Cuadernos de economía

ARTÍCULO

The Impact of Islamic Social Finance on Economic Growth in Indonesia: A ZISWAF Development Model Approach

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Abstract: The global demand for high economic growth (EG) has increased significantly due to the unpredictable nature of economic conditions. As a result, Islamic social finance has emerged as a widely recognised solution to address this need. This aspect necessitates the prioritisation of recent research and regulatory bodies. Therefore, this article aims to examine the influence of Islamic social finance instruments, namely zakat, Sadaqah, Waqf, and Infaq, on the economic growth (EG) in Indonesia. In addition to employing industrialization and inflation as control variables, the study utilised these factors to make predictions regarding economic growth (EG) in Indonesia. The secondary data utilised in this study was obtained from the World Development Indicators (WDI) database, covering the period from 1991 to 2022. The study also utilised the Dynamic Autoregressive distributed lag (DARDL) model to examine the interrelationships among the variables under investigation. The results of the study demonstrate a positive correlation between zakat, Sadaqah, Waqf, Infaq, industrialization, inflation, and economic growth (EG) in Indonesia. The study assists policymakers in formulating policies aimed at attaining high economic growth through the utilisation of Islamic social finance.

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1. Introduction

The utilisation of global Islamic social finance has demonstrated significant potential for alleviating the repercussions of the COVID-19 pandemic. Global Islamic social finance has emerged as a significant factor in addressing social concerns, promoting economic growth, and fostering ecosystem sustainability amidst the economic crisis (AbdulKareem, bin Mahmud, Elaigwu, & Ganiyy, 2021; Umar, Baita, Haron, & Kabiru, 2022). The impact of ZISWAF funds on the community's economic growth (EG) has been widely acknowledged. The available empirical data indicates that Muslim-majority nations, including Bangladesh, India, Indonesia, the United Kingdom, and Nigeria, successfully mobilised ZIS funds ranging from USD 16,000.00 to USD 76,000.00 during the COVID-19 relief campaign. The allocation of zakat exhibits significant variation, spanning from USD 16,000 to USD 43 million.

Nevertheless, it is important to note that not all nations with a Muslim-majority population observed a rise in the availability of funds for Islamic social finance. As an illustration, it can be observed that Uganda witnessed a decline in its zakat collection, as reported by (Puskas BAZNAS, 2020). The advancement of Islamic social finance was characterised by the integration of the zakat and waqf movements, led by delegates from 37 out of the 40 member nations of the World Zakat Forum (WZF). The members of the World Zakat and Waqf Forum (WFZ) reached a consensus to modify the nomenclature of the organisation to the World Zakat and Waqf Forum (WZWF), thereby consolidating the various entities under a unified institutional framework. The consolidation of the National Zakat Agency (BAZNAS) and the Indonesian Waqf Board (BWI) as Islamic social finance institutions has not yet taken place in Indonesia. Consequently, their efforts have been insufficient to fully facilitate the expansion of the Islamic economy. If this potential is effectively consolidated, a substantial amount of funds will be available to finance the diverse needs of the ummah (Mubarok, Mujibatun, Murtadho, & Furqon, 2021).

The existing body of empirical evidence indicates that the untapped potential of Islamic social finance remains substantial and has yet to be fully realised. Prior research has examined prospective areas of study in Islamic social finance through the use of bibliometric analysis, encompassing publications from 1979 to 2020. There is a noteworthy gap in the existing literature, namely the limited research on Islamic social finance in relation to Islamic EG (Kuanova, Sagiyeva, & Shirazi, 2021). The aforementioned findings present an opportunity for future research to explore the effects of Islamic social finance on Islamic economic growth (Zamir & Mirakhor, 2011). Islamic social finance refers to a financial mechanism encompassing various forms such as zakat, infaq, shadaqah, and waqf, collectively known as ZISWAF. It can be argued that Islamic finance is expected to have the potential to generate favourable social and/or environmental outcomes (Widiastuti et al., 2022). However, the practical implementation of Islamic social finance in Indonesia has not effectively delivered the desired positive outcomes for impoverished communities.

The objective of this study is to examine the influence of Islamic social finance on the Islamic Economic Growth (IEG) of Banten Province, employing the ZISWAF Development Model Approach. The significance of this study lies in the integration of Islamic social finance, as it is anticipated to facilitate the advancement of community well-being. The study examines the ZISWAF development model with the aim of enhancing Islamic economic growth. Furthermore,

it can be used as a means of evaluating current Islamic social finance practices in order to identify pertinent combinations that can effectively target and enhance the impact on various sectors within the Islamic economy. Global Islamic finance has made substantial contributions to the economic growth of Muslim countries. Nevertheless, there exists a dearth of empirical research examining the social ramifications of Islamic finance in developing nations utilising the Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) development framework. The primary objective of this study is to explore the social consequences of Islamic finance on Islamic economic growth (EG) within the context of Indonesia.

This study aims to address certain gaps in the existing literature, specifically the lack of recent exploration into the model consisting of variables such as EG, Zakat, Sadqa, Waqaf, Infaq, inflation, and industrialization, particularly in the context of Indonesia. Moreover, 1) the relationship between zakat and economic growth (EG) has been investigated by Khasandy and Badrudin (2019) as well as Suprayitno (2020). Building upon their research, this study aims to explore the same relationship while considering additional factors such as Sadqa, Waqaf, Infaq, inflation, and industrialization in the context of Indonesia. 2) In their respective studies, Tawakkal, Rahim, and Alfarisi (2023) and Ridlo and Wardani (2020) examined the interconnection between sadqa and economic growth (EG). Building upon this research, the present study investigates the same relationship in the context of Indonesia, incorporating additional factors such as Zakat, Waqaf, Infaq, inflation, and industrialization. The analysis is conducted using a new dataset to ensure the relevance and accuracy of the findings. 3) In their respective studies, Ramli, Shaari, and Bakhri (2022), as well as Wartoyo and Haida (2023), have examined the interconnection between waqaf and economic growth (EG). Furthermore, these researchers have expanded upon this relationship by incorporating additional factors such as Zakat, Sadqa, Infaq, inflation, and industrialization within the context of Indonesia. 4) In a study conducted by Tasnim et al. (2023), as well as Andrean, Rahmawati, and Marliana (2022), the authors examined the interconnection between infaq and economic growth (EG). Furthermore, the researchers expanded their investigation to include additional factors such as Zakat, Sadqa, waqaf, inflation, and industrialization in the context of Indonesia. 5) In their respective studies, Adaramola and Dada (2020) and Ekinci, Tüzün, and Ceylan (2020) investigated the interconnection between inflation and economic growth (EG). Building upon this research, the present study further examines this relationship in the context of Indonesia, incorporating additional factors such as Zakat, Sadqa, Infaq, waqaf, and industrialization. 6) In their respective studies, Shaaba and Ngepah (2018) as well as Adewale (2017) examined the interconnection between industrialization and economic growth (EG). Building upon this research, the present study investigates this relationship in the context of Indonesia, incorporating additional factors such as Zakat, Sadqa, waqaf, Infaq, and inflation.

The present study aims to: 1) contribute to the academic understanding of the significance of Islamic forms of charity in relation to economic growth (EG). Specifically, it seeks to achieve the following objectives: 1) Emphasise the importance of Islamic forms of charity as a means to uplift EG and promote a better future for the country. 2) Contribute to the existing literature on EG by examining the role of Zakat, Sadqa, Waqaf, Infaq, inflation, and industrialization within the context of Islamic charity. 3)

Provide valuable insights for professionals in the fields of Islamic financing and economics, enabling them to explore the potential strength of religious charity in fostering EG.

2. Literature Review

There exist various factors that simultaneously influence the well-being of a community and contribute to the economic growth of a nation. Zakat is a religiously affiliated factor that exerts a positive influence on both the community and the economic growth of a country. There exists a notable connection between zakat and economic growth, particularly within Islamic economies. In the present study, Khasandy and Badrudin (2019) examined the correlation between zakat and economic growth (EG). The study examined the correlation within the population of Indonesia. The study employed a quantitative approach. A sample of 250 respondents was used to collect quantitative data. To investigate the aforementioned relationship, the researchers utilised the partial least squares (PLS) analysis approaches. The findings derived from the analysis suggest a correlation between zakat and EG. The nexus exhibits a predominantly positive nature, particularly within the context of Islamic countries.

In a similar vein, Suprayitno (2020) conducted an examination of the correlation between zakat and economic growth (EG). The investigation focused on examining the relationship within the population of Indonesia. The study employed a quantitative approach. A sample was collected consisting of quantitative data from a period of five years. The data that has been chosen encompasses a period spanning from 2016 to 2020. To investigate the aforementioned relationship, the analysis of the ECM model was utilised. The findings derived from the analysis suggest a correlation between zakat and EG. The nexus exhibits a predominantly positive nature, particularly within the context of Islamic countries. Additionally, the study by Ben Jedidia and Guerbouj (2021) looked at the relationship between zakat and economic expansion. The investigation focused on examining the relationship within the populations of various Islamic economies. The study employed a quantitative approach. A sample consisting of quantitative data from a span of 13 years was collected. The data that has been chosen encompasses a period spanning from 2004 to 2017.

To investigate the aforementioned relationship, we utilised the GMM analysis methodologies. The findings obtained from the analysis indicate a correlation between zakat and EG. The nexus exhibits a predominantly positive nature, particularly within the context of Islamic countries. Furthermore, a study conducted by Rifda and Malik (2021) examined the correlation between zakat, foreign debt, inflation, and economic growth (EG). The investigation focused on examining the relationship within the population of Indonesia. The study employed a quantitative approach. A sample was collected consisting of quantitative data from a span of nine years. The data that has been chosen encompasses the period spanning from 2010 to 2019. To investigate the aforementioned relationship, ML regression analysis approaches were utilised. The findings derived from the analysis indicate a correlation between zakat, foreign debt, inflation, and the EG. The positive nature of the nexus is particularly evident in the context of Indonesia.

Within the Islamic faith, there exists an additional manifestation of charitable giving known as sadqa, which is intrinsically linked to the well-being of the community as well as the bolstering of the economy. When examining

the Islamic legal framework, it becomes evident that sadqa, unlike zakat, does not possess the same obligatory nature as a form of charitable giving. The concept is constrained within a spiritual framework. There exists a correlation between the practice of sadqa (voluntary charitable giving) and the economic advancement of nations adhering to Islamic principles. In the present study, Tawakkal, Rahim, and Alfarisi (2023) examined the correlation between Zakat, Infaq, and Sadaqah (ZIS) and economic growth (EG). The investigation focused on examining the relationship within the population of 19 districts in West Sumatra. The study employed a quantitative approach. A sample consisting of quantitative data from a span of nine years was collected. The dataset chosen encompasses the period spanning from 2013 to 2022. To investigate the aforementioned relationship, we utilised the PLS regression analysis approaches. The findings derived from the analysis suggest a correlation between ZIS (Sadqa) and EG. The inherent characteristics of the nexus exhibit a positive orientation.

Similarly, Ridlo and Wardani (2020) conducted an investigation into the correlation between investment, monetary policy, and ZIS (specifically, sadqa) with economic growth (EG). The investigation focused on examining the relationship within the population of Indonesia. The study employed a quantitative approach. A sample was collected consisting of quantitative data from a period of five years. The data that has been chosen encompasses the period spanning from 2013 to 2018. To investigate the aforementioned relationship, the study utilised machine learning regression analysis methods. The findings derived from the analysis suggest a correlation between ZIS (also known as Sadqa) and EG. In a study conducted by Tasnim et al. (2023), a comprehensive literature review was undertaken to examine the association between Infaq and Sadqa with Economic Growth (EG). The study employed a qualitative approach. The present study conducted a comprehensive review of scholarly articles pertaining to the subjects of Infaq and Sadqa within the context of the Islamic tradition. The findings derived from the analysis of the chosen articles suggest a correlation between Infaq and Sadqa and Economic Growth (EG).

The nexus exhibits a predominantly positive nature, particularly within the context of Islamic countries. Furthermore, the study conducted by MG, Permata, and Aryo (2019) examined the correlation between Zakat, Infaq, and Sadaqah (ZIS) and Economic Growth (EG). The investigation focused on examining the relationship within the population of Indonesia. The study employed a quantitative approach. A sample consisting of quantitative data from a span of six years was collected. The data that has been chosen encompasses the period spanning from 2011 to 2017. To investigate the aforementioned relationship, the analysis methods of Eviews 9 were utilised. The findings derived from the analysis suggest a correlation between ZIS (Sadqa) and EG. The inherent characteristics of the nexus exhibit a positive orientation. The global context is marked by numerous challenges arising from the transmission of land or property through inheritance. There exist varying legal frameworks worldwide concerning them. Islam has developed its legal principles, such as waqf, in order to ensure a fair and transparent system of inheritance. The term "waqaf" refers to the concept of endowment in the Arabic language. The promotion of transparency in inheritance practices contributes to the reinforcement of a nation's economic system by mitigating instances of tax evasion.

In the context of Islam, it should be noted that the waqaf

is not exclusively restricted to relatives. Scholarly literature has posited that waqf has a significant impact on the economic conditions of a nation. In the present study, Ramli, Shaari, and Bakhri (2022) examined the correlation between cash waqaf and economic growth (EG). The investigation focused on examining the relationship within the population of Malaysia. The study employed a quantitative approach. A sample consisting of quantitative data from a span of six years was collected. The data that has been chosen encompasses the period spanning from 2013 to 2019. To investigate the aforementioned relationship, the study utilised ARDL analysis approaches. The findings derived from the analysis suggest a correlation between waqf and EG. The nexus exhibits a positive nature, particularly within the context of Malaysia. In a scholarly manner, Wartoyo and Haida (2023) undertook a comprehensive literature review to explore the correlation between waqaf and economic growth (EG). The study employed a qualitative approach.

The present study conducted a comprehensive review of scholarly articles pertaining to the subject of waqaf and economic growth (EG). The articles that were chosen for this study were obtained from reputable academic sources, including Google Scholar, Sage, Tailor, and Frances. The findings derived from the analysis of the chosen articles indicate a correlation between waqf and EG. The inherent characteristics of the nexus exhibit a positive orientation. In a study conducted by Yusroni and Chadhiq (2021), an examination was undertaken to investigate the correlation between waqaf and EG. The study examined the association within the population of a rural community. The study employed a quantitative approach. A sample was obtained by selecting quantitative data from multiple years and incorporating information gathered from research publications. To investigate the aforementioned relationship, the researchers utilised phenomenological analysis approaches. The findings obtained from the analysis indicate a correlation between waqf and EG. The inherent characteristics of the nexus exhibit a positive orientation.

The Arabic term "infaq" refers to the act of expenditure. Altruism in Islam refers to a manifestation of benevolence characterised by acts of kindness and generosity performed without the expectation of any form of recompense or remuneration. The act of donating Infaq is undertaken with the intention of bringing glory to God, benefiting one's family, and contributing to the betterment of society at large. The bestower of an Infaq does not incur financial loss or reduction in income, as it is believed that God guarantees reimbursement of at least an equivalent amount, if not a greater sum. In the present study, Tasnim et al. (2023) examined the correlation between cash waqaf and EG. The investigation focused on examining the relationship within the population of Malaysia. The study employed a quantitative approach. A sample consisting of quantitative data from a span of six years was collected. The data that has been chosen encompasses the period spanning from 2013 to 2019.

To investigate the aforementioned relationship, we utilised the ARDL analysis approaches. The findings derived from the analysis suggest a correlation between waqf and EG. The nexus exhibits a positive nature, particularly within the context of Malaysia. In a recent study, Andrean, Rahmawati, and Marliana (2022) conducted a comprehensive literature review to examine the association between Zakat, Infaq, and Sadaqah (ZIS) and economic growth (EG). The study employed a qualitative approach. The present study conducted a comprehensive review of scholarly articles pertaining to the subject matter of waqaf and economic growth (EG). The

findings derived from the analysis of the chosen articles suggest a correlation between ZIS (specifically, Infaq) and EG. The inherent characteristics of the nexus exhibit a positive orientation. Furthermore, Saputro and Sidiq (2020) conducted an investigation into the correlation between cash Infaq and economic growth (EG). The investigation focused on examining the relationship within the population of Aceh province. The study employed a quantitative approach.

A sample consisting of quantitative data from a span of seven years was collected. The data that has been chosen encompasses the period from 2011 to 2018. To investigate the aforementioned relationship, we utilised structural equation modelling (SEM) analysis approaches. The findings derived from the analysis suggest a correlation between Infaq and EG. The nexus exhibits a predominantly positive nature, particularly within the Aceh province. The economic performance of a nation is contingent upon the behaviour and trends exhibited by key economic indicators, such as inflation. These factors have an impact on society in terms of commodity prices and can also influence the economy, either positively or negatively. The phenomenon of inflation is closely linked to the economic growth of any given economy. In the present study, Adaramola and Dada (2020) examined the correlation between inflation and EG. The study examined the association within the Nigerian population.

The study employed a quantitative approach. A sample consisting of quantitative data spanning a period of 48 years was collected. The dataset under consideration encompasses the period spanning from 1980 to 2018. To investigate the relationship mentioned above, we utilised structural equation modelling (SEM) analysis methods. The findings derived from the analysis suggest a correlation between inflation and economic growth. The nexus exhibits a predominantly negative character, particularly within the context of Nigeria. In a similar vein, Ekinci, Tüzün, and Ceylan (2020) examined the correlation between inflation and EG. The study examined the correlation between inflation and the economies of 24 countries. The study employed a quantitative approach. A sample was collected consisting of quantitative data on the inflation targeting strategy for the current year and the subsequent years. The data that has been chosen encompasses a period of time spanning from January to December of the year 2016. In order to investigate the relationship mentioned above, the study utilised linear regression analysis methods. The findings obtained from the analysis suggest a correlation between inflation and economic growth.

The nexus exhibits a predominantly negative nature, particularly within the economies under consideration. Furthermore, the study conducted by Ahmmed, Uddin, Rafiq, and Uddin (2020) examined the correlation between inflation and EG. The study examined the relationship within a sample of 10 economies. The study employed a quantitative approach. A sample of quantitative data spanning 56 years was collected. The data selected encompasses a period spanning from 1961 to 2017. To investigate the relationship mentioned above, the analysis approach of the Error Correction Model (ECM) was utilised. The findings derived from the analysis suggest a correlation between inflation and economic growth. The inherent characteristic of the nexus is predominantly unfavourable. The enhancement of an economy is correlated with the magnitude of commercial activity generated within a nation. The expansion of the industry has had a beneficial impact on the economy. In the present study, Shaaba and Ngepah (2018) examined the correlation between industrialization and economic growth (EG). The

investigation focused on examining the relationship within a sample of 35 African economies. The study employed a quantitative approach. A sample consisting of quantitative data spanning a period of 25 years was collected. The dataset chosen encompasses the period spanning from 1990 to 2015. To investigate the relationship mentioned above, the analysis approach of the Panel Vector Error Correction Model (PVECM) was utilised. The findings derived from the analysis indicate a correlation between industrialization and economic growth. The inherent characteristics of the nexus are predominantly favourable. In a similar vein, Adewale (2017) examined the correlation between industrialization and economic growth. The investigation focused on examining the relationship within a sample of 35 African economies. The study employed a quantitative approach. A sample of quantitative data spanning a period of 56 years was collected. The data selected encompasses the period from 1960 to 2016. To investigate the aforementioned relationship, the study utilised the Generalised Method of Moments (GMM) analysis approach. The findings derived from the analysis suggest a correlation between industrialization and economic growth. The nexus exhibits a positive nature, particularly within specific African economies. Furthermore, the study conducted by Saba and Ngepah (2022) examined the correlation between industrialization and environmental degradation. The study examined the relationship within a sample of 171 global economies.

The study employed a quantitative approach. A sample consisting of quantitative data spanning a period of 18 years was collected. The dataset under consideration encompasses the period spanning from 2000 to 2018. To investigate the aforementioned relationship, we utilised the Generalised Method of Moments (GMM) analysis approach. The findings derived from the analysis suggest a correlation between industrialization and economic growth. The inherent characteristics of the nexus exhibit a positive orientation.

3. Research Methods

This article examines the effects of Islamic social finance instruments, namely zakat, Sadaqah, Waqf, and Infaq, as well as industrialization and inflation, on the economic growth (EG) in Indonesia. The secondary data utilised in this study was obtained from the World Development Indicators (WDI) database, covering the period from 1991 to 2022. The study developed the equation given below:

$$EG_t = \alpha_0 + \beta_1 ZK_t + \beta_2 SD_t + \beta_3 WQ_{it} + \beta_4 IN_t + \beta_5 INF_t + \beta_6 IND_t + e_t \quad (1)$$

Where;
EG = Economic Growth
t = Time Period
ZK = Zakat
SD = Sadaqah
WQ = Waqf
IN = Infaq
INF = Inflation
IND = Industrialization

The research study chose the EG (experimental group) as the dependent variable, which was assessed using the measure of GDP growth (expressed as an annual percentage). Furthermore, Islamic social finance was used as an independent variable in the study. It was evaluated using different ratios, such as the zakat-to-total Islamic social finance ratio, the Waqf-total Islamic social finance ratio, the Infaq-total Islamic social finance ratio, and different combinations of these. In this study, two control variables were employed, specifically inflation proxies represented by consumer prices (annual%) and industrialization proxies represented by industry value added (% of GDP). These constructs along with measurements are given in Table 1.

Table 1: Variables and measurements

Variables	Measurement	Sources
Economic Growth	GDP growth (annual percentage)	WDI
Islamic Social Finance	The ratio of zakat to total Islamic social finance	Central Bank
	The ratio of sadaqah to total Islamic social finance	Central Bank
	The ratio of Waqf total Islamic social finance	Central Bank
	The ratio of Infaq to total Islamic social finance	Central Bank
Inflation	Inflation, consumer prices (annual %)	WDI
Industrialization	Industry value added (% of GDP)	WDI

The study employs descriptive statistics to examine the specific characteristics of the variables, including measures such as the mean, number of observations, standard deviation, minimum, and maximum values. Furthermore, the article also investigates the relationship between constructs by utilising a correlation matrix. Additionally, the article examines the presence of a unit root among variables in order to determine the most suitable model, utilising the Phillips-Perron (PP) and augmented Dickey-Fuller (ADF) tests. The equation for the test is mentioned below:

$$d(Y_t) = \alpha_0 + \beta t + YY_{t-1} + d(Y_t(-1)) + \varepsilon_t \quad (2)$$

Moreover, the study also test the co-integration that also necessary to apply the appropriate model and check with the help of (Westerlund & Edgerton, 2008) approach. The equations for the test are mentioned below:

$$LM_\varphi(i) = T\hat{\varphi}_i (\hat{r}_i / \hat{\sigma}_i) \quad (3)$$
$$LM_\tau(i) = \hat{\varphi}_i / SE(\hat{\varphi}_i) \quad (4)$$

Furthermore, the article examines the interrelationships among the variables of interest using the Autoregressive Distributed Lag (ARDL) model. This model is appropriate in situations where certain constructs exhibit no unit root at the integrated order of zero (I(0)), while others exhibit no unit root at the integrated order of one (I(1)) (Zaidi & Saidi, 2018). Additionally, it offers both short-term and long-term relationships between variables. Furthermore, it effectively manages the presence of heteroscedasticity and autocorrelation effects on the observed outcomes (Nazir, Nazir, Hashmi, & Ali, 2018). The equation for the model is given below:

$$\Delta EG_t = \alpha_0 + \sum \delta_1 \Delta EG_{t-1} + \sum \delta_2 \Delta ZK_{t-1} + \sum \delta_3 \Delta SD_{t-1} + \sum \delta_4 \Delta WQ_{t-1} + \sum \delta_5 \Delta IN_{t-1} + \sum \delta_6 \Delta INF_{t-1} + \sum \delta_7 \Delta IND_{t-1} + \varphi_1 EG_{t-1} + \varphi_2 ZK_{t-1} + \varphi_3 SD_{t-1} + \varphi_4 WQ_{t-1} + \varphi_5 IN_{t-1} + \varphi_6 INF_{t-1} + \varphi_7 IND_{t-1} + \varepsilon_t \quad (5)$$

The DARDL equation is mentioned as under:

$$\Delta EG_t = \alpha_0 + \sum \delta_1 \Delta EG_{t-1} + \sum \delta_2 \Delta ZK_t + \sum \delta_3 \Delta ZK_{t-1} + \sum \delta_4 \Delta SD_t + \sum \delta_5 \Delta SD_{t-1} + \sum \delta_6 \Delta WQ_t + \sum \delta_7 \Delta WQ_{t-1} + \sum \delta_8 \Delta IN_t + \sum \delta_9 \Delta IN_{t-1} + \sum \delta_{10} \Delta INF_t + \sum \delta_{11} \Delta INF_{t-1} + \sum \delta_{12} \Delta IND_t + \sum \delta_{13} \Delta IND_{t-1} + \varepsilon_t \quad (6)$$

4. Results

The study employs descriptive statistics to examine the specific characteristics of the variables, including measures such as the mean, number of observations, standard deviation, minimum, and maximum values. The results revealed that the mean value for EG was 4.621 percent, ZK was 60.968 percent, SD was 5.767 percent, and WQ was 18.479 percent. Furthermore, the results also revealed that the mean value of IN was 12.556 percent, INF was 8.668 percent, and IND was 42.920 percent. These outcomes are given in Table 2.

Table 2: Descriptive statistics.

Variable	Mean	Std. Dev.	Min	Max
EG	4.621	3.750	-13.127	8.220
ZK	60.968	2.661	55.540	65.368
SD	5.767	15.06	1.768	6.801
WQ	18.479	0.998	6.782	20.094
IN	12.556	2.620	8.393	15.105
INF	8.668	9.864	1.560	58.451
IND	42.920	2.994	38.238	48.061

In addition, the article also investigates the relationship between constructs using a correlation matrix. The results of the study suggest that there is a positive correlation between zakat, Sadaqah, Waqf, Infaq, industrialization, and inflation with economic growth (EG) in Indonesia. The results are presented in Table 3.

Table 3: Matrix of correlations

Variables	EG	ZK	SD	WQ	IN	INF	IND
EG	1.00						
ZK	0.15	1.00					
SD	0.17	-0.24	1.00				
WQ	0.04	0.52	-0.53	1.00			
IN	0.11	0.95	-0.22	0.35	1.00		
INF	0.79	-0.19	0.35	-0.38	-0.18	1.00	
IND	0.07	-0.65	0.41	-0.19	-0.75	0.31	1.00

Moreover, the article also investigates the unit root among variables to apply best model with the help of PP and ADF tests. The results indicated that EG, ZK, SD, INF and IND have no unit root at I(0) while WQ and IN have no unit root at I(1). These outcomes are given in Table 4.

Table 4: Unit root test

| | PP | | ADF | |
Series	Level	First difference	Level	First difference
EG	-2.999***	------	-3.665***	------
ZK	-2.546***	------	-2.881***	------
SD	-3.292***	-----	-2.165***	------
WQ	------	-4.363***	------	-5.434***
IN	------	-4.299***	------	-5.645***
INF	-2.187***	------	-3.211***	------
IND	-3.098***	------	-3.365***	------

Further, the study also examines co-integration, which is essential for selecting the appropriate model and verifying it using the approach proposed by Westerlund and Edgerton (2008). The findings of the study revealed that the p-values did not exceed the threshold of 0.05, indicating statistical significance. Similarly, the t-values were not found to be below the critical value of 1.96, suggesting a lack of significant deviation from the null hypothesis. The presence of co-integration is evident in these values. The results are presented in Table 5.

Table 5: Co-integration test

| Model | No Shift | | Mean Shift | | Regime Shift | |
	Test Stat	p-value	Test Stat	p-value	Test Stat	p-value
LM_τ	-4.33	0.00	-5.92	0.00	-4.85	0.00
LM_φ	-4.27	0.00	-5.19	0.00	-4.43	0.00

In addition, the DARDL model was utilised in this study to examine the interrelationships among the variables under investigation. The results of the study demonstrate a positive correlation between zakat, Sadaqah, Waqf, Infaq, industrialization, inflation, and economic growth (EG) in Indonesia. These relationships are given in Table 6.

Table 6: Dynamic ARDL model

Variable	Coefficient	t-Statistic	Prob.
ECT	-2.101***	-4.393	0.000
ZK_{t-1}	2.198**	2.091	0.034
ZK	2.009**	2.009	0.048
SD_{t-1}	2.003**	2.019	0.045
SD	0.392***	5.875	0.000
WQ_{t-1}	0.453***	5.483	0.000
WQ	7.373***	4.362	0.000
IN_{t-1}	1.102**	2.001	0.049
IN	0.463**	2.034	0.033
INF_{t-1}	0.488***	5.894	0.000
INF	1.292***	4.382	0.000
IND_{t-1}	1.743***	5.464	0.000
IND	1.292***	5.483	0.000
Cons	2.764***	5.471	0.000
R square =	60.109	Stimulation =	5000

5. Discussion

The findings of the study indicate a positive correlation between Zakat and EG. The findings presented here are in line with the research by Umar, Baita, Haron, and Kabiru (2022), which suggests that Zakat is a mandatory requirement for all people who practice Islam, wherein they are required to contribute a predetermined amount of money from their earnings or savings, provided they meet certain criteria. The aforementioned phenomenon leads to a reduction in the poverty threshold and facilitates the redistribution of the nation's wealth to individuals who are deemed deserving. The alleviation of poverty leads to a subsequent augmentation in monetary circulation within the economy, thereby fostering its overall growth and development. Ascarya (2022), who claims that the implementation of Zakat involves the redistribution of national income and the promotion of investment in the country, thereby contributing to the attainment of economic growth, further supports the findings presented in this study.

Ascarya emphasises that the specific amount of wealth allocated for Zakat is determined based on an individual's

income level and financial standing within society. The findings of the study indicate a positive correlation between sadaqah and EG. The findings presented here are consistent with the assertions made by Muhamad (2019), who posits that in accordance with Islamic doctrine, sadaqah serves as a safeguard against malevolent forces, augments one's financial resources, aids individuals experiencing financial hardship, and ultimately contributes to the overall prosperity of the nation. It enables the nation to achieve a higher level of economic growth. The findings presented in this study are further corroborated by the research conducted by Biancone and Radwan (2019). Their study demonstrates that the act of donating money through sadaqah has the potential to alleviate poverty, enhance living standards, and foster wealth generation, thereby contributing to overall economic growth (EG).

The findings of the study indicate a positive correlation between waqf and economic growth (EG). The findings presented here align with the research conducted by Tahiri Jouti (2019), which emphasises that waqf entails the operation of charitable and philanthropic initiatives or organisations with the objective of providing social advantages to individuals. The process aids in the cultivation of human capital by mitigating anxiety levels, augmenting human capital assets, and elevating living standards. Therefore, it is plausible that the nation could exhibit a higher level of economic growth. The findings presented in this study are further corroborated by the research conducted by Mohd Nor, Abdul-Majid, and Esrati (2021), who argue that waqf plays a crucial role in enhancing asset accessibility and optimising the utilisation of national wealth.

Therefore, the nation has the potential to achieve an increase in economic growth. The findings of the study indicate a positive correlation between infaq and EG. The findings presented in this study are consistent with the assertions made by Ben Jedidia and Guerbouj (2021), who define infaq as a form of financial assistance or support provided through the allocation of assets. Enhancing social well-being engenders a subsequent rise in demand and stimulates production across various economic sectors. Therefore, it is plausible that the nation could attain a high level of economic growth. The research by Naz and Gulzar (2022), which shows that the act of infaq contributes to the improvement of public developmental campaigns within the nation and facilitates economic growth, further supports the findings presented in this study.

The findings of the study indicate a positive correlation between inflation and economic growth (EG). The findings presented here are consistent with the findings of Tien (2021), which suggest that in a nation where there is an increase in the costs of commodities and services, it is probable that investors will achieve greater returns and engage in additional reinvestment activities. Therefore, the nation exhibits a higher level of economic growth. These findings are in line with the research by Adaramola and Dada (2020), which contends that high inflation rates may encourage technological advancements and boost economic growth. The findings of the study indicate a positive correlation between industrialization and environmental degradation. The findings of this study are in line with those of Yang, Usman, and jahanger (2021), which show that an increase in the overall number of industrial establishments fosters production advancements and boosts economic growth. The findings presented here are consistent with the findings reported by Opoku and Yan (2019).

Based on the findings of the aforementioned study, it can be inferred that the presence of industrial development is associated with an elevation in income levels. Furthermore, this rise in income is believed to contribute to a subsequent augmentation in investment, thereby bolstering economic growth.

Implications

The current research holds significance for developing nations as it provides guidance on enhancing economic growth through the implementation of Islamic Social Finance. The study suggests that in order to promote economic growth (EG), it is imperative for governments and social reform initiatives to raise awareness and enforce the payment of Zakat. The aforementioned guidelines emphasise the importance of individuals in society taking into account the value of giving sadaqah, thus contributing to the overall well-being and growth of the community. The study further suggests that the promotion of Islamic social finance, specifically the practise of "Waqf," could be beneficial in enhancing economic growth. There is an additional proposition advocating for the promotion of "Infaq," which refers to the Islamic financial system.

The implementation of this policy would lead to a significant increase in the country's economic growth. The study further asserts the necessity of managing the economy, highlighting a preference for an increase in the inflation rate as it facilitates the attainment of higher economic growth. Additionally, the research indicates that economists should develop strategies aimed at promoting industrialization on a national scale, as this would enhance the country's capacity to attain higher economic growth. The study provides guidance to policymakers in formulating policies aimed at attaining high economic growth through the utilisation of Islamic social finance.

Conclusion

The primary aim of this study is to examine the impact of Islamic social finance instruments, such as Zakat, sadaqah, waqf, and infaq, on a country's economic growth (EG). Additionally, this research will consider control factors such as inflation and industrialization in order to provide a comprehensive analysis. The statistical data were obtained from official Indonesian sources. The findings of the study indicate that Zakat serves as a mechanism for wealth redistribution, thereby preventing the concentration of wealth within a particular group. Additionally, it plays a crucial role in alleviating poverty. Consequently, the infusion of capital into the economy leads to an expansion of investment, thereby contributing to the growth of economic output. The findings of the study also indicate that the act of sadaqah has the potential to purify and enhance an individual's financial resources, mitigate poverty and hunger, and elevate living conditions, as well as positively impact stock market valuations and investment activities.

Therefore, it establishes circumstances that are conducive to increased EG. The study also uncovered that waqf contributes to the expansion of assets and the development of building infrastructure to enhance social welfare. Furthermore, these advancements also have a positive impact on the economy by fostering an increase in the growth rate. The findings also suggest that the establishment of infrastructure at a private level or through foundations leads to enhanced accessibility to material assets, thereby facilitating the achievement of economic objectives and contributing to higher GDP. The

study additionally determined that in instances where the inflation rate exhibits an upward trend and there is a concurrent expansion in industrial enterprises, the Islamic social and financial framework operates effectively, resulting in heightened developmental endeavours and an overall increase in the country's economic growth.

Limitations

However, it is important to acknowledge that there are certain limitations inherent in this study. Therefore, it is imperative for scholars and researchers to address these limitations in future research endeavours in order to mitigate their impact on the validity and reliability of findings. The authors have exclusively focused on the examination of the impact of Islamic social finances on the acceleration of economic growth. Simultaneously, numerous economic and conventional financial indicators exert an influence on EG. The authors neglected to consider these aspects, and they are now obligated to address them accordingly. Furthermore, the study was conducted exclusively using statistical data from Indonesia. Additionally, the chosen time period for the research was relatively brief, resulting in a less comprehensive and less generalizable paper. It is recommended that researchers opt for a diverse range of Islamic economies as the subjects of their study, thereby broadening the temporal scope of analysis.

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