

Zakat vs. Islamic Banking: Examining the Differential Impact on Inclusive Growth in Indonesia

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ABSTRACT

Inclusive growth is a must for every country. However, Indonesia has yet to achieve inclusive growth. As a country with the largest Muslim population, Indonesia has great potential to achieve inclusive growth through Islamic socio-finance instruments, namely zakat, and Islamic banking instruments, namely Islamic financing. Therefore, this study aims to measure the effect of zakat and Islamic banking financing on inclusive growth in Indonesia. The sample was taken from 33 provinces in Indonesia in the range of 2018-2021 with quantitative methods and secondary data sources. This study uses descriptive analysis and panel data regression using 5 control variables: economic growth, unemployment, poverty, education, and social assistance. The results show that zakat distribution has a significant and positive effect on inclusive growth, while Islamic banking financing has a significant and negative effect on inclusive growth. Thus the distribution of zakat in Indonesia is considered good because it can improve the economy of the recipients and must be increased. Islamic banking financing must still be the concern of all elements of society so that it can impact inclusive growth in Indonesia.

Keywords: Zakat, Socio-finance, Inclusive Growth, Islamic Banking, Islamic Financing, Indonesia Economic Development.

JEL Classification: G21, P46, I32, O43, I38

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