples for this culture mentioned before. Innovative zakat programs include high impact of economic empowerment projects, digital distribution systems, and training initiatives designed to improve the socio-economic status of *asnaf*.

In Malaysia, the federal-level coordination of zakat affairs is overseen by the Department of Waqf, Zakat, and Hajj (JAWHAR) which recognizes innovative efforts undertaken by state zakat institutions. The National Zakat Award serves as a formal recognition conferred upon

individuals and organizations that have made outstanding contributions to the development and advancement of zakat practices in Malaysia. Table 2 shows the details about innovative products and projects awarded to zakat institutions in Malaysia.

**Table 2:** Innovative Products and Projects for Zakat Distribution

| <i>Year</i> | <i>Innovative Products and Projects for Zakat Distribution</i>   | <i>Zakat Institutions</i>   |
|-------------|--|-----------------------------|
| 2012        | Best Zakat Distribution Institution                              | Wilayah Persekutuan (MAIWP) |
| 2017        | Smart Zakat Distribution Management System (i-Syura)             | Perak (MAIPk)               |
| 2018        | Online Higher Education Assistance System Online                 | Kelantan (MAIK)             |
| 2019        | Food Bank Innovation Program                                     | Kedah (LZNK)                |
| 2021        | Zakat on Touch Application (ZoT)                                 | Kedah (LZNK)                |
| 2023        | Special Award (Collection and Distribution)                      | Kedah (LZNK)                |
| 2024        | Digitalization of Zakat Assistance Applications (e-Distribution) | Kelantan (MAIK)             |

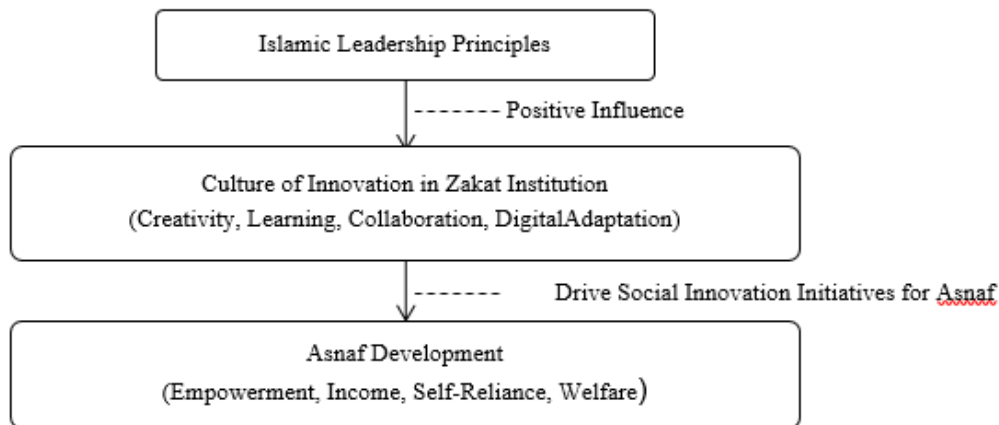
*Source: Department of Waqf, Zakat, and Hajj (JAWHAR)*

Table 2 highlights the innovative initiatives recognized under the National Zakat Award between 2012 and 2024. Notably, Kedah (LZNK) and Kelantan (MAIK) have consistently introduced digital solutions and social innovation programs aimed at improving zakat distribution efficiency and beneficiary experience. For instance, the *i-Syura* smart management system (2017) and the *Zakat on Touch* mobile application (2021) represent significant steps toward digital transformation in zakat governance. More recently, the introduction of *e-Agihan* (2024) reflects a continued commitment to digitalizing zakat assistance applications, thereby promoting accessibility and transparency for *asnaf* development.

While the initiatives highlighted was reflect commendable efforts toward digitalization and social innovation, they also raise important questions about the leadership practices driving these achievements. The concentration of recognition in a few states such as Kedah (LZNK) and Kelantan (MAIK) suggests that leadership practice may play a decisive role in fostering an innovation-oriented culture and implementing impactful programs. Moreover, the predominance of technology-driven solutions (e.g., digital applications) underscores the need for visionary leadership that not only adopts technological tools but also ensures that these innovations translate into meaningful socio-economic improvements for *asnaf*. The absence of comprehensive impact evaluations further highlights the importance of leadership in monitoring, sustaining, and scaling social innovation initiatives to achieve long-term *asnaf* development.

Such initiatives are enabled by a culture of innovation and guided by principled leadership will ensuring that programs are not only effective but also aligned with ethical and religious considerations. A conceptual framework for this research is proposed as Figure 2 to illustrate

the relationship between Islamic leadership practices, culture of innovation in zakat institution, and asnaf development.



**Figure 2** Conceptual Framework of Islamic Leadership and Innovation for Asnaf Development

**Source: Authors (2025)**

The conceptual framework of this study is developed based on the integration of Islamic leadership theory and innovation literature within the context of zakat institutions. It proposes that the effectiveness of *asnaf* development initiatives depends on the interplay between Islamic leadership, innovation culture, and organizational performance. Specifically, it assumes that leaders who embody Islamic values not only influence organizational decisions but also nurture an environment conducive to innovation and sustainable socio-economic transformation.

Drawing from the reviewed literature, this study proposes three key relationships:

Islamic Leadership Principles → Culture of Innovation in Zakat Institution

Islamic leadership positively influences the establishment of an organizational culture that supports creativity, collaboration, and continuous improvement.

Culture of Innovation in Zakat Institution → *Asnaf* Development

A strong innovation culture enhances the effectiveness of zakat programs, leading to improved socio-economic outcomes for *asnaf*.

Islamic Leadership → *Asnaf* Development (Indirect Relationship)

The impact of Islamic leadership on *asnaf* development is mediated by innovation culture. Leaders who embody Islamic values cultivate an environment that enables innovation, which in turn drives sustainable development outcomes.

### Islamic Leadership as the Foundation

Islamic leadership provides the spiritual and ethical foundation that governs the behaviour and decisions of leaders within zakat institutions. According to AlSarhi et al. (2014), Islamic leadership is value-based and aims to achieve *falah* (success in this world and the Hereafter)

through the implementation of *'adl* (justice), *amanah* (trust), and *shura* (consultation). Leaders guided by these principles demonstrate integrity, accountability, and compassion, thereby creating a culture of transparency and collective responsibility (Mutalib et al., 2022). Within zakat institutions, such leadership is crucial because it ensures that innovation initiatives remain aligned with *maqasid syariah*, emphasizing the protection of faith, life, intellect, lineage, and wealth. Hence, Islamic leadership acts as a moral compass that directs innovation toward achieving social justice and equitable wealth distribution among *asnaf* communities.

### **Innovation Culture as a Mediating Mechanism**

Innovation culture serves as the mediating mechanism that translates leadership values into organizational outcomes. Drucker (1985), defines innovation as the systematic process of turning ideas into practical solutions that improve performance and generate social or economic value. In the context of zakat institutions innovation encompasses new methods of zakat collection, digital platforms for distribution, and creative programs for *asnaf* empowerment. A positive innovation culture encourages experimentation, collaboration, and continuous improvement. When leaders provide psychological safety and recognize creative efforts, staff are more likely to propose and implement innovative ideas. Therefore, Islamic leadership indirectly enhances institutional effectiveness through its impact on innovation culture.

### **Asnaf Development as the Outcome**

The ultimate goal of zakat institutions is to promote socio-economic independence among *asnaf*. Asnaf development refers to the process of enabling beneficiaries to achieve financial stability, self-reliance, and improved quality of life through productive zakat programs. Effective leadership combined with an innovation-oriented culture contributes to the design of impactful initiatives such as entrepreneurship programs, vocational training, and digital literacy workshops. Thus, the framework posits that Islamic leadership drives social innovation, which in turn leads to improved *asnaf* development outcomes. Innovation acts as both a process and an outcome of leadership effectiveness in fulfilling the institutional mandate of poverty alleviation.

In summary, the conceptual framework illustrates that Islamic leadership acts as the primary enabler of innovation culture within zakat institutions. When leadership behaviours are guided by Islamic values, they promote an environment of trust, learning, and collaboration that encourages innovation. This innovation subsequently translates into more effective programs for *asnaf* empowerment and sustainable community development. Hence, this framework provides a theoretical lens for exploring how leadership and innovation synergistically contribute to the social and economic transformation of *asnaf* under the Islamic social finance ecosystem.

### **Methodology**

This study adopts a qualitative case study design to explore how Islamic leadership engages with innovation practices within zakat institutions and contributes to *asnaf* development. The

qualitative approach enables an in-depth understanding of leadership behaviours, organizational culture, and innovation processes from the perspectives of key actors involved. The case study design is appropriate as it allows for a detailed examination of the phenomenon within its real-life context. The Lembaga Zakat Negeri Kedah (LZNK) was selected as the research site due to its active role in implementing innovative programs for *asnaf* empowerment. Its distinctive position as a stand-alone zakat administration operating directly under the authority of the Sultan of Kedah provides a unique governance structure, offering valuable insights into leadership practices and decision-making processes within a centralized zakat institution.

Data were collected through semi-structured interviews with purposively selected informants comprising senior leaders, officers, and staff directly involved in zakat management, particularly in the distribution division. Document analysis of annual reports, policy papers, and institutional records was also conducted to triangulate and enhance the credibility of findings. The interviews focused on leadership values, innovation strategies, and program implementation challenges. All interview data were transcribed and analysed thematically following Braun and Clarke's (2019) framework to identify recurring patterns related to Islamic leadership, innovation culture, and *asnaf* development. Institutional reports, annual zakat statistics, and official publications from LZNK and JAWHAR were reviewed to complement the interview data and identify trends in innovation and strategic leadership practices.

Credibility was further strengthened through triangulation, member checking, and maintaining an audit trail to ensure dependability and transparency. Ethical approval was obtained from the relevant authority, and all participants provided informed consent. Confidentiality and anonymity were strictly maintained throughout the research process in accordance with established qualitative research ethics.

## **Finding**

### **Innovation Initiatives Implemented by Lembaga Zakat Negeri Kedah (LZNK)**

Lembaga Zakat Negeri Kedah (LZNK) has implemented various innovation initiatives to strengthen the effectiveness of zakat management and enhance the socio-economic wellbeing of the *asnaf* community. These efforts reflect not only technological improvement but also organizational and service transformation. The findings of this study indicate that LZNK's innovation initiatives can be classified into three key categories: product innovation, which focuses on new or enhanced zakat-based programs that generate direct socio-economic benefits; system innovation, which involves institutional restructuring, digital integration, and strategic collaboration; and process innovation, which emphasizes improved mechanisms of zakat distribution to ensure transparency, accountability, and efficiency. Collectively, these innovations demonstrate LZNK's proactive commitment to transforming zakat management into a more dynamic, professional, and sustainable model aligned with Islamic management principles and national development goals.

### **Product Innovation**

Product innovation at LZNK emphasizes the creation and enhancement of zakat-based programs and services that provide meaningful benefits to the *asnaf* community. One of the key initiatives under this effort is the *asnaf* agropreneur program named as Asnaf's Large-Scale Smart Paddy Farming Project. These initiatives are part of LZNK's flagship framework the Ummah Economic Development Zone which adopts a holistic and integrated strategy consistent with Islamic development principles and aligned with the national Sustainable Development Goals (SDGs) (Majid et al., 2024). This *asnaf* agropreneur and smart paddy farming programs require not only financial investment but also continuous technical guidance, capacity building, and mentorship to ensure participants remain competitive amid evolving market dynamics. This multifaceted approach incorporates strategic collaborations, modern agricultural techniques, and a strong emphasis on community-driven development (Majid et al., 2024).

In addition to agricultural-based innovation, LZNK has also embraced technological advancement through the introduction of the Zakat on Touch application as a free digital platform designed to facilitate zakat assessment, verification, and payment conveniently anytime and anywhere. This smart application offers a comprehensive range of zakat-related services including checking the status of assistance applications (Semakan Agihan), submitting complaints related to *asnaf* within local communities (Jom Lapor Asnaf), accessing real-time data on zakat collection and distribution, and more. Such features enhance transparency and accountability in zakat administration while improving user engagement and public trust. Moreover, by providing information about zakat recipients across different localities in Kedah, the application encourages community awareness and participation in zakat management.

The integration of digital innovation within product development reflects LZNK's proactive commitment to leveraging technology for more efficient, transparent, and community-centered zakat governance. Collectively, these product innovations demonstrate a strategic shift from traditional charitable practices toward developmental empowerment, where *asnaf* are encouraged to participate productively in the socio-economic ecosystem of zakat.

### **System Innovation**

From the perspective of Systems Theory, LZNK's system innovation embodies an integrated organizational model in which human resources, technology, governance, and data management operate as interdependent subsystems. The expansion of its workforce from 114 employees in 2017 to 337 in 2025 reflects a strong institutional commitment to operational excellence and professional service delivery. Through ongoing capacity development and digital transformation, LZNK enhances the synergy among these subsystems, enabling efficient information flow, transparent decision-making, and responsive zakat administration aligned with its strategic mission.

In line with Bertalanffy (1968) conception of organizations as open systems, LZNK extends its systemic reforms beyond internal restructuring by cultivating strategic collaborations with external stakeholders including academic institutions such as Universiti Utara Malaysia

(UUM), Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah (UniSHAMS), and Universiti Teknologi MARA (UiTM) Kedah as well as financial institutions such as Bank Islam Malaysia Berhad (BIMB) through the i-Tekad initiative. These partnerships facilitate the exchange of knowledge, support evidence-based policy development, and advance the integration of zakat with social finance instruments to strengthen *asnaf* entrepreneurship and promote sustainable livelihoods. Collectively, these initiatives exemplify how LZNK's innovation framework preserves systemic coherence and adaptability, thereby enhancing institutional effectiveness and generating meaningful social impact.

### **Process Innovation**

Process innovation at LZNK primarily focuses on improving zakat distribution mechanisms to ensure greater efficiency, transparency, and equitable access among the *asnaf* groups. To strengthen the effectiveness of zakat management, LZNK introduced the Asnaf Care System, a data-driven digital platform designed to streamline distribution operations and integrate them with the zakat collection process. This system also provides opportunities for the community to contribute food supplies to those in need across Kedah, particularly among the *asnaf* community. Through this platform, users can transparently access key information such as the total target funds, amount collected, and remaining balance, thereby fostering openness and encouraging active community participation.

Contributions made through the Asnaf Care initiative are recognized as income zakat. LZNK also opens its platform to non-Muslims who wish to contribute based on humanitarian values and the spirit of mutual cooperation. Such contributions are not categorized as zakat but rather as voluntary donations. This inclusive approach aims to highlight the beauty of Islamic ethics and da'wah, demonstrating how zakat institutions can foster unity and compassion across communities. Overall, these advancements reflect LZNK's progressive commitment to transforming zakat distribution into a more efficient, accountable, and impact-driven process that aligns with both Islamic governance principles and modern management practices.

### **Islamic Leadership Principles Practiced in Lembaga Zakat Negeri Kedah (LZNK)**

The effectiveness of innovation and organizational reform in LZNK is deeply rooted in the application of Islamic leadership principles that guide managerial conduct and institutional culture. These principles ensure that all initiatives are aligned with the ethical and spiritual objectives of *maqasid syariah*, emphasizing trust, wisdom, consultation, and excellence. The findings of this study reveal that four core principles (*amanah, hikmah, shura, and ihsan*) form the foundation of leadership practices that sustain integrity, accountability, and compassion in LZNK's governance.

The principle of *amanah* (trust and accountability) underscores the moral responsibility of leaders to manage zakat resources with integrity and transparency. This is reflected in LZNK's emphasis on clear reporting, digital monitoring, and ethical decision-making to ensure that funds are utilized for rightful beneficiaries. Meanwhile, *hikmah* (wisdom) represents the leaders' ability to exercise sound judgment and courage in implementing reforms. LZNK's strategic initiatives such as organizational restructuring, digital zakat

systems, and *asnaf* entrepreneurship programs demonstrate leadership that combines rational foresight with spiritual discernment, balancing innovation with ethical stewardship.

Equally important, the principle of *shura* (consultation) promotes participatory decision-making and collective accountability. Through consultation with scholars, government agencies, and academic partners, LZNK ensures that policies are inclusive, well-informed, and reflective of community needs. Finally, *ihsan* (excellence and compassion) shapes a leadership culture that values professionalism imbued with empathy. This principle is evident in LZNK's attentive engagement with *asnaf* beneficiaries, where innovation is not only about efficiency but also about preserving dignity and care. Collectively, these four principles illustrate how Islamic leadership in LZNK integrates moral integrity with managerial effectiveness, enabling the institution to achieve both operational excellence and spiritual accountability in fulfilling its zakat mission.

### Discussion and Conclusion

The findings of this study reveal that the effectiveness of zakat institutions such as LZNK lies in the strategic integration of innovation and Islamic leadership principles. The innovations implemented whether in products, systems, or processes are reflect the institution's adaptability to contemporary administrative and socio-economic challenges. Through digital transformation, entrepreneurship programs, and improved governance mechanisms LZNK demonstrates how zakat management can evolve into a dynamic, transparent, and development-oriented model. However, these innovations are not merely technical improvements where they are deeply guided by Islamic leadership principles that anchor organizational reform within the ethical and spiritual framework of *maqasid syariah*.

From a theoretical perspective, the synergy between innovation and Islamic leadership within LZNK embodies the essence of Islamic management where *falah* (success) is achieved through both material progress and spiritual integrity. The principle of *amanah* ensures that innovation is implemented with accountability, while *hikmah* provides the wisdom and courage to act decisively in the face of change. *Shura* fosters participatory governance, creating collective ownership of organizational goals, whereas *ihsan* instills compassion and excellence in service delivery. Together, these values transform innovation from a managerial process into an ethical mission one that seeks to empower *asnaf*, promote justice, and achieve the broader objectives of *maslahah* (public welfare). This alignment illustrates how Islamic leadership does not oppose modernization; rather, it redefines innovation as a moral obligation that upholds divine trust in institutional practice.

In conclusion, LZNK's experience highlights that sustainable transformation in zakat management depends on the harmonious balance between innovation and Islamic values. Technological advancement, system reform, and entrepreneurship programs can only achieve lasting impact when guided by leadership rooted in *amanah*, *hikmah*, *shura*, and *ihsan*. This integrated approach positions LZNK as a model for other zakat institutions seeking to modernize without compromising their spiritual mandate. Ultimately, the study affirms that innovation grounded in Islamic leadership is not only a pathway to institutional excellence

but also a means of fulfilling the higher purpose of zakat to uplift the *asnaf* and contribute to the holistic development of the ummah.

### **Implications and Recommendations**

The findings of this study carry important implications for both theory and practice in the field of Islamic management and zakat administration. Theoretically, the integration of innovation and Islamic leadership principles within LZNK reinforces the relevance of *maqasid shariah* as a guiding framework for institutional development. It demonstrates that Islamic organizations can embrace modernization and technological transformation without compromising their ethical and spiritual identity. This integration contributes to the growing discourse on Islamic management by illustrating how leadership values such as *amanah*, *hikmah*, *shura*, and *ihsan* can serve as dynamic enablers of innovation, accountability, and sustainable social impact.

From a managerial perspective, LZNK's approach provides a model for other zakat institutions seeking to enhance governance efficiency and service delivery. The use of digital systems such as Zakat on Touch application coupled with empowerment programs for *asnaf* shows how innovation can be strategically aligned with social objectives. However, the success of such initiatives requires continuous leadership commitment, staff training, and structured performance evaluation to maintain ethical standards and operational excellence. Institutional leaders must also prioritize capacity building in areas such as digital literacy, financial management, and community engagement to ensure that innovation efforts remain inclusive and sustainable.

At the policy level, the study recommends that national zakat authorities and Islamic agencies encourage cross-institutional collaboration especially with universities, financial institutions, and technology providers to strengthen the research, training, and digital infrastructure of zakat institutions. Emphasis should also be placed on developing standardized frameworks for monitoring innovation impact and integrating *maqasid shariah*-based performance indicators. Finally, nurturing leadership grounded in Islamic ethics is crucial to sustaining innovation and ensuring that zakat institutions not only operate efficiently but also embody the trust, compassion, and justice that define their religious and social mission.

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