



A Strategic Risk Management Planning Framework in Facing the COVID-19 Pandemic at Lembaga Zakat Negeri Kedah (LZNK)

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ABSTRACT - The COVID-19 pandemic has adversely affected the overall socio-economic aspects of industries, thus necessitating an interdisciplinary approach related to strategic planning and risk management. The growing number of *asnaf* and the declining trend of *zakat* collection have impacted most *zakat* institutions in Malaysia, including Kedah. Thus, Lembaga Zakat Negeri Kedah (LZNK) need to establish a strategic risk management plan by considering various factors affecting the collection of *zakat* and other relevant strategic plans. This study aimed to propose a strategic risk management planning framework for LZNK in response to the COVID-19 pandemic. It involved a case study at LZNK whereby the data was collected through a literature review and semi-structured interviews with selected informants. Thematic analysis was employed to analyse the qualitative data. The results showed that LZNK has the potential to develop its own strategic risk management planning framework in response to COVID-19. This study also proposed the establishment of a specific Enterprise Risk Management (ERM) unit at LZNK, which acts as the secretariat to manage risks based on the framework developed.

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INTRODUCTION

Zakat is an Islamic obligatory charity given to deserving individuals who belong to any of the eight *asnaf* categories. *Zakat* institutions in Malaysia have been proactive in identifying deserving *asnaf* groups and aiding to ease their difficulties in life (Ali et al., 2015). Corresponding to the adverse impact of COVID-19, numerous *zakat* assistance schemes have been implemented to help those affected by the pandemic. Conversely, the COVID-19 pandemic led to the emergence of two *zakat*-deserving groups: the existing *asnaf* groups and those who become *asnaf* due to the pandemic. This imposes a significant challenge to the local *zakat* institutions as the collection of *zakat* has shown a declining trend nationwide amidst the pandemic period of 2020 (Abdul Rahman, 2020).

The above issue also aligns with a statement by the Chief Executive Officer (CEO) of Lembaga Zakat Negeri Kedah (LZNK), Zakaria Othman, who demonstrated his concern over insufficient *zakat* assistance for *asnaf* in Kedah because of COVID-19 (Hamid, 2020b). Kedah's business *zakat* and income collections have been declining since 2020, thereby requiring a fast economy recovery plan (Hamid, 2020a; LZNK, 2020a). Although the state experienced an increase

in the total amount of *zakat* income in 2021, business *zakat* recorded a decrease of RM500,000 because several large companies, which were the main contributors to business *zakat*, suffered significant losses post-pandemic (Abdullah, 2022; LZNK, 2020a). Therefore, an emergency allocation of funds was needed to mitigate this situation.

Previous research on strategic risk management in Malaysian *zakat* institutions has largely focused on more developed or urbanised states such as Selangor, Wilayah Persekutuan Kuala Lumpur or Penang. Kedah, as a state with a strong agricultural base and high *asnaf* dependency, remains underexplored in scholarly literature, especially from a governance and crisis management perspective. Focusing on LZNK helps fill this gap and contributes to a more balanced academic discourse on Islamic social finance (ISF).

Furthermore, previous research has examined the common problems faced by *zakat* administrations; however, recent studies have focused less on Shariah guidelines and strategic risk management in dealing with unexpected events like COVID-19. As the pandemic situation stabilises and the need for long-term strategies becomes evident, researchers should explore these areas to ensure the resilience and sustainability of *zakat* administrations during and after crises. Besides, the existing strategic plans or blueprints of LZNK (LZNK Strategic Plan, 2021–2025) do not emphasise core planning to face situations alike (LZNK, 2020b).

Consequently, LZNK need to prepare a new strategic risk management plan by considering various external and internal factors that can affect the collection of *zakat* in Kedah. Such endeavour is crucial to ensure that the collection of *zakat* is sufficient and can be distributed to all categories of *asnaf* in the state. Therefore, the purpose of this study is to explore the current strategic risk management planning practiced by LZNK as part of the efforts to propose and develop a strategic risk management planning framework that is more suitable for LZNK in response to the COVID-19 pandemic. This study is important as it provides a framework for developing strategic risk management planning while determining the core planning, strategy, initiative and risk indicator for LZNK amidst COVID-19. Despite the increasing role of *zakat* institutions in responding to crises, few studies have examined the strategic risk management dimension from an Islamic perspective. This study addresses this gap by proposing a Shariah-aligned risk planning framework, specifically contextualised to LZNK.

LITERATURE REVIEW

Strategic management and planning from Islamic perspective

Strategic management involves a cyclical process of setting a company's vision and goals, collecting and analysing data, allocating resources and forming strategies to achieve a mission (Pearce et al., 2000). However, existing theories often fall short of practical needs (Bao, 2015). Strategic planning aims to boost a company's competitive efficiency and as businesses change, strategic management theories and practices must also evolve. Various planning approaches have been suggested, including the PEST analysis (Rangga et al., 2017; Sammut-Bonnici & Galea, 2015), scenario planning (Oliver & Parrett, 2018), Porter's five forces analysis (Dobbs, 2014), SWOT analysis (Nasution et al., 2018; Widiastuti et al., 2018), growth-share matrix and balanced scorecard (Lestari, 2010). Yet, numerous strategies are unsustainable with seven common strategy planning mistakes, including poor communication with employees, limiting strategic decisions to top managers, overlooking top administrators, not using plans as performance standards, relying solely on planners and getting distracted by new challenges (Hitt et al., 2009; David & David, 2013).

Incorporating Islamic values into strategic planning means adhering to Shariah guidelines, emphasising excellence (*ihsan*) and seeking Allah SWT's blessings. The Qur'an encourages Muslims to be proactive and strategic in their endeavours, as exemplified by the story of Prophet Joseph's economic management in Egypt. In modern countries, fiscal authorities play a vital role in budget allocation, especially during the COVID-19 pandemic. In the context of Malaysia, the fiscal authorities allocated budgets for three programs (COVID-19 management, social safety nets and

economic recovery) to ensure that essential resources, particularly finances, reach those who require assistance, ultimately sustaining economic stability.

In strategic management, pace is often the indicator of performance (profitability). Whereas, in the Islamic perspective, the measure of progress in strategic governance is the pursuit of justice (Beekun, 2006). Mhd Sharif et al. (2020) mentioned three main components of strategic planning: mission, vision and objectives. From an Islamic perspective, a mission holds great significance in strategic planning by serving as an organisation's primary goal. Therefore, a strong mission statement is crucial and should focus on the benefits of humanity, society and the environment (Mhd Sharif et al., 2020). Prophet Muhammad said, "The best among the people is those who benefit the people and the best among you are those who have the best manners and character." (Bukhari, 1966). This hadith demonstrates the importance of well-being in Islam to accomplish a mission. Simply put, it is critical to include the core values of Islam, such as welfare, while simultaneously emphasising the importance of profit as one of the reasons for the establishment of strategic planning.

Strategic management in Islam is not limited to organisational efficiency and goal setting; it is deeply rooted in ethical guidance and divine accountability. Central to this approach are principles such as *maslahah* (public interest), *amanah* (trust), *shura* (consultation), *'adl* (justice) and *tawakkul* (reliance on Allah), which collectively guide decision-making, especially during times of uncertainty and crisis. In Islamic governance, the Qur'anic narrative of Prophet Yusuf offers one of the earliest and most comprehensive illustrations of strategic risk management. Faced with the forecast of an economic crisis (a seven-year famine), Prophet Yusuf proposed a long-term plan to store surplus grain during years of abundance to ensure food security during the years of scarcity (Al-Qur'an, 12:47-49). This plan illustrates forward-thinking, risk mitigation, resource management and community protection, all of which comprise the core elements of strategic management informed by divine wisdom. Similarly, the practice of *shura* was employed by Prophet Muhammad (PBUH) in responding to the crisis during the Battle of *al-Khandaq*. Upon receiving intelligence about the Meccan army's plans, the Prophet consulted with his companions and implemented a trench-digging strategy, proposed by Salman Al-Farisi, that successfully averted defeat. This example demonstrates the application of inclusive decision-making, innovation and adaptability under crisis conditions.

In contemporary times, Islamic financial institutions have adopted these principles in various ways. For instance, during the COVID-19 pandemic, several *zakat* and waqf institutions in Malaysia and Indonesia adopted *maslahah*-driven approaches by diverting funds toward health infrastructure and direct cash aid for affected communities (Arfah et al., 2020; Hudaefi et al., 2020). MAIWP (Federal Territory Islamic Religious Council) in Malaysia, for example, developed a COVID-19 Emergency Zakat Distribution Program guided by *'adl* and *maslahah* to ensure fairness and social welfare. Meanwhile, Dompot Dhuafa in Indonesia initiated telemedicine and food security programs funded through *zakat* and *waqf*, strategically designed to respond to pandemic-related risks while adhering to Islamic values (Hayati et al., 2019). These examples affirm that Islamic strategic principles are not abstract ideals but actionable frameworks that provide ethical and practical guidance in mitigating risk and managing crises. In the context of *zakat* institutions like LZNK, embedding these principles into risk management planning ensures not only operational resilience but also spiritual accountability and social justice.

Islam offers practical solutions for funding organisations, creating sustainable entities and resolving conflicts of interest. Its perspective on strategic governance goes beyond morality and emphasises divine rules that guide both ethical and scientific aspects of worldly affairs, including organisational behaviour. Quranic moral principles influence all areas of an organisation, ranging from business transactions and employee management to alliance formation and strategic decision-making. This is attributable to the fact that Shariah principles are derived from the Qur'an and Hadith.

Islamic Social Finance (ISF) and the Sustainable Development Goals (SDGs)

Islamic Social Finance (ISF), encompassing instruments such as *zakat*, *waqf*, *sadaqah* and *qard-basan*, inherently aligns with the objectives of the Sustainable Development Goals (SDGs). Rooted in principles like *maslahah* (public interest), 'adl (justice) and *ihsan* (benevolence), ISF mechanisms aim to alleviate poverty, reduce inequality and promote social welfare. These mechanisms similarly resonate with the core tenets of the SDGs.

Recent studies underscore the potential of ISF in advancing the SDGs. For instance, Dirie et al. (2023) conducted a systematic literature review revealing that ISF instruments significantly contribute to 11 out of the 17 SDGs, particularly in areas like poverty alleviation (SDG 1), zero hunger (SDG 2) and quality education (SDG 4). The study highlights those countries like Indonesia and Malaysia are at the forefront of integrating ISF with sustainable development initiatives.

Operationally, *zakat* institutions have played a pivotal role during crises. During the COVID-19 pandemic, several *zakat* agencies in Malaysia and Indonesia redirected funds to support healthcare services and provide direct financial assistance to affected populations, thereby addressing SDG 3 (good health and well-being) and SDG 10 (reduced inequalities) (Tok et al., 2022). These actions exemplify how ISF can be mobilised swiftly to respond to emergent societal needs.

Waqf institutions have also been instrumental in supporting the SDGs. In Malaysia, waqf funds have been utilised to develop educational institutions and healthcare facilities, directly contributing to SDG 4 (quality education) and SDG 3 (good health and well-being). The structured and sustainable nature of waqf allows for long-term planning and investment in social infrastructure.

Furthermore, the Islamic Development Bank (IDB) has actively promoted the integration of Islamic finance with the SDGs. At the 2024 Forum for Financing Development, the IDB highlighted the role of Islamic finance in mobilising resources for sustainable development projects, emphasising the compatibility of Shariah-compliant financial instruments with global development goals (ISDB, 2024).

Despite these advancements, challenges persist in fully harnessing ISF for the SDGs. Tok et al. (2022) identify policy divergences and a lack of coherence between Islamic finance frameworks and international development policies as barriers to effective collaboration. The study advocates for greater policy alignment and the inclusion of Islamic finance stakeholders in global development dialogues to bridge these gaps.

To summarise, both conceptually and operationally, ISF offers robust mechanisms for advancing the SDGs. By aligning the ethical imperatives of Islamic finance with global development objectives, there is significant potential to mobilise resources and implement programs that address pressing societal challenges. However, achieving this integration requires concerted efforts to harmonise policies, enhance institutional capacities and foster collaboration between Islamic finance entities and international development agencies.

LZNK strategic planning

Strategic planning is a set of decisions and implementations to formulate and use strategies that can provide good competition between organisations (Fitzroy et al., 2012; George et al., 2019; Grant, 2003). Kedah has a different *zakat* management model than other states in Malaysia because it is managed by LZNK, which was established under a special enactment (Kedah Zakat Enactment, 2015) related to the management of *zakat* and is not under the auspices of Majlis Agama Islam Kedah (MAIK). Osman et al. (2019) examined LZNK's strategic plans and proposed new approaches within its action plan to enhance *zakat* collections in Kedah. One of their recommendations was to improve public access to information by making data on *zakat* collection and distribution more transparent. This is to ensure that the management of *zakat* in Kedah is more comprehensive and effective. On the other hand, the study by Al Haq and Abd Wahab (2017) identified the obstacles that hinders successful distribution of *zakat* in Kedah, Malaysia.

Zakat institutions modify conventional risk management frameworks to address risks rooted in their charitable, non-profit missions (Mustaffha et al., 2020). Studies report that while instruments such as COSO-based ERM and ISO 31000 serve as starting points, these systems require adaptation (Widyastuti & Affan, 2022). For instance, previous study identified 405 risks across 11 domains and another analysis at BAZNAS pinpointed 60 risks; including operational, reputational and disbursement challenges that demand tailored mitigation strategies (Triyani et al., 2018). Notable differences include the integration of Shariah compliance measures, emphasis on *'amil* (*zakat* manager) training and the use of digital tools for enhanced transparency and reporting. These studies collectively delineate a risk management approach that aligns traditional quantitative methods with the distinctive ethical and operational imperatives of *zakat* institutions.

To date, LZNK has created a five-year strategic plan (2021-2025) with 16 strategies, 47 initiatives and 108 performance indicators to assess their plan's effectiveness. The components of the strategic development plan consist of empowering an efficient quality and world-class governance system, increasing *zakat* collection and distribution, strengthening *zakat* management, enhancing world-class ICT services and empowering research and communication at LZNK to be a global reference *zakat* centre.

***Zakat* risk management and strategy**

The risk management approach is a critical facet of an organisation's strategy that outlines how it intends to navigate potential challenges. This section discusses the intricacies of risk management strategy, specifically in the context of *zakat* institutions.

Stephen and Daniel (2013) assert that the risk management approach encompasses decisions related to risk assumptions, limitations, goals, tolerance and acceptance within organisations. Drawing inspiration from various industries, Francis and Armstrong (2003) emphasised the integration of ethics into risk management, suggesting that ethical considerations should be an integral part of the decision-making process. Asadi's (2015) solutions for risk control underscore the dual nature of risks, recognising them as both threats and opportunities. Furthermore, Beekun's (2006) delineation of six key processes for risk management provides a comprehensive framework, including identification, source, measurement, evaluation, mitigation and monitoring.

Meanwhile, Korableva et al. (2017) contributed an innovative perspective by discussing a risk management strategy tailored for *zakat* institutions. This strategy is grounded on a detailed framework that outlines risk components at each level and stresses the importance of a creative approach. Another study highlights the challenges faced by *zakat* managers (*amil*), who, according to Ishak et al. (2019), operate in a dynamic environment shaped by globalisation and rapid IT advancements. These challenges amplify risks, necessitating a nuanced understanding of how to efficiently allocate social funds and manage Shariah-compliant financial risks. Despite these complexities, *zakat* institutions must steadfastly prioritise the community's well-being in their risk management and strategic endeavours.

As defined by the Oxford Dictionary (2010), risk involves exposure to danger or the likelihood of undesirable outcomes. In the economic and financial realm, risk takes on multifaceted dimensions that reflect a deviation from expected results. In the Arabic context, risk, or *mukhatara*, conveys the idea of threat. However, in the financial sector, it is often associated with uncertainty or *gharar*. This is aligned with Islamic principles where *gharar* refers to speculative acts, such as gambling or *maysir*, hence suggesting that in Islam, risk emerges from the ambiguity of potential negative consequences.

Ishak et al. (2019) conducted a comprehensive assessment of LZNK's governance, risk management and internal control practices. The results revealed ongoing improvements in risk management, including the establishment of a quality control department following the ISO 9001:2015 standards. Additionally, the formation of risk management committees under Deputy CEOs, as outlined by Hudaefi et al. (2020), indicates a commitment to better governance and

control. The framework proposed by Hudaefi et al. (2020) for managing risks in digital *zakat* collections further emphasises the importance of identifying, measuring and creating a risk heatmap for mitigating risks, particularly in the areas of collection, financial and IT risks.

According to Rahmatika and Hariono (2018), the management of operational risk in *zakat* institutions adopts a relatively straightforward approach. This simplification is intended to facilitate *zakat* related processes for both payers and recipients, particularly in the case of *zakat al-Mal*. In addition, the successful implementation of the Warung Beres *zakat* programme in Yogyakarta further demonstrates effective *zakat* collection and distribution (Hayati et al., 2019).

In Malaysia, the implementation of the Malaysian Islamic Quality Management System (IQMS), MS1900, at Pusat Zakat Melaka (PZM), serves as a benchmark for ensuring compliance with Shariah requirements (Basir et al., 2019). Mohd Mokhtar and Ahmad (2019) believed that the Islamic Quality Control Scheme (IQCS) stands as a significant step in infusing moral elements into quality control. Finally, Ahmad Bustamam and Sarion (2019) underscore the necessity of a comprehensive quality management system that is aligned with Shariah principles to meet customer needs, provide quality, improve efficiency and reduce operational costs.

To summarise, the integration of risk management concepts with the strategic framework of *zakat* institutions is crucial. By drawing on ethical considerations, innovative strategies and comprehensive frameworks, *zakat* institutions can navigate the complexities of risk to ensure the efficient allocation of social funds while prioritising the community's welfare. The case studies and frameworks presented above contribute to a holistic understanding of risk management strategies tailored to the unique challenges faced by *zakat* institutions.

The role of LZNK during pre and post pandemic

Recent studies have focused on addressing challenges and future plans for *zakat* institutions, particularly during events like the COVID-19 pandemic. Various strategies have been proposed to effectively distribute *zakat* and charities, which include supporting families affected by COVID-19. *Zakat*, *infaq* and *sadaqah* are financial tools that can help minimise inequalities and boost social security during pandemics (Syafi, 2016; Al Anshory et al., 2020; Ghazali & Nasution, 2020; Hambari et al., 2020; Arfah et al., 2020; Ibrahim, 2020).

During the enforcement of the Movement Control Order (MCO) in 2020, LZNK received a special emergency fund allocation amounting to RM16.7 million from the Malaysian government. While *zakat* collection is constitutionally under state jurisdiction via State Islamic Religious Councils (SIRC), this fund was channelled as part of federal social assistance and not collected as *zakat* by the federal government. From the figure, more than RM7 million was allotted for immediate distribution and preparation for any possible threats caused by COVID-19. This was to ensure the survival of the *asnaf* and low-income groups in Kedah, such as traders and fishermen, whose source of income was affected and without emergency savings. LZNK also monitored and increased the distribution of food supply during MCO by working together with all mosques while complying with the security aspects set by the authorities and the Malaysian government.

Apart from that, LZNK also approved an immediate allocation requested by the Kedah State COVID-19 Treatment Centre based at the Sultanah Bahiyah Hospital, Alor Setar. A total of RM340,000.00 was allocated to purchase three units of breathing aids (ventilators) for the purpose of placing COVID-19 victims in intensive care units (ICU) and regular wards. LZNK also received a special *zakat* contribution of RM500,000.00 from various corporate agencies for this purpose. This was in addition to LZNK's provision of other equipment for COVID-19 prevention purposes, such as personal protective equipment (PPE) for protecting the safety of health personnel.

Following a review of strategic management and planning from an Islamic perspective, LZNK's strategic planning, *zakat* risk management and strategy, and the role of LZNK during the pandemic, an interrelationship appears to exist among these concepts and the approaches employed. The COVID-19 pandemic has impacted various sectors and communities, including

Muslim communities and countries. Such impact spans not only on health but also the economic survival of people. In Islam, *zakat* is one of the key sources of support for sustaining Muslim communities during a pandemic. Therefore, effective and efficient *zakat* management plays a crucial role in assisting those in need by ensuring timely provision of aid and support.

Before the pandemic, LZNK relied on traditional, in-person methods for collecting and distributing *zakat*, with physical fundraising and manual distribution dominating its operations. During COVID-19, the institution shifted to digital platforms (Ismail et al., 2023). Several studies report that mobile applications such as “*Zakat on Touch*” and “*Jom Lapor Asnaf*,” together with the launch of the Asnaf Care fund and online fundraising channels, transformed operations (Abdul Haniff et al., 2022; Rofie et al., 2022). A study documented the allocation of over RM7 million for an immediate COVID-19 response; another reported RM31.6 million collected and RM39.4 million distributed through these new mechanisms, with a reported target of RM36 million for the Asnaf Care initiative and RM10.5 to RM10.8 million assigned to food bank services (Md Yusof et al., 2020; Ismail et al., 2023; Jalil & Muhammad Puad; 2023). In the post-pandemic period, digital strategies remain central. The adaptations of ongoing digital fundraising, continued use of mobile and online tools and expanded initiatives such as food bank services have led to improved efficiency, enhanced transparency and broader reach in service delivery, marking a sustained transformation from manual methods to digitally enabled operations and financial distributions. In fact, several past studies such as Fabeil et al. (2020), Arfah et al. (2020) and Jalal & Abdullah (2024) have highlighted the urgent need for adaptive governance in ISF institutions post-COVID-19. These works underscore the relevance of integrating ERM principles with Shariah-compliant operations, thus supporting this study’s attempt to bridge strategic planning with Islamic risk ethics.

Nevertheless, *zakat* institutions face several challenges and risks to ensure sufficient funds and its distribution to the right and deserving people. There are several effective *zakat* distribution and collection approaches that can help to support *zakat* management. In fact, strategic planning has been designed at the federal and state level. However, emergency initiatives are not included in the strategic plan as an indicator of preparedness in facing unexpected situations like the COVID-19 pandemic. Therefore, a strategic risk management plan needs to be developed to help LZNK and other *zakat* institutions in planning strategies to deal with the adverse effects of COVID-19.

METHODOLOGY

Research design and selection of informants

This research employed the qualitative case study approach by specifically focusing on LZNK. Such focus was prompted by the worrying trend of significant decrease in business *zakat* and income collections in Kedah since 2021, which raised concerns about LZNK’s financial stability and ability to serve the community effectively. LZNK, as a *zakat* institution, holds a critical role in charitable giving, social welfare and local economic development in Kedah. Any disruptions in its operations and income could negatively affect disadvantaged individuals and families, social programs and the state’s overall economic well-being. Therefore, LZNK is an ideal case study to investigate the challenges faced by *zakat* institutions during the COVID-19 pandemic. This study aims to not only understand the reasons behind declining *zakat* collections but also to develop effective risk management strategies to ensure LZNK’s resilience and continued support for the community. Purposive sampling was used to select the informants and obtain their consent to participate in the study. A total of 12 informants were recruited among LZNK officers, top management of LZNK who were involved in the strategic planning and development of the *zakat* collection and distribution, *zakat* scholars, *zakat* payers and *zakat* recipients (*asnaf*). The list of informants involved in this study is presented in Table 1.

Table 1: List of informants

List of Informants	Position	
LZNK Officers	Informant 1	Officer, Lembaga Zakat Negeri Kedah (LZNK)
	Informant 2	Officer, Lembaga Zakat Negeri Kedah (LZNK)
	Informant 3	Officer, Lembaga Zakat Negeri Kedah (LZNK)
<i>Zakat</i> Scholars	Informant 4	Senior Lecturer, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Perlis
	Informant 5	Senior Lecturer, Faculty of Economics and Business, Universiti Kebangsaan Malaysia (UKM)
	Informant 6	Professor, Putra Business School, Universiti Putra Malaysia (UPM)
<i>Zakat</i> Payers	Informant 7	State Government Officer, Jitra, Kedah
	Informant 8	State Government Officer, Kuala Ketil, Kedah
	Informant 9	Civil Servant, Alor Setar, Kedah
<i>Zakat</i> Recipients (<i>Asnaf</i>)	Informant 10	<i>Zakat</i> Recipient, Langkawi, Kedah
	Informant 11	<i>Zakat</i> Recipient, Baling, Kedah
	Informant 12	<i>Zakat</i> Recipient, Langkawi, Kedah

Data collection and analysis

The data for this study were primarily collected through in-depth interviews and supplemented with secondary documents. A total of 12 informants were selected using purposive sampling, following Campbell et al. (2020), who recommend this approach for determining appropriate sample sizes in qualitative research. Each interview lasted between 45 and 60 minutes and was conducted virtually via video conferencing platforms due to COVID-19 restrictions. With participants' consent, all interviews were audio-recorded and transcribed verbatim. Thematic analysis was employed to interpret the interview data. Emerging themes were analysed inductively through a structured process involving data familiarisation, code generation, theme identification, theme review and document analysis. The insights derived from the interviews were categorised into key domains and elements relevant to strategic risk management planning at LZNK, particularly in strengthening *zakat* collection efforts during the COVID-19 pandemic. To ensure the trustworthiness of the data, validation techniques such as triangulation (cross-verification among different informant groups), member checking and peer debriefing were applied. The analysis adhered to Braun and Clarke's (2006) six-step framework, with ATLAS.ti software used to facilitate coding and theme development.

RESULT

Case: Lembaga Zakat Negeri Kedah (LZNK)

LZNK was established in 1955 by the order of His Royal Highness Al-Marhum Tengku Mahmud Ibn Al-Marhum Sultan Haji Abdul Halim Muazzam Shah to regulate and control the collection and distribution of *zakat* to *asnaf* as provided for in the Shariah rules (Sulaiman et al., 2019). The main headquarter is currently located at Menara Zakat, Jalan Teluk Wanjah, Alor Setar, Kedah. LZNK holds the vision of becoming a world-class *zakat* management institution. It also holds the mission of managing and enhancing *zakat* collection and distribution operations with integrity for the socio-economic welfare of Muslims in Kedah.

This section presents the results of the study derived from the analysis of themes and sub-themes that emerged from the interviews, further supported by findings from previous studies. Four codes were developed to address the research questions. Two main themes formed the foundation of this study, namely strategic risk management planning for LZNK and strategic risk management planning framework for LZNK.

The first theme, strategic risk management planning for LZNK, focuses on the current practices, processes, and approaches implemented by LZNK in managing risks within its

operations. In contrast, the second theme, strategic risk management planning framework for LZNK, emphasizes the proposed structure or framework designed to enhance and systematically guide risk management practices in the future.

From these two main themes, a total of four sub-themes were developed, comprising two sub-themes under strategic risk management planning for LZNK and two sub-themes under strategic risk management planning framework for LZNK.

Theme 1: Strategic risk management planning for LZNK

Sub-theme 1: Creating LZNK's own risk plan

One of the strategic risk management initiatives that could assist LZNK in addressing the impact of COVID-19 was the formulation of a comprehensive risk management plan. The plan could be integrated into the quality management practices currently used by LZNK, namely ISO 9001. One informant explained that

“the system used in LZNK is the ISO Quality Management System” (Informant 3).

Sub-theme 2: Establishment of Risk Department at LZNK

From the perspective of *zakat* payers, it is recommended that a special department related to risk management be established to facilitate the daily operations of LZNK. They also proposed the creation of specific positions, such as the Chief Risk Officer (CRO), within the organisation. One informant stated that

“creating a department that focuses on strategic risk planning would help facilitate the day-to-day operations of LZNK in dealing with operational risks” (Informant 7).

Theme 2: Strategic Risk Management Planning Framework for LZNK

Sub-theme 1: Harmonising risk management with Shariah Law and professional practices

Meanwhile, the *asnaf* perceived LZNK officers as professionals who are skilled and efficient in managing *zakat* assistance. One informant stated that

“I think the *zakat* officers are more professional in helping us” (Informant 10).

Sub-theme 2: Formulating Strategic Risk Management Plan Framework Based on Institutional, State and Sectoral Dynamics

Furthermore, *zakat* experts suggested adapting risk management concepts from successful practices in other sectors, such as the banking sector, and harmonising them with the context of Islamic law and *zakat* institutions in the state of Kedah, which operate under their own legal authority. One informant noted that

“the existing system is sufficient, although it is conventional, but it can still be further strengthened” (Informant 4).

Based on the literature review, some of the elements that must be considered by LZNK include the mitigation and control of collection risks, financial and Information and Technology (IT) risks and distribution risks. Moreover, operational risk is also important in mitigating the overall risks at LZNK. Apart from that, LZNK should consider several possible preventive strategies in handling the distribution and utilisation of *zakat*, which covers the economic, education, social, humanitarian and medical sectors. These findings are supported by the results of previous scholars, such as Hudaefi et al. (2020), Rahmatika and Hariono (2018), Al Anshory et al. (2020), Kelman (2020) and Ghazali and Nasution (2020).

Solutions to issues and challenges

1. Continuous understanding and awareness of strategic risk management to LZNK officers

According to LZNK officers, continuous understanding among officers is important to create a strategic risk management plan framework that can help LZNK cope with the impact of COVID-19. Elements like responsibility, accountability and integrity should be emphasised in the framework. In fact, officers from the human resource department also worked together with those from the quality management department to audit and monitor officers' job specifications periodically. One informant explained that

“this initial stage focuses on developing understanding and awareness among LZNK staff” (Informant 3).

Throughout the collection and distribution of *zakat* funds at LZNK, several customers emphasised the need for continuous monitoring to ensure the integrity of amil. Furthermore, the CEO of LZNK advocated the likeliness for the proposal to create the Risk Management Department to be realised in the future. One informant stated that

“at LZNK, we have no problem with the source of authority” (Informant 1).

2. Maintaining and Increasing the Resiliency of LZNK During COVID-19 Pandemic

According to *zakat* payers, future risk strategic planning for LZNK is relevant to maintain and increase the resiliency of the organisation, especially amidst times of crisis like the COVID-19 pandemic. Online payment and acceptance systems were proposed as potential measures to help LZNK manage risks related to the collection and distribution of *zakat* during the pandemic. One informant agrees that there is a

“need to create an online payment and acceptance of assistance system” (Informant 8).

The strategic risk management plan should inculcate several organisational values, such as responsibility, accountability, and integrity, to reduce risks and ensure the smooth daily operation of the Lembaga Zakat Negeri Kedah (LZNK). One respondent noted that it is

“good action to take into account the culture of responsibility, accountability and integrity in managing risk strategically” (Informant 7).

3. Sufficient training and final monitoring of risk activities

Zakat payers also suggested the establishment of training and support services for LZNK staff as well as monitoring activities of the final process of risk management. This is vital to identify the deficiencies in any risk management techniques or methodologies previously used by LZNK. One respondent emphasised that

“reasonable training and skills should be held at all times to increase the effectiveness of the *zakat* distribution process and collection of *zakat* revenue” (Informant 8).

Zakat payers also believed there is a need for LZNK to produce its own capital as a long-term investment to realise its concept of strategic risk management. Also, LZNK's performance could be refined through improvements based on audit reports. One informant agreed that

“... it is necessary to invest more capital in order to succeed in strategic risk planning” (Informant 7).

The majority of *asnaf* were satisfied with the assistance provided by LZNK. According to them, LZNK was professional and transparent in identifying and selecting *asnaf* and monitoring the assistance given to them during the COVID-19 pandemic period without practising cronyism as stated by one informant that

“LZNK also does not practise any system of cronies in providing assistance” (Informant 12).

4. *Positive feedback on temporary zakat assistance during the COVID-19 pandemic*

The *asnaf* admitted that they were severely affected by the COVID-19 pandemic as mentioned by one informant

“although only 2 years of the MCO ... but the effect is severe as well” (Informant 12).

The assistance provided by LZNK helped *asnaf* face economic challenges during the COVID-19 pandemic. Some *asnaf* were not concerned about the insufficient collection and distribution of *zakat* because they believed that LZNK could manage the issue. One informant stated that

“I look at LZNK if in Kedah ... there are many sources ... for example like paddy ... Paddy is also people’s need and useful ... so this will go back round in the chain” (Informant 10).

5. *Limited zakat assistances in consumptive form*

Although *zakat* assistance was given to *asnaf*, the assistance was limited to basic necessities. Economic uncertainty that resulted from the COVID-19 pandemic had affected *asnaf* who were yet to be categorised as *zakat* payers. One informant mentioned that

“we still haven’t reached the level of *zakat* payers yet” (Informant 12).

It was recommended for LZNK to apply long-term *zakat* distribution strategies that are not limited to consumptive *zakat* and target the B40 group only. For example, *zakat* assistance should be provided for the education of *asnaf*’s children, especially at the school and university levels.

6. *Formulating a strategic risk management plan framework at LZNK*

Several recommendations were also propounded by *zakat* scholars in formulating a strategic risk management plan framework at LZNK. It included adopting the existing risk management practices, exploring new challenges because of COVID-19, providing awareness on ongoing risk management to LZNK officers, taking into account the views of academic experts in the field of *zakat*, building appropriate framework according to the source of state power and considering the socio-cultural aspects of the state. As highlighted by one informant,

“how to implement such risk management depends on the uniqueness of the states” (Informant 6).

A thorough review of past literature further denoted the consistency of findings reported in this study with those highlighted by earlier scholars, including Ishak et al. (2019), Basir et al. (2019), Mohd Mokhtar and Ahmad (2019) and Ahmad Bustamam and Sarion (2019). The results of this study can be regarded as an extension of the study by Ishak et al. (2019) regarding the strengths and drawbacks of LZNK management practices. It was found that even though LZNK

has begun the attempt to improve risk management by establishing a quality control department that is responsible for receiving ISO 9001:2015 as well as risk management master committees and sub-committees under the LZNK Deputy CEOs, these strategies remain insufficient to overcome the challenges faced by LZNK during the COVID-19 pandemic. Nevertheless, it should be noted that these strategies have helped LZNK mitigate COVID-19 challenges in certain areas.

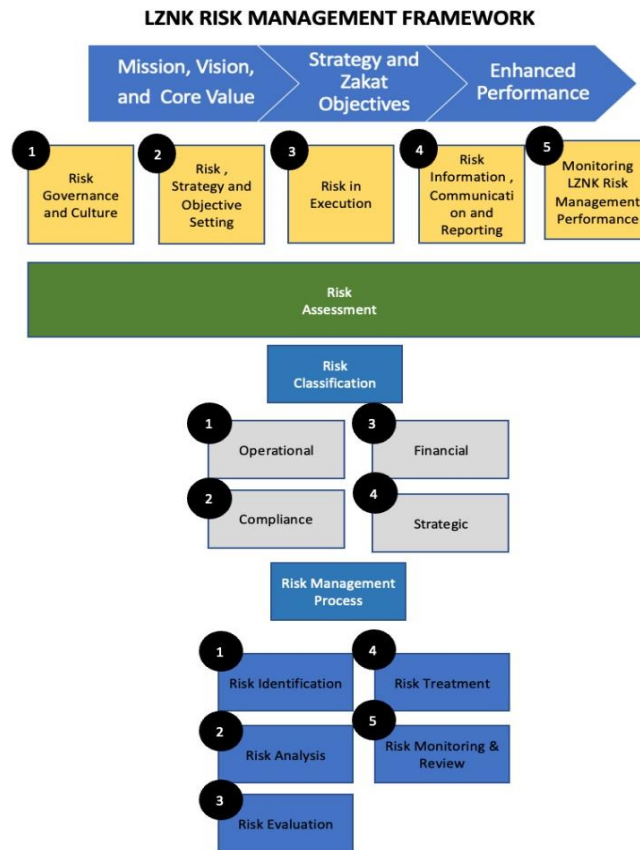
Moreover, LZNK should focus on other quality management steps as part of their strategies in ameliorating the standard practices of risk management. For example, the strategies mentioned by Basir et al. (2019) can be moulded according to the risk management pattern at LZNK. These strategies include: (1) identifying gaps, (2) understanding ISO 9001, (3) outlining quality policies and objectives, (4) establishing a quality committee, (5) establishing management representatives, (6) increasing management commitment, (7) preparing documentation, (8) determining the quality scope system, (9) implementing ISO 9001, (10) conducting an internal audit, (11) evaluating quality management system performance and (12) conducting surveillance audit.

In implementing a strategic risk management planning framework to face times of crisis such as the COVID-19 pandemic, it is advisable for LZNK to incorporate Islamic principles within its organisation by applying IQCS and IQMS. Such suggestion aligns with the recommendation by Mohd Mokhtar and Ahmad (2019). Furthermore, practising a good quality management system, especially in managing risk strategically, can also help in meeting the needs of *asnaf* and the stakeholders while improving the quality of *zakat* management at LZNK. This adheres to the suggestion by Ahmad Bustamam and Sarion (2019) in their study on the practice of MS1900:2014.

Overall, it can be concluded that there are various challenges for LZNK to develop a risk planning framework in the face of COVID-19. These challenges involved the areas of administration, finance, human resources, accounting and reporting. The analysis results further denoted the potential for LZNK to develop a strategic risk management plan framework in facing times of crisis like the COVID-19 pandemic. Such endeavour was accomplished in this study, as explained in the subsequent section.

The development of a strategic risk management planning framework for LZNK in facing the COVID-19 pandemic

The results of this study subsequently prompted the present research to propose a strategic risk management planning framework that can be used by LZNK in dealing with the challenges associated with COVID-19. The proposed framework stands as a basis for managing the risks faced by LZNK in response to the challenges that emerged because of the pandemic, especially those involving the collection and distribution of *zakat*.



Source: Researchers' Own

Figure 1: Strategic risk management framework for LZNK in facing the pandemic

Figure 1 displays the LZNK strategic risk management planning framework that was developed in this study. It comprises three main elements that act as the backbone of strategic risk management, namely: (i) mission, vision and core value, (ii) strategy and *zakat* objectives and (iii) enhanced performance. LZNK must participate in risk management processes when planning and making *zakat* strategies and objectives. As *zakat* is the core business for LZNK, planning and designing strategies that involve the grassroots level will improve the organisation's performance in the collection and distribution of *zakat*. In this regard, the board of LZNK must be responsible for four main components to manage risk at the organisational level. First, the board must understand how risk appetite and tolerance are applied in the organisation. Second, the board must be alert that the biggest risk exposures to the organisation are being adequately managed. Third, the board must participate in risk management activities. Finally, in terms of reporting, the board must consider the same risk-related issue in its various meetings. In short, risk management must be integrated into the culture and activities of LZNK via the organisation's risk management responsibilities, policies and protocols.

Furthermore, there are five integrants that must be practiced by the governance and management of LZNK. First is risk governance and culture, which refers to the control environment that includes an oversight of the management process and the control culture. Second is risk strategy and objective setting, which involves risk recognition and assessment. The third integrant is risk in execution, which relates to control activities and segregation of duties. The fourth integrant is risk information, communication and reporting, which refers to the gathering of sufficient information and performing tolerable communication toward risk at LZNK. This is because the ability to create and read risk maps is crucial. Finally, the fifth integrant is monitoring the risk management performance at LZNK. This is to ensure the wide implementation of

monitoring activities and correcting deficiencies that might occur when collecting and distributing *zakat*. Additionally, all these integrants must undergo a thorough risk assessment process.

An effective risk assessment process must involve risk classifications at the LZNK level. Risks in LZNK should be classified according to categories, such as operational, compliance, financial and strategic risks. The operational risk, for example, calls for risks from physical assets, hazards, IT, people, supply chain, sales and marketing. The operational objectives of LZNK must ensure the efficacy of the institution's operations, including operational and financial performance goals as well as safeguarding assets against loss. The compliance risk entails the risks from regulatory and legal aspects as well as their codes of conduct. It is important for LZNK to adhere to the laws and regulations to which its entity is subjected, such as the Kedah Zakat Enactment 2015. This is because compliance is critical to avoid monetary loss or penalties, loss of *zakat* funding, damage to reputation and demand on executive time. Meanwhile, financial risk indicates the risks from various dimensions, such as capital structure, accounting and reporting, liquidity and credit, market and tax. It should be noted that the main objective of *zakat* reporting is to demonstrate the reliability, timeliness, transparency, or other terms as set forth by regulators, recognised standard setters, or LZNK's own policies. Finally, strategic risk stipulates any risks in the forms of governance, planning and resource allocation, major initiatives, merger acquisitions and divestiture, market dynamics, communications and *zakat* recipients' relations. All categorised risk classifications at LZNK must undergo a risk management process, consisting of risk identification, risk analysis, risk evaluation, risk treatment and risk monitoring and review. The responsibilities to conduct these processes should be assigned to LZNK officers who are involved in internal audit, compliance and risk management.

The proposed strategic risk management framework is deeply rooted in Shariah principles, which serve as the moral compass for LZNK's governance and operational strategy. Foremost among these principles is *maslahah* (public interest), which prioritises the well-being and welfare of the *asnaf* community. By integrating *maslahah* into the risk identification and response process, the framework ensures that any strategic planning or mitigation efforts are aligned with the overarching goal of safeguarding the socio-economic interests of the most vulnerable groups. Additionally, the principle of *amanah* (trust) forms the ethical foundation of internal controls and institutional accountability within LZNK. Officers and management personnel are entrusted with the responsibility of managing *zakat* funds in a transparent, honest and accountable manner. Embedding *amanah* into the framework reinforces a culture of integrity and ethical stewardship, thereby reducing the risk of mismanagement or breach of trust in *zakat* operations. Moreover, the value of *'adl* (justice) is operationalised to ensure fairness in the collection, allocation and distribution of *zakat*. Strategic risk decisions, such as prioritising aid, selecting recipients and managing limited resources are guided by the commitment to equitable treatment and non-discrimination, as prescribed by Islamic teachings.

Collectively, these Shariah principles; *maslahah*, *amanah* and *'adl*, function not only as abstract ethical ideals but as actionable pillars that shape the practical implementation of the Enterprise Risk Management (ERM) framework. Their integration ensures that LZNK's risk governance does not merely comply with best practices in risk management but also aligns with divine guidance, reflecting a balance between worldly efficiency and spiritual accountability. In this way, the proposed framework positions LZNK as a model for Shariah-compliant risk governance, particularly in times of crisis like the COVID-19 pandemic.

CONCLUSION

An integrated approach to strategic planning and risk management is necessary in response to the severe effects of COVID-19 toward the overall socio-economic industries. The increasing number of *asnaf* and the declining and insufficient amount of *zakat* collection exacerbates the difficulty of the situation. Therefore, this study explored the strategic risk management planning currently

practiced by LZNK. The results showed that LZNK has the potential to develop its own strategic risk management plan framework in facing the COVID-19 pandemic. This study proposed a risk management framework to aid *zakat* institutions, particularly LZNK, in coping with pandemic-related challenges. However, this study is limited to a case study of LZNK. Therefore, future research should expand the sample to include other *zakat* institutions and explore risk mapping. It is also recommended that future studies address digital poverty among *asnaf*. Overall, this study seeks to encourage further research on strategic risk management in accordance with Islamic principles during and after the COVID-19 pandemic.

This study offers valuable insights for improving the quality of *zakat* institutions and the society's standard of living by suggesting innovative ways to blend strategic management with Islamic finance institutions. It adds to the existing research on strategic risk management as well as *zakat* collection and distribution during COVID-19. For managerial implication, this study provides a framework for the establishment of a specific ERM unit at LZNK, which acts as the secretariat to manage risks. This study contributes not only practical insights for LZNK but also advances the discourse on Islamic strategic risk management by integrating ERM frameworks with Shariah objectives. The findings challenge the conventional view that risk management is purely technical by embedding ethical and social justice values inherent in *zakat* management. Ongoing research can further strengthen risk management at the LZNK level to help the organisation cope with various pre-and post-COVID-19 challenges. Therefore, future research can consider the views of industry practitioners in the field of *zakat*, especially those related to strategic risk management involving various *zakat* institutions in Malaysia other than LZNK. Comparing the views of a larger sample of stakeholders can also promote significant improvement and empowerment of the strategic risk management of *zakat* institutions in facing challenges during and after the pandemic.

This study focuses on the aspects of risk management at LZNK. However, risk management is still new and yet to be fully explored in the context of LZNK. Therefore, further studies that explore risk aspects, especially those involved in risk mapping, are highly encouraged. The COVID-19 pandemic has widened the digital divide among *asnaf*. Hence, future research is recommended to eradicate digital poverty, reduce the digital divide and enhance meaningful engagement in the digital society. Addressing digital poverty and promoting digital inclusion will make the framework more robust against digital risks and better aligned with societal goals, ultimately benefiting those who are digitally disadvantaged in Kedah. Finally, this study stands as a catalyst for the emergence of future studies that examine aspects of strategic risk management for *zakat* institutions in times of crisis in accordance with Islamic principles and contemporary applications.

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