Toward a Hybrid Islamic Governance Model for Non-Profit Organizations: Integrating Sharia Principles and Contemporary Institutional Practice

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Abstract

In recent years, Islamic non-profit organizations (INPOs) have gained traction in addressing socio-economic imbalances across Muslim-majority and minority countries. However, challenges persist in aligning Sharia principles with modern governance frameworks, often leading to operational inconsistencies and legitimacy crises. Amid increasing accountability demands, there is an urgent need for an integrated governance paradigm. This study aims to formulate a hybrid Islamic governance model that synthesizes classical *shariah* doctrines with contemporary institutional governance practices. It investigates the normative foundation of Islamic ethics, institutional accountability, and leadership mechanisms in the context of non-profit management. The analysis incorporates classical Islamic jurisprudence (*fiqh al-muʿāmalāt*), Arabic and Indonesian scholarly works, and comparative contemporary governance literature. Using qualitative methodology with a textual analysis approach, this research draws from primary classical texts and secondary sources such as journal articles, Indonesian policy references, and prior empirical studies. The results identify three critical pillars—ethical leadership (*al-qiyādah al-akhlāqiyyah*), trust-based accountability (*amānah*), and stakeholder inclusivity—which collectively constitute the hybrid model. The study contributes to the body of Islamic economics and governance by offering a contextualized, actionable governance framework for INPOs that preserves religious integrity while enhancing institutional transparency. It serves as a reference for scholars, practitioners, and policymakers striving to institutionalize Sharia-compliant accountability.

Keywords: Islamic governance, Sharia principles, non-profit organization, institutional accountability, ethical leadership

INTRODUCTION

The global landscape of non-profit organizations (NPOs) has witnessed a substantial transformation, shaped by evolving accountability standards, donor expectations, and regulatory frameworks. As entities that function outside the profit motive, NPOs are

entrusted with a moral obligation to maintain transparency, ethical governance, and social responsibility (Salamon, 1999). Within this paradigm, Islamic non-profit organizations (INPOs)—such as zakat institutions, waqf boards, and Islamic charitable foundations—face additional complexity as they are guided not only by legal and managerial standards but also by the normative frameworks derived from *shariah* principles (Kamla & Gallhofer, 2012).

Islamic governance is historically embedded in the ethical and legal architecture of Islam, drawing from sources such as the Qur'an, Hadith, *ijmāʿ* (consensus), and *qiyās* (analogy). The concept of *amānah* (trust), *ʿadl* (justice), and *shūrā* (consultation) are foundational to Islamic ethical governance and resonate deeply with the value-driven mission of NPOs (Al-Faruqi, 1982, p. 45). Despite this rich theological heritage, many INPOs still operate under loosely defined governance systems, oscillating between traditional Islamic ethics and modern bureaucratic practices that are often externally imposed or inadequately contextualized (Hassan, 2009, p. 61).

Contemporary discourse in institutional governance increasingly emphasizes stakeholder theory, performance metrics, and board accountability (Ebrahim, 2003). However, these paradigms rarely address the theological obligations embedded within Islamic governance. This misalignment can result in institutional dissonance where the form adheres to modern governance, but the essence—rooted in *shariah*—is neglected. As a result, INPOs may face crises of legitimacy both internally, among stakeholders grounded in Islamic ideals, and externally, in the public domain (Sulaiman, Siraj & Ghani, 2008).

Efforts to standardize Islamic governance models have emerged in sectors such as Islamic finance, notably through institutions like AAOIFI and IFSB, which propose ethical and operational benchmarks for Islamic banks. However, these frameworks are tailored for profit-oriented financial institutions and may not be directly transferable to the operational logic and ethical imperatives of INPOs (Chapra, 2000, p. 112). A hybrid model, therefore, is necessary—one that integrates *shariah*-based normative principles with modern accountability and institutional frameworks appropriate for the non-profit context.

In Indonesia, the largest Muslim-majority democracy, Islamic philanthropy has become institutionalized, with formalized zakat and waqf bodies operating under government regulation. Yet, several studies indicate the inconsistency in governance mechanisms among these institutions, especially concerning stakeholder inclusivity, transparency in fund allocation, and ethical leadership (Abdullah, 2006). Similar challenges are echoed in other Muslim contexts, suggesting the urgency for a model that is not only Islamic in label but Islamic in substance and institutional practice.

Despite growing interest in Islamic governance, academic literature on hybrid governance models that specifically address the structure and function of INPOs remains limited. Most studies focus on either theological exegesis or Western governance theories without adequately integrating the two. This theoretical fragmentation creates a research gap that hinders the development of robust, context-sensitive governance models for INPOs.

The overarching concern, therefore, is how to formulate a hybrid governance model for INPOs that honors the ethical mandates of *shariah* while incorporating institutional mechanisms that ensure efficiency, transparency, and legitimacy in a modern regulatory environment. Such a model could redefine Islamic philanthropy, ensuring that its spirit is not lost in bureaucratic formalism or ad hoc practices.

Research Questions**:** (1) What are the foundational *shariah* principles that should underpin governance in Islamic non-profit organizations? (2) How can contemporary institutional governance practices be harmonized with Islamic ethical mandates? (3) What are the structural and operational elements of a hybrid Islamic governance model for INPOs? (4) How can this hybrid model enhance the accountability, legitimacy, and effectiveness of Islamic non-profit organizations?

In summary, this research is timely and necessary. By constructing a hybrid governance model that bridges Islamic principles and modern institutional norms, this study aims to provide both theoretical clarity and practical direction for improving the governance of INPOs. This integration is essential not only for preserving Islamic ethical integrity but also for responding to growing demands for organizational accountability in a pluralistic and increasingly regulated global environment.

LITERATURE REVIEW

Islamic governance, as a field of academic inquiry, is deeply rooted in the ethical framework of Islamic teachings and jurisprudence. Central to this discourse is the idea of *amānah* (trust), which underlines the moral responsibility entrusted to those in positions of authority. Classical sources underscore that governance must uphold the values of justice (ʿ*adl*), consultation (*shūrā*), and benevolence (*iḥsān*), forming the ethical bedrock of decision-making and resource distribution in Islamic institutions (Al-Māwardī, 1985, p. 213). Governance in Islamic thought is not merely a managerial activity, but a moral undertaking aimed at achieving *maṣlaḥah* (public benefit), emphasizing both procedural integrity and outcomes consistent with divine guidance (Al-Ghazālī, 1981, p. 145).

In contrast, modern governance theories emphasize technical accountability, performance measurement, stakeholder engagement, and regulatory compliance. The principal-agent theory, stakeholder theory, and new institutionalism dominate Western governance literature (Ebrahim, 2003). These models, though efficient in procedural governance, often fall short in addressing the deeper ethical dimensions emphasized in Islamic teachings. However, their structural rigor offers tools for oversight and institutional clarity that are beneficial when applied in complex non-profit environments. The challenge is integrating this procedural strength with Islamic normative values without diluting the latter (Lewis, 2005, p. 67).

Recent academic efforts have attempted to synthesize Islamic values with corporate governance principles, particularly in the banking and finance sectors. For example, AAOIFI's governance standards and the IFSB's guidelines have laid the groundwork for ethical compliance in Islamic financial institutions. Nonetheless, such efforts remain largely confined to profit-based entities and rarely engage with the nuances of Islamic non-profit governance, which functions under different objectives, such as *niyyah* (intention) and *taqwā* (God-consciousness) (Ariff, 1991, p. 98).

In the context of non-profit organizations, governance challenges often revolve around ambiguity in leadership roles, lack of formal accountability structures, and varying interpretations of Islamic principles in operational practice. Studies from Indonesia (Fikri, 2009; Abdullah, 2006) and Malaysia (Sulaiman, Siraj & Ghani, 2008) point to governance inefficiencies in zakat institutions due to the absence of standardized ethical frameworks, opaque reporting mechanisms, and insufficient stakeholder representation. These findings are consistent with global trends where INPOs struggle to balance religious authenticity with modern accountability.

Literature on hybrid governance models remains limited but growing. Scholars such as Khan (2007) and Kamla & Gallhofer (2012) propose models that embed Islamic ethical constructs into governance frameworks without compromising institutional efficiency. These models advocate for the adaptation of contemporary practices, such as strategic planning and risk management, within a values-based framework grounded in *shariah* principles. Yet, few models explicitly address the distinctive structural and operational realities of non-profit organizations.

This study positions itself within this scholarly gap. It aims to contribute a hybrid governance model that not only integrates Islamic ethical mandates and contemporary institutional theory but is also tailored specifically for non-profit settings. Such a contribution is essential for evolving Islamic governance from an abstract theological ideal into a practical institutional reality.

Theoretical Framework

At the core of conventional governance literature lies the principal-agent theory, which identifies a relationship wherein the agent (management) is expected to act in the best interests of the principal (stakeholders or donors). The risk of moral hazard and information asymmetry, central to this theory, is especially pertinent to non-profit organizations where monitoring mechanisms are often weak, and outcomes are not always quantifiable (Jensen & Meckling, 1976). In the Islamic context, however, this dynamic must be complemented with the theological notion of *amānah*—a sacred trust where agents are not only accountable to human stakeholders but also to Allah (SWT), introducing a vertical accountability dimension that transforms the agent's ethical obligations (Al-Qaradhawi, 1980, p. 122).

Stakeholder theory**,** introduced by Freeman (1984), expands the circle of accountability to all parties affected by organizational actions, including employees, communities, donors, and beneficiaries. This theory resonates with the Islamic concept of *ʿadl* (justice) and *maṣlaḥah* (public benefit), which advocate for balanced and inclusive decision-making. In non-profit governance, especially in INPOs, this means incorporating the voices of religious scholars (*ʿulamāʾ*), community members, and recipients of services into institutional decision-making processes, reflecting the Quranic command for *shūrā* (consultation) in governance (Q.S. Ash-Shūrā: 38).

New Institutional Economics (NIE) introduces the significance of informal norms, cultural values, and institutional frameworks in shaping organizational behavior and performance (North, 1990). From this perspective, INPOs are not only regulated by formal rules but also by religious beliefs, communal expectations, and spiritual values. These informal institutions shape governance mechanisms in subtle yet powerful ways. The inclusion of *ʿurf* (customary practice) and communal traditions in Islamic jurisprudence parallels the NIE's emphasis on contextualized governance, making it a valuable analytical lens for this study.

Islamic ethical theory **(***akhlāq al-Islāmīyah***)** also provides an essential foundation for understanding governance in INPOs. Unlike secular ethical models that focus on consequentialism or utilitarianism, Islamic ethics is deontological and God-centered. Concepts like *taqwā* (God-consciousness), *iḥsān* (excellence), and *niyyah* (intention) infuse governance with a spiritual dimension, elevating ethical behavior beyond compliance to a form of worship. This paradigm shift is crucial in framing governance not merely as procedural oversight but as an act of piety and moral responsibility (Nasution, 2001, p. 214).

When these theories are integrated, they form a hybrid governance model that recognizes both the institutional necessity for structure and transparency and the Islamic moral imperative for ethical integrity and accountability before God. The

synthesis of these frameworks provides a more holistic approach to governance in INPOs, ensuring that governance is not reduced to technical control mechanisms but aligned with spiritual, communal, and institutional realities.

This theoretical grounding supports the creation of a governance model that is not only effective but also theologically legitimate, ethically robust, and operationally adaptable. Such integration is crucial for advancing Islamic philanthropy in modern institutional settings.

Previous Research

Ariff (1991) conducted a foundational study on Islamic economic institutions, highlighting the moral foundation of Islamic governance, especially in banking. He emphasized the ethical obligations of trusteeship (*amānah*) and justice (*ʿadl*) in financial transactions. However, his work primarily focused on profit-making Islamic financial institutions rather than the unique operational characteristics of non-profit organizations.

Hassan (2009) explored accountability challenges in zakat institutions in Malaysia. He noted that while Islamic teachings emphasize accountability before Allah, operational mechanisms for enforcing transparency and stakeholder engagement remain weak. His empirical findings suggested the lack of standardized governance frameworks for zakat bodies and called for models that balance religious values with institutional efficiency (Hassan, 2009, p. 63).

Sulaiman, Siraj, and Ghani (2008) analyzed the reporting practices of Islamic NPOs and found that many such organizations failed to deliver transparent financial disclosures. They emphasized the role of *shariah* boards in improving governance but argued that most boards lacked independence and did not function with full institutional authority. Their study recommended the integration of modern reporting practices in INPOs.

Kamla and Gallhofer (2012) offered a critical perspective on Islamic accounting and governance, arguing that conventional accountability structures often marginalize Islamic ethical priorities. They proposed that Islamic governance must resist mere replication of Western models and instead engage in creative integration, giving equal weight to spiritual accountability and procedural mechanisms.

Fikri (2009), in his study of Indonesian zakat institutions, identified internal governance weaknesses such as role ambiguity, donor mistrust, and inadequate beneficiary feedback systems. He highlighted the absence of a clear ethical leadership structure

and minimal adherence to Islamic consultation principles like *shūrā*, suggesting the need for culturally grounded, Islamically consistent governance models.

Despite the important contributions of these studies, several gaps remain. First, most research isolates Islamic principles from governance theory or vice versa, failing to offer a cohesive hybrid model tailored to the specific nature of INPOs. Second, while much has been written on financial institutions, relatively few studies focus on the structural and operational governance of Islamic charitable entities. Third, no comprehensive framework exists that synthesizes classical *shariah* concepts with contemporary institutional governance practices while responding to regulatory, ethical, and contextual demands. This research aims to fill these critical gaps by constructing a hybrid Islamic governance model for INPOs that integrates theology, institutional theory, and operational strategy into a coherent framework.

Research Methods

This study employs a qualitative methodology utilizing a textual analysis approach, which is particularly suitable for research that seeks to synthesize normative Islamic values with modern governance theory. The textual analysis method allows for in-depth interpretation of classical Islamic texts, institutional governance literature, and contemporary empirical studies to construct a comprehensive hybrid governance model for Islamic non-profit organizations (Creswell, 2007, p. 213). The objective is not only to extract conceptual insights but also to interpret meaning within the socio-religious and institutional contexts relevant to INPOs.

The data sources are categorized into primary and secondary texts. Primary data includes classical Islamic jurisprudential texts such as *al-Aḥkām al-Sulṭāniyyah* by Al-Māwardī and *Iḥyāʾ ʿUlūm al-Dīn* by Al-Ghazālī, which outline ethical and administrative principles in Islamic governance. These are complemented by Indonesian Islamic legal documents and fatwas from organizations such as Majelis Ulama Indonesia (MUI). Secondary data encompasses academic journal articles from Sinta-Garuda indexed journals, reputable international publications, books in Arabic and Indonesian published before 2013, and empirical case studies on NPO governance.

The data collection method involves purposive sampling of texts and studies that focus on governance, ethics, institutional accountability, and Islamic jurisprudence. Keywords such as "Islamic governance," "non-profit accountability," "zakat governance," "sharia-based institutions," and "ethical leadership" were used to search academic databases and institutional repositories. Indonesian sources were extracted from relevant regulatory publications, Ministry of Religion reports, and zakat/waqf institution guidelines to ensure local contextualization.

The data analysis technique follows a thematic coding process. First, content is categorized under recurring themes—such as ethical leadership (*al-qiyādah al-akhlāqiyyah*), trust-based accountability (*amānah*), consultation (*shūrā*), and stakeholder inclusion. Second, the themes are analyzed to identify points of convergence between Islamic governance principles and contemporary institutional practices. Lastly, the themes are synthesized to develop a conceptual governance framework suitable for INPOs. Constant comparison and triangulation of sources ensure the robustness of interpretations (Miles & Huberman, 1994, p. 58).

Conclusions are drawn by integrating the findings into a synthesized governance model that addresses the research questions posed earlier. The model is evaluated not only for theoretical coherence but also for practical feasibility in modern Islamic organizational contexts. Validity is enhanced through the inclusion of multiple perspectives—legal, theological, managerial, and cultural. This methodology ensures that the resulting governance framework is grounded in both Islamic epistemology and empirical organizational realities, thus contributing to both scholarship and practice.

Results and Discussion

The findings of this research underscore the critical importance of integrating Islamic ethical principles with institutional governance mechanisms to address the unique governance needs of Islamic non-profit organizations (INPOs). Analysis of classical Islamic texts revealed a robust and timeless moral framework emphasizing accountability before Allah, trust (*amānah*), justice (*ʿadl*), and consultative leadership (*shūrā*). However, these values are often underutilized in the structural governance of contemporary INPOs.

Conversely, contemporary governance practices emphasize procedural accountability, performance audits, risk management, and stakeholder engagement. While effective for ensuring transparency and efficiency, these systems often neglect the spiritual and moral obligations that are intrinsic to Islamic institutions. This disjunction results in governance models that are either overly rigid and secularized or excessively informal and religious without institutional rigor. Thus, the key challenge—and opportunity—lies in constructing a governance framework that bridges these two systems in a meaningful and operationally viable manner.

The study's hybrid governance model proposes three central pillars: (1) *Shariah*-based ethical leadership and value integration, (2) institutionalized accountability and stakeholder inclusion, and (3) operational frameworks that merge modern structures

with Islamic guidance. These pillars are explored in the following sub-sections based on the research questions outlined earlier.

Shariah Principles in Governance

Islamic governance begins with the core concept of *amānah*—a trust delegated by Allah to humankind and, by extension, to those in leadership positions. In the context of INPOs, this trust includes safeguarding resources such as zakat and waqf assets, managing operations justly, and upholding the dignity of beneficiaries (Al-Ghazālī, 1981, p. 145). Leadership, in Islam, is not a privilege but a responsibility—a form of divine trial. Therefore, any deviation from justice or transparency becomes not merely a managerial failure but a spiritual breach.

The Quranic emphasis on ʿadl (Q.S. An-Nisāʾ: 58) and the Prophet Muhammad's pbuh consistent application of fairness in public dealings serve as timeless governance principles. Justice in Islamic governance is comprehensive; it encompasses fairness in the treatment of staff, donors, and beneficiaries, and equity in fund allocation. The application of ʿadl in INPOs requires leaders to implement merit-based decisions and avoid nepotism—both of which are increasingly cited as causes for institutional inefficiency (Hassan, 2009, p. 61).

A third essential element is *shūrā*, or consultative governance. Unlike top-down hierarchies found in some traditional Islamic organizations, *shūrā* promotes participatory governance, encouraging dialogue with stakeholders—donors, recipients, staff, and scholars. This aligns with the verse, "and consult them in matters" (Q.S. Āli ʿImrān: 159), which scholars like Al-Māwardī (1985, p. 213) interpret as an obligation for just leadership. Institutionalizing *shūrā* in INPOs could mean forming advisory councils comprising community leaders, ʿulamāʾ, and stakeholder representatives.

The concept of *niyyah* (intention) further distinguishes Islamic governance from secular models. Governance actions must be aligned with a sincere intention to serve for the sake of Allah. Thus, even highly efficient INPOs may be seen as failing in governance if their actions are disconnected from divine accountability. *Niyyah* transforms routine managerial tasks into acts of worship and elevates the importance of internal ethical orientation over external performance metrics (Nasution, 2001, p. 214).

Islam also stresses the value of *iḥsān*—striving for excellence even when not observed by others. This is especially relevant in fund management and distribution processes, where misconduct often occurs in opaque spaces. Embedding *iḥsān* into governance

systems mandates ethical oversight mechanisms and continuous self-improvement based on spiritual consciousness rather than regulatory enforcement alone (Ariff, 1991, p. 98).

The obligation of transparency (*bayān*) is inherent in the Prophet's own financial dealings. Islamic sources recount how he publicly clarified zakat distribution and state expenditures, reflecting the Islamic mandate for full disclosure and accountability (Al-Faruqi, 1982, p. 45). INPOs must thus ensure that fund collection and utilization are transparently reported to stakeholders, including the general public, to preserve organizational trust.

Furthermore, the doctrine of *maṣlaḥah* (public benefit) guides resource prioritization. Governance decisions in INPOs should weigh not only financial efficiency but also the moral and social implications of their outcomes. The emphasis on *maṣlaḥah* ensures that Islamic governance remains people-centric and responsive to community needs (Al-Qaradhawi, 1980, p. 122).

Incorporating these principles into governance frameworks requires contextualization. Islamic ethics must not remain as abstract principles but be translated into institutional codes of conduct, board ethics guidelines, and operational procedures. For example, a board code may specify regular *shūrā* consultations and mandate personal integrity evaluations for key staff—a practice that aligns with *taqwā* and *amānah*.

Finally, these *shariah* principles must inform the design of organizational structure itself—such as defining the ethical mandate in mission statements, structuring board governance around advisory councils (*majlis shūrā*), and embedding ethical audits in performance reviews. Without structural embedding, ethical governance remains aspirational and vulnerable to organizational drift.

Thus, *shariah* principles—when operationalized—can provide a strong normative and practical foundation for governance in Islamic non-profit organizations. However, their effectiveness depends on integration with modern institutional frameworks, as explored in the next section.

Institutional Mechanisms in Modern Governance

Contemporary governance frameworks emphasize formal structures, oversight, and performance systems as essential components for organizational success and accountability. Non-profit organizations (NPOs), which operate without a profit motive, rely heavily on governance mechanisms to maintain donor trust, enhance transparency, and ensure mission alignment (Ebrahim, 2003). Unlike corporations,

NPOs face the challenge of serving multiple stakeholder groups while lacking the market signals that usually discipline for-profit entities.

One critical feature of institutional governance is the Board of Trustees, tasked with setting strategic direction, monitoring organizational performance, and ensuring regulatory compliance. According to Salamon (1999), effective boards exhibit independence, diversity of expertise, and fiduciary diligence. For INPOs, this requires the inclusion of both Islamic scholars and governance professionals to ensure theological soundness and operational effectiveness (Kamla & Gallhofer, 2012). Their study underscores that hybrid boards help bridge the tension between religious mandates and managerial efficiency.

Performance measurement through Key Performance Indicators (KPIs) and results-based management is a hallmark of modern governance. Ebrahim and Weisband (2007) stress the use of logic models and outcome mapping to track non-profit impact. However, Islamic institutions must augment these with spiritual and ethical indicators such as *taqwā*, *amānah*, and *iḥsān*, which remain absent from secular frameworks but are central to Islamic organizational behavior (Nasution, 2001, p. 214).

Transparency and disclosure mechanisms, such as audited reports and real-time dashboards, are vital for donor confidence. Lewis (2005) noted that financial opacity in charitable organizations can severely damage legitimacy, a challenge that INPOs cannot afford given their religious foundation. Transparency in Islam is not only a governance requirement but a moral one, as exemplified by the Prophet's open accounting of public funds (Al-Faruqi, 1982, p. 45).

Stakeholder theory, originally articulated by Freeman (1984), extends accountability to all groups affected by organizational operations. In an Islamic setting, this corresponds to the principle of *shūrā* (consultation), encouraging decision-making through inclusive deliberation (Al-Māwardī, 1985, p. 213). INPOs must, therefore, create formal channels for stakeholder input, including donor councils, beneficiary advisory panels, and community engagement mechanisms.

Modern governance also prioritizes risk management and regulatory compliance. North (1990) argues that institutions perform better when rules—both formal and informal—are clearly structured and enforced. INPOs must identify risks such as misallocation of funds or reputational damage, and counter them through internal audits, ethics committees, and compliance protocols that align with *shariah* principles of harm prevention (*darʾ al-mafāsid*) (Al-Qaradhawi, 1980, p. 122).

Internal control systems, including dual authorization, segregation of duties, and standardized procurement processes, are core to institutional integrity. These are

consistent with Islamic mandates for financial justice and trust. As Hassan (2009, p. 63) emphasized in his study of zakat institutions, the lack of such systems often leads to inefficiency and corruption—issues that a hybrid governance model must resolve.

Strategic planning is another tool advocated in modern governance literature, involving vision statements, environmental scanning, and long-term goal setting. Ebrahim (2003) and Salamon (1999) both argue that without strategic clarity, non-profits drift from their mission. In Islam, strategic foresight is linked to *hikmah* (wisdom), a value emphasized in governance by classical scholars such as Al-Ghazālī (1981, p. 145).

Human resource governance also requires attention. Fair hiring, professional development, and ethical training are emphasized in Western governance for performance enhancement (Jensen & Meckling, 1976). Islamic ethics require that staff selection and management uphold justice (ʿ*adl*) and integrity (*amānah*), avoiding favoritism and ensuring that roles are fulfilled responsibly (Ariff, 1991, p. 98).

Lastly, regulatory integration is essential. INPOs often navigate dual jurisdictions: Islamic jurisprudence and state law. Effective governance requires harmonizing religious obligations—like zakat distribution priorities—with national regulations on charity registration and reporting. Abdullah (2006) found that failure to navigate this intersection weakens both compliance and public trust.

In conclusion, institutional governance mechanisms offer INPOs robust tools to ensure operational efficiency, compliance, and trustworthiness. When these are systematically aligned with Islamic ethical foundations, they create the structural conditions necessary for a hybrid governance model that is both spiritually faithful and managerially sound.

Toward an Integrated Hybrid Model

The synthesis of Islamic governance principles and modern institutional mechanisms offers a compelling foundation for a hybrid governance model uniquely suited to Islamic non-profit organizations (INPOs). This model harmonizes theological commitments with operational realities, enabling organizations to function ethically, efficiently, and accountably. The hybrid approach addresses dual demands: adherence to *shariah* and compliance with contemporary governance standards.

The first pillar of this model is ethical leadership grounded in Islamic values. In Islam, leadership is a form of trust (*amānah*) and trial, not a privilege. Leaders must embody

taqwā (God-consciousness), ʿ*adl* (justice), and *iḥsān* (excellence) in decision-making (Al-Ghazālī, 1981, p. 145). Al-Māwardī (1985, p. 213) asserts that leaders must consult others (*shūrā*) and remain morally upright, reflecting divine expectations. Integrating this into modern governance entails appointing leaders not only on competence but also on ethical integrity, with mechanisms for ethical evaluations and spiritual accountability.

The second pillar is institutionalized stakeholder consultation (*shūrā*) and inclusion, which aligns closely with stakeholder theory (Freeman, 1984). In Islamic governance, decision-making is consultative by divine injunction (Q.S. Ash-Shūrā: 38). INPOs must formalize consultative councils or *majlis shūrā* involving donors, scholars, beneficiaries, and community members. Such councils function both as ethical compass and participatory oversight, ensuring collective legitimacy and avoiding autocratic control (Kamla & Gallhofer, 2012).

The third pillar involves transparent financial and operational disclosure, echoing the Prophetic practice of clear public accounting (Al-Faruqi, 1982, p. 45). Institutional tools—such as audited financial reports, digital dashboards, and stakeholder newsletters—should be designed with Islamic transparency (*bayān*) as a spiritual obligation, not just a regulatory formality. Lewis (2005, p. 67) highlights that financial clarity reinforces public trust, a critical asset for non-profits dependent on voluntary contributions.

The fourth pillar is the adoption of performance management systems enriched by Islamic ethical indicators. While Ebrahim and Weisband (2007) advocate for logical frameworks and impact assessments, INPOs should supplement these with ethical benchmarks, such as employee sincerity, beneficiary dignity, and the alignment of intentions with divine purpose (*niyyah*). These indicators, grounded in Islamic values, offer a holistic view of organizational performance beyond metrics alone (Nasution, 2001, p. 214).

A fifth component is the establishment of compliance and risk governance frameworks compatible with both *shariah* and state laws. These include internal audits, risk registers, and dual-authority sign-off systems, which align with Islamic principles of preventing harm (*darʾ al-mafāsid*) and ensuring justice (ʿ*adl*) (Al-Qaradhawi, 1980, p. 122). Hassan (2009, p. 63) emphasized that governance failures in zakat institutions often stem from weak compliance systems—a gap this model directly addresses.

Organizational structure also plays a vital role. A hybrid model calls for governance organs that blend formal corporate elements—such as Executive Boards, Compliance Committees, and Strategy Units—with Islamic equivalents such as *shūrā* bodies and *shariah* advisory councils. These should function with clearly defined roles to avoid

duplication and ambiguity, ensuring streamlined yet value-centered management (Fikri, 2009).

Human resource governance, another key aspect, should integrate merit-based hiring, ethical training, and performance incentives that reinforce Islamic values. Ariff (1991, p. 98) stresses that leadership and staffing based on competence and integrity is central to any Islamic institution. Modern tools like performance appraisals and HR audits should thus be calibrated with Islamic ethical expectations.

Strategic planning and foresight, often missing in religious organizations, must be embedded into the governance system. Vision-setting, scenario planning, and strategic reviews must be informed by both community needs and *maqāṣid al-sharīʿah* (the higher objectives of Islamic law). This dual lens ensures sustainability while safeguarding religious integrity (Salamon, 1999; Al-Ghazālī, 1981, p. 147).

Finally, contextual adaptability is vital. The hybrid model is not a one-size-fits-all solution but a flexible framework that allows INPOs to adapt according to national legal environments, cultural contexts, and sectoral demands. It is meant to evolve through iterative feedback, institutional learning, and continuous consultation with scholars and practitioners (Sulaiman, Siraj & Ghani, 2008).

In conclusion, the proposed hybrid model offers INPOs a pathway to reconcile their religious mission with institutional functionality. It combines theological legitimacy with structural rigor, enabling these organizations to thrive in pluralistic and regulated societies while remaining true to their Islamic ethos.

Enhancing Accountability, Legitimacy, and Effectiveness in INPOs

One of the most profound contributions of the proposed hybrid governance model is its capacity to institutionalize multi-dimensional accountability. Traditional Islamic governance emphasizes *accountability before Allah* through ethical conduct and intention (*niyyah*), while modern governance emphasizes accountability to stakeholders through measurable outcomes and compliance. By uniting these dimensions, the hybrid model ensures that INPOs are accountable both vertically (to God) and horizontally (to humans). For example, integrating periodic ethical evaluations alongside financial audits reinforces dual accountability, bridging the gap between the metaphysical and managerial realms.

The legitimacy of Islamic non-profit organizations is also significantly enhanced when ethical norms are codified and structurally embedded. Islamic legitimacy traditionally stems from religious authority, adherence to *shariah*, and endorsement by credible

scholars. However, in modern, pluralistic societies, legitimacy also derives from transparency, stakeholder engagement, and regulatory compliance. The hybrid model satisfies both: by maintaining *shariah* boards and ethical leadership councils (traditional legitimacy) while also adopting modern tools like stakeholder forums and digital disclosure systems (institutional legitimacy). This dual-track approach fosters public trust and community support—crucial for sustained donor engagement and legal recognition.

Moreover, the model improves organizational effectiveness by operationalizing *shariah* principles through modern governance tools. For instance, *maṣlaḥah* (public benefit) can be translated into strategic planning goals, while *shūrā* (consultation) becomes part of institutional decision-making through board procedures and participatory planning. When Islamic ethics are embedded in HR policies, monitoring frameworks, and budgeting processes, the organization functions more coherently, reducing internal conflict and mission drift. Efficiency is enhanced not by bypassing religious values but by channeling them into structured, professional practice.

Another core feature of the hybrid model is its ability to resolve tensions between theological ideals and institutional pragmatism. Many INPOs struggle to apply Islamic ethics consistently when faced with bureaucratic, donor-driven, or state-imposed demands. The hybrid model offers a structured way to navigate such tensions, providing ethical guidance without sacrificing regulatory coherence or strategic agility. For example, zakat distribution policies can simultaneously follow *fiqh* criteria and national poverty targeting systems, ensuring religious and social impact alignment.

Finally, the hybrid model contributes to sustainability and innovation. Organizations anchored solely in tradition may resist adaptive change, while those reliant on modern structures may drift from their ethical moorings. The hybrid model empowers INPOs to evolve without compromising identity. By combining the timelessness of Islamic principles with the flexibility of institutional innovation, organizations are equipped to address emerging social challenges, demographic shifts, and technological transformations—while remaining true to their core mission.

Conclusion

This study has presented a comprehensive exploration of how Islamic non-profit organizations (INPOs) can adopt a hybrid governance model that harmonizes the ethical mandates of *shariah* with the structural rigor of modern institutional practices. Through a close examination of classical Islamic principles—such as *amānah* (trust), *ʿadl* (justice), *shūrā* (consultation), and *maṣlaḥah* (public benefit)—alongside contemporary governance mechanisms such as board oversight, stakeholder

engagement, performance metrics, and transparency systems, the research constructs a coherent and actionable framework for organizational reform.

The integration of *shariah* principles with modern governance practices reveals not a conflict of paradigms but a consistent and complementary alignment between spiritual intent and institutional functionality. Rather than merging two competing frameworks, the hybrid model demonstrates how Islamic ethics can guide organizational behavior while modern governance systems ensure those values materialize through structure, accountability, and measurable impact. It addresses the persistent disconnect between values-based intent and institutional execution by offering a governance architecture in which ethics and efficiency reinforce one another.

The model rests on three foundational pillars: ethical leadership, participatory governance, and institutionalized accountability. Leadership rooted in *taqwā* and *amānah* ensures internal moral coherence. Consultative mechanisms such as *shūrā* councils institutionalize community participation and protect against elite domination, while formal instruments like KPIs, audits, and compliance systems ensure that entrusted resources are managed with both spiritual fidelity and operational discipline.

Importantly, the hybrid model bridges the legitimacy gap that INPOs often face—being viewed either as too religious to be efficient or too bureaucratic to remain spiritually authentic. By translating religious values into concrete governance practices, the model enhances both internal credibility among believers and external legitimacy among regulators, donors, and the broader public. It creates a system that is spiritually anchored, socially responsive, and managerially effective.

This governance framework is also designed to be adaptable. Whether operating in Muslim-majority contexts like Indonesia or within minority communities globally, INPOs can recalibrate the model's structural features to align with their specific regulatory, cultural, and operational environments—while preserving their ethical core. The model thus serves as a practical and scalable blueprint for organizations navigating the dual imperatives of *shariah* compliance and institutional professionalism.

Ultimately, the proposed hybrid Islamic governance model contributes not only to academic discourse but also to the practical reformation of Islamic philanthropic and social service institutions. It equips INPOs with the tools to fulfill their missions with enhanced transparency, accountability, and effectiveness. More than a reconciliation of traditions, this model is a forward-looking framework—deeply rooted in Islamic ethical tradition and refined through the lens of institutional intelligence.

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