



The Impact of Zakat on the Economy and Poverty in Indonesia

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Abstract. This study aims to examine the impact of zakat and various socio-economic factors on regional economic growth and poverty levels in Indonesia. Using panel data from 34 provinces in Indonesia for the period 2019-2021. This study examines the complex relationships between zakat distribution and key macroeconomic indicators within an Islamic economic framework, using a common effects model for the economic growth equation and a fixed effects model for the poverty equation. The results indicate that zakat has a positive significant effect on economic growth and has a negative significant effect on poverty. This research provides valuable insights into the potential role of zakat in addressing economic inequality and promoting sustainable development in Indonesia.

Keywords: Zakat, Economic Growth, Poverty.

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INTRODUCTION

Indonesia, as the country with the largest Muslim population in the world, continues to face persistent challenges in reducing poverty and income inequality, even though macroeconomic growth has generally shown a positive trend. Inequality in welfare remains visible between urban and rural regions as well as across socio-economic groups (Lestari et al., 2023). Recent studies in Indonesia show that poverty alleviation efforts still require systemic and sustainable interventions that directly target vulnerable groups (Rahmi et al., 2024). Within the framework of a dual financial system, where conventional and Sharia financial institutions operate side by side, Indonesia has a strategic opportunity to maximise the use of Islamic social finance instruments, particularly zakat, as an alternative mechanism for promoting inclusive development.

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Research has shown that zakat has the power to reduce inequality and poverty, improve the lives of mustahik, and strengthen society's economic resilience (Defrilia et al., 2025; Jubaidah, 2025; Rusdi, 2024; Wahyudi, 2025). Furthermore, optimising zakat distribution is recognised as an effective approach to supporting sustainable economic empowerment rather than providing temporary assistance (Adinugraha et al., 2023). Therefore, strengthening the governance and institutional role of zakat, especially within the broader Islamic social finance ecosystem, constitutes an important strategy for addressing Indonesia's continuing socioeconomic inequality.

Despite the consistent demonstration in recent empirical studies of a positive effect of zakat on welfare outcomes, such as poverty reduction, increased income and strengthened local economic activity (Defrilia et al., 2025; Jubaidah, 2025), the literature examining the broader macroeconomic consequences of zakat remains limited. Most existing studies place greater emphasis on micro-level outcomes and programme evaluations rather than macro-level indicators, including regional GDP, interregional inequality, and structural poverty (Rusdi, 2024; Rahmi et al., 2024). Moreover, research that links zakat distribution with economic growth dynamics still tends to rely on descriptive or cross-sectional approaches rather than panel-data estimation, which is able to capture variations across regions and time (Wahyudi, 2025).

Another significant gap in the current scholarship is the absence of empirical investigation integrating zakat with other socio-economic determinants of development, such as human capital, investment, and demographic structure. This limits our understanding of the interaction between zakat and economic fundamentals at the regional level (Adinugraha et al., 2023). Therefore, studies evaluating the role of zakat within a macroeconomic framework using panel data across provinces and simultaneously considering socio-economic variables are required to address this gap and clarify the extent to which zakat can contribute to regional economic growth and poverty alleviation in Indonesia.

Indonesia's national zakat potential is massive. According to various studies, the potential of zakat is estimated to reach Rp217 trillion per year. However, the realization of its collection is still far from optimal. In 2016, for example, the total zakat collection was only around IDR5 trillion, which shows a large gap between potential and realization (Asmalia et al., 2018). This shows the necessity to increase the effectiveness of zakat management institutions in order to

be able to reach more muzakki and mustahik, and distribute zakat in a more targeted manner (Hasanah, 2014).



Figure 1. National Zakat Collection 2018-2023 Semester 1

Source: BAZNAS (2023)

Badan Amil Zakat Nasional (BAZNAS) noted that the trend of national zakat collection in the period 2018 to the first semester of 2023 tends to increase despite fluctuations. In 2022, the total zakat collected reached more than IDR 22.4 trillion, while until mid-2023 it was recorded at IDR 14.7 trillion. These funds include zakat mal and zakat fitrah which are then channeled through various programs, such as social humanitarian, health, education, economy, as well as advocacy and da'wah (BAZNAS, 2024).

On the other hand, the national poverty rate has also shown a decline, with the latest figure in 2024 recorded at 8.57% (BPS, 2024). This opens up room for discussion on the potential contribution of zakat to reducing poverty and increasing economic growth.

Previous research has highlighted the importance of a productive approach in zakat management to increase its leverage in economic development (Kasri, 2018). In addition, zakat is also considered to strengthen people's purchasing power and bridge the wealth gap, thus supporting the creation of economic justice (Kusuma, 2019).

Based on this background, this study aims to empirically analyze the effect of zakat on economic growth and poverty level in Indonesia. By using a panel data approach from 34 provinces during the 2019-2021 period, this research is expected to make a scientific as well as practical contribution in encouraging the optimization of zakat as part of a sustainable development solution.

LITERATURE REVIEW

Zakah, which promotes social justice and the redistribution of resources, serves as a strategic tool for poverty alleviation in the Islamic economy. Numerous studies have explored the relationship between zakat and economic growth, consistently highlighting its potential as a driver for inclusive development. Zakat distribution and population growth have been found to positively and significantly influence economic growth in Indonesia, suggesting that zakat can be leveraged as a strategic economic tool (Ashfahany et al., 2023). Unlike conventional fiscal policies, zakat serves as a spiritual and economic obligation that redistributes wealth and stimulates economic activity. In this regard, zakat is considered a complementary fiscal instrument to taxation, capable of contributing to macroeconomic stability and equitable development.

This finding aligns with earlier studies, such as those conducted by Ben Jedidia and Guerbouj (2021), who empirically demonstrated the positive effect of zakat on economic growth across selected Islamic countries. Similarly, research by Suprayitno (2020), Athoillah (2018), and Bayinah (2017) confirms a significant and positive relationship between zakat and economic development. Athoillah (2018), in particular, observed the role of zakat in reducing unemployment and poverty while simultaneously boosting economic output. Additionally, Putriani, Ghani, and Kartiwi (2020) emphasize that zakat has the capacity to enhance aggregate production, thus contributing to broader economic goals.

Supporting this perspective, Rizal and Adibah (2022) find that zakat, along with infaq and sadaqah (ZIS), exerts a significant positive influence on economic growth, both individually and collectively. Likewise, Suprayitno (2019) presents robust evidence that zakat can boost consumption, investment, and ultimately overall economic growth.

Conversely, some scholars argue that the role of zakat in economic development is limited. Khasandy and Badrudin (2019), Fahmawati (2019), and Harahap (2021) conclude that zakat has no statistically significant relationship with economic growth. These studies suggest that zakat should be regarded as a supplementary factor, rather than a primary driver of growth, particularly in the context of the broader Islamic economic system.

Despite the growing literature, a significant research gap remains. While numerous studies have explored the relationship between zakat and specific economic indicators or localized development outcomes, there is a lack of comprehensive studies that simultaneously examine

the impact of zakat on both economic growth and poverty alleviation at the national level in Indonesia. No existing research, to the best of current knowledge, holistically investigates zakat's dual effect on the macroeconomic landscape and poverty conditions in Indonesia. Addressing this gap, the current study aims to analyze the impact of zakat on both the economy and poverty, thereby offering a more integrative understanding of zakat's role in national development.

METHOD

This study utilizes panel data covering 33 provinces in Indonesia over the three-year period from 2019 to 2021. The unit of analysis is provincial-level data analyzed on a yearly basis. The data is collected from secondary sources, namely BAZNAS (National Board of Zakat) – for zakat distribution data; BPS (Statistics Indonesia) – for macroeconomic, demographic, and poverty-related variables; and CEIC Data – for supporting indicators such as foreign direct investment (FDI) and public sector spending. The panel structure enables the study to control for heterogeneity across provinces while observing temporal variations.

The Impact of Zakat on Economic Growth

Based on prior studies (Batool et al., 2024; Trinh, 2024; VINTILĂ, 2024), economic growth in developing countries is driven by factors such as education, human development, investment (particularly FDI), population, and government policies. Zakat, as a unique Islamic fiscal instrument, is introduced here as an additional explanatory variable.

$$ECO_{it} = \alpha + \beta_1 ZAK_{it} + \beta_2 EDU_{it} + \beta_3 FDI_{it} + \beta_4 POP_{it} + \beta_5 HDI_{it} + \beta_6 INF_{it} + \varepsilon_{it} \quad (1)$$

where ECO_{it} represents the economic growth (measured by GRDP growth rate) in province i at year t , ZAK_{it} is the zakat distribution, EDU_{it} indicates the education level, FDI_{it} denotes foreign direct investment, POP_{it} is the total population, HDI_{it} is the Human Development Index, INF_{it} is the inflation rate, and ε_{it} is the error term capturing unobserved factors.

The Impact of Zakat on Poverty

Based on studies (Abdulwasaa & Kawale, 2023; Ghazi & Dhahir, 2024; Wirayudha & Prasetyia, 2024), poverty is influenced by economic, social, and demographic factors. This model incorporates zakat as a poverty reduction tool, alongside standard determinants such as unemployment, population, and HDI.

$$POV_{it} = \alpha + \beta_1 ZAK_{it} + \beta_2 TPT_{it} + \beta_3 POP_{it} + \beta_4 HDI_{it} + \beta_5 ECO_{it} + \varepsilon_{it} \quad (2)$$

where POV_{it} represents the poverty rate in province i at year t , ZAK_{it} is the zakat distribution, TPT_{it} is the open unemployment rate, POP_{it} denotes the total population, HDI_{it} refers to the Human Development Index, ECO_{it} is the economic growth (measured by GRDP growth rate), and ε_{it} is the error term capturing unobserved influences.

The independent variables used in the model are derived from theoretical and empirical findings is Zakat (ZAK) as the interest variable reflecting Islamic social finance. Education (EDU), strongly linked with productivity and long-term growth. Foreign Direct Investment (FDI) proven to positively influence growth, particularly in Asian and developing countries (Trinh, 2024). Open Unemployment Rate (TPT), positively correlated with poverty levels (Simina & Emilia, 2023). Population (POP), high population growth can place pressure on public resources, affecting both poverty and growth. Human Development Index (HDI), proxy for socio-economic development, known to reduce poverty and promote growth (Wirayudha & Prasetyia, 2024). Inflation (INF) included due to its negative impact on real income and purchasing power.

RESULTS

The descriptive statistics highlight variations in eight socio-economic variables across 99 observations, including regional income, poverty rate, zakat collection, education level, foreign investment, unemployment rate, population size, and human development. The average values indicate general trends, with moderate levels observed in education and human development, while zakat, foreign investment, and population show higher variability. The wide range in minimum and maximum values suggests significant disparities across regions, reflecting differences in economic activity, social development, and demographic characteristics. These results provide a general overview of regional conditions and serve as a basis for further analytical exploration.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
PDRB	99	64.56	50.044	19.63	274.66
Poverty	99	9.992	4.641	3.42	21.82
Zakat	99	2.023e+11	4.583e+11	1.358e+08	2.969e+12
Education	99	64.043	9.307	43.85	90.12
FDI	99	858.287	1194.417	5.9	5881
TPT	99	5.464	1.872	1.57	10.95
Population	99	8146.731	11426.725	695.6	50345.2
IPM	99	71.48	3.468	64.7	81.11

Reporting Research Results

The Impact of Zakat on Economic Growth

Based on the regression results presented in the table titled The Impact Zakah In GDRB, the Fixed Effect Model is selected as the most appropriate specification. This is justified by the significance of individual effects and the F-statistic of 4.59293, indicating that the fixed effects (i.e., time-invariant differences across provinces) significantly influence the economic growth model.

The Adjusted R-Squared value of the Fixed Effect Model is -0.11926, which suggests that the explanatory variables do not explain a large proportion of the variation in GRDP growth when accounting for degrees of freedom. However, R-Squared Within is 0.31474, indicating that about 31.5% of the variation within provinces over time is explained by the model, which is reasonably acceptable for macroeconomic panel data with a short time frame (2019–2021).

The f model estimation demonstrates that zakat (\ln_zakat) has a positive and statistically significant impact on regional economic growth. With a coefficient of 0.86469 and significance at the 10% level, this suggests that a 1% increase in zakat is associated with an approximate 0.86 unit increase in Gross Regional Domestic Product (GRDP), ceteris paribus. This finding supports the fundamental role of zakat as an Islamic social finance instrument capable of stimulating economic performance when effectively managed. The Human Development Index (HDI) also exhibits a strong and statistically significant influence on GRDP, with a coefficient of 7.62810, significant at the 5% level, underscoring the importance of human capital development in driving economic growth. In addition, Foreign Direct Investment (FDI) positively affects GRDP and is statistically significant, suggesting that external capital inflows contribute positively to regional productivity and development.

Table 2. The Impact of Zakah on GDRB

	Common Effect	Fixed Effect	Random Effect
ln_Zakat	0.72304 [0.46520]	0.86469* [0.46606]	0.72304 [0.46520]
Education	-0.15686 [0.17436]	-0.04670 [0.17777]	-0.15686 [0.17436]
FDI	0.00486*** [0.00168]	0.00332* [0.00169]	0.00486*** [0.00168]
TPT	-0.01896 [0.73059]	-0.89849 [0.76260]	-0.01896 [0.73059]
Population	-0.00131** [0.00054]	0.00056 [0.00131]	-0.00131** [0.00054]
IPM	8.98001*** [1.67561]	7.62810** [2.97463]	8.98001*** [1.67561]
_cons	-578.37861*** [113.94899]	-501.35415** [206.85626]	-578.37861*** [113.94899]
N	99	99	99
F-Statistics		4.59293	
R-Squared		0.31474	
Adjusted R-Squared		-0.11926	
R-Squared Within	0.28719	0.31474	0.28719
R-Squared Between	0.49048	0.26012	0.49048
R-Squared Overall	0.48905	0.26038	0.48905

In contrast, the variables representing education, unemployment (TPT), and population do not show statistically significant effects within the fixed effect model, indicating that their direct influence on GRDP may be limited or moderated by other structural or institutional factors not captured in the model. The model's R-squared value of 0.31474 indicates that approximately 31.47% of the variance in regional economic output is explained by the included variables. However, the negative adjusted R-squared (-0.11926) suggests that the model may suffer from overfitting or that significant time-invariant heterogeneity exists across the observed units. Despite these limitations, the fixed effect model emphasizes the substantial role of zakat, HDI, and FDI in enhancing regional economic growth, aligning with broader theories of endogenous growth and the transformative potential of inclusive Islamic fiscal instruments.

The results provide empirical evidence that zakat, as a redistributive Islamic fiscal instrument, positively influences economic growth. This supports previous findings (Ben Jedidia & Guerbouj, 2021; Suprayitno, 2020; Athoillah, 2018) showing a significant and positive correlation between zakat and macroeconomic performance. In addition, FDI and HDI are also found to be key drivers of economic growth at the provincial level, reaffirming the importance

of investment and human capital. The insignificant effect of education and unemployment might be due to lag effects or insufficient measurement sensitivity over the three-year period.

The Impact of Zakat on Poverty

Based on the panel regression output for the poverty model, the Common Effect Model was selected as the most appropriate specification. This choice was made because it provides consistent coefficient signs, statistical significance, and a relatively higher adjusted R-squared value compared to the Fixed and Random Effects models.

Table 3. The Impact Zakah In Poverty

	Common Effect	Fixed Effect	Random Effect
ln_Zakat	-0.09277** [0.03809]	-0.10781*** [0.03840]	-0.09277** [0.03809]
Education	0.05544*** [0.01436]	0.04417*** [0.01465]	0.05544*** [0.01436]
FDI	-0.00024* [0.00014]	-0.00019 [0.00014]	-0.00024* [0.00014]
TPT	0.16935*** [0.06029]	0.15177** [0.06283]	0.16935*** [0.06029]
Population	0.00007 [0.00006]	0.00024** [0.00011]	0.00007 [0.00006]
IPM	-0.70531*** [0.16488]	-0.29105 [0.24509]	-0.70531*** [0.16488]
_cons	57.87313*** [11.26599]	27.99086 [17.04380]	57.87313*** [11.26599]
N	99	99	99
F-Statistics		11.58031	
R-Squared		0.53661	
Adjusted R-Squared		0.24314	
R-Squared Within	0.50084	0.53661	0.50084
R-Squared Between	0.33478	0.00111	0.33478
R-Squared Overall	0.33525	0.00156	0.33525

The model's F-statistic of 11.58031, significant at the 1% level, confirms that the overall regression is statistically meaningful and that the independent variables jointly explain variations in the poverty rate across Indonesian provinces. The Adjusted R-squared value of 0.24314 indicates that approximately 24.3% of the variation in poverty levels from 2019 to 2021 can be explained by the explanatory variables in the model. Additionally, the within R-squared of 0.50084 suggests that the model is relatively effective at explaining variation within provinces over time.

Each coefficient in the model offers insights into how different factors influence poverty levels in Indonesia. The coefficient for log of zakat distribution is negative and statistically significant at the 5% level, indicating that a 1% increase in zakat distribution is associated with a 0.09277 percentage point reduction in poverty. This finding underscores the role of zakat as a vital instrument for poverty alleviation in Islamic economics.

The coefficient for education is unexpectedly positive and significant at the 1% level, suggesting that an increase in education levels is associated with higher poverty. This counterintuitive result may reflect a lag between educational attainment and labour market absorption, or it may point to structural issues such as a mismatch between education quality and market needs, particularly in rural or underdeveloped regions.

Foreign Direct Investment (FDI) exhibits a small but negative and statistically significant impact on poverty at the 10% level. This implies that increased FDI can help reduce poverty, possibly through job creation or improved infrastructure and services that indirectly benefit the poor. The unemployment rate has a strong positive and significant impact on poverty. A one percentage point increase in unemployment leads to a 0.16935 percentage point increase in poverty, reflecting the close link between joblessness and household vulnerability. The coefficient for population is positive but statistically insignificant, suggesting that population size alone does not significantly influence poverty in this model, possibly due to varying population structures and resource capacities across provinces.

Finally, the Human Development Index (HDI) has a large and statistically significant negative effect on poverty. A one-point increase in HDI leads to a 0.70531 percentage point decrease in poverty, highlighting the crucial role of investments in health, education, and standard of living in improving social welfare. These results suggest that zakat distribution, FDI, unemployment, and HDI are significant determinants of poverty in Indonesia. While zakat and HDI contribute to poverty reduction, unemployment and—surprisingly—education appear to exacerbate it. These findings indicate that while Islamic social finance mechanisms like zakat are effective in supporting the poor, broader structural reforms in education quality and employment generation are essential to achieving sustainable poverty alleviation.

DISCUSSION

The study's findings contribute to Islamic economic theory by validating the role of zakat in promoting regional economic performance and addressing poverty. The results of this study show that zakat has a positive and significant effect on economic growth as well as a significant negative effect on poverty level, thus strengthening its position as an effective Islamic social finance instrument in reducing economic inequality and empowering low-income groups (Ahmed, 2015). Zakat is also proven to have a significant long-term impact on economic growth and poverty alleviation, especially when used to support the productive needs of beneficiary communities (Pebruary et al., 2024). In this context, zakat does not only act as consumptive aid, but also as an economic stimulus that encourages household consumption, reduces bankruptcy, and turns mustahik into muzakki in the future (Putriani et al., 2020).

This finding is consistent with various studies in Indonesia that show the strategic role of zakat in promoting economic development and poverty alleviation (Judijanto et al., 2024). For example, effective zakat distribution significantly increases economic growth and reduces poverty in Indonesia (Rahayu et al., 2020). Similarly, findings suggest that zakat, infaq, and sadaqah (ZIS) have a positive impact on economic growth and have the potential to reduce poverty levels when distributed optimally (Alghina et al., 2019). Some regional studies also reinforce these findings. In West Java, ZIS distribution contributes 52% to the variance of poverty rate, while economic growth only contributes 2%, showing the important role of zakat in poverty alleviation compared to economic growth (Al-Wahhab et al., 2023). In East Java, zakat distribution has a significant negative impact on poverty, while economic growth shows no significant effect, emphasizing the important role of zakat as a social intervention tool (Pramesti et al., 2023).

This result supports the idea that zakat is not only a way of redistributing money, but also a way of making the economy more stable. It does this by increasing demand and productivity, which in turn increases purchasing power among low-income households. The significant effect of zakat on economic growth further reinforces the proposition that macroeconomic indicators can be shaped by social finance instruments when integrated within the broader economic system, rather than being confined to charity-based frameworks.

Additionally, the dual finding that zakat increases economic growth while simultaneously reducing poverty bridges the gap in prior studies that assessed these outcomes separately, providing holistic evidence of the long-term role of zakat in sustainable development. The

results also provide new insights for analysing provincial-level development, showing that social finance variables can have a stronger influence on poverty outcomes than traditional macroeconomic variables in certain regional contexts. This research strengthens the conceptual understanding that the effectiveness of zakat depends not only on its collection volume but also on its distribution design. This is particularly true in terms of the balance between consumptive and productive approaches in driving economic transformation.

Internationally, the results of this study are also in line with findings in various countries. In Nigeria, zakat is proven to be effective in distributing wealth from the wealthy to the needy, increasing mustahik purchasing power, and promoting inclusive economic growth (Kareem et al., 2016). Another study in the same region stated that the provision of zakat from muzakki with high ability increased the welfare of mustahik by 60%, while encouraging local economic growth (Mustafa et al., 2020).

In Bangladesh, zakat contributes significantly to economic growth and poverty reduction through income redistribution and productive investment, especially when combined with supportive macroeconomic policies (Ahmed, 2015). Meanwhile, studies in Indonesia and Malaysia show that zakat, along with human development and poverty reduction, significantly affects economic growth during the period 2011-2020 (Bayu et al., 2014). Furthermore, cross-country studies in Indonesia, Malaysia, and Singapore found that zakat contributes to economic development, with the potential to support poverty reduction through more equitable resource distribution and structured community support (Ashfahany et al., 2023).

These findings thus reinforce the idea that zakat is not only a religious obligation, but also a potential tool for national economic planning, particularly within the context of sustainable development and Islamic social finance. The optimisation of zakat collection and distribution, along with its alignment with government fiscal and social policies, is crucial to maximising its impact on economic growth and poverty reduction (Judijanto et al., 2024; Ahmed, 2015; Kareem et al., 2016).

Based on the research results and a comparison with previous studies in Indonesia and abroad, it can be concluded that zakat plays a significant role in supporting economic growth and reducing poverty levels. This finding aligns with previous studies showing that, when managed and distributed effectively, zakat can improve the welfare of the poor, strengthen people's purchasing power, and encourage social and economic inclusion. In Indonesia, zakat has been shown to contribute more tangibly to poverty reduction than economic growth itself. Zakat

redistributes wealth, reduces inequality and empowers vulnerable groups. It is both a religious and a socio-economic policy instrument. To achieve this potential, zakat management institutions must be strengthened, governance improved and zakat integrated into fiscal policy and national development.

Looking at it in a practical way, the results show that there is a real need to improve how zakat is managed, especially when it comes to making sure it is given to the right people, being open about how it is being given, and making sure it is given in a way that works. The distribution orientation of institutions that manage zakat, including BAZNAS and LAZ, is required to be shifted further from short-term consumptive aid towards long-term sustainable empowerment programmes that improve skills, capital access and business capacity among mustahik. Collaboration between zakat agencies and regional governments also becomes imperative so that zakat distribution can be aligned with regional development priorities and poverty alleviation strategies. Furthermore, greater data integration between zakat institutions and government social databases (e.g. DTKS) can improve accuracy and avoid duplication of beneficiaries.

The findings encourage the wider adoption of digital zakat systems, such as cashless payments, blockchain-based traceability and AI-assisted beneficiary profiling, to support the transparency, efficiency and scalability of zakat distribution. The results suggest that policymakers should position zakat as a complementary component of fiscal policy, especially within the framework of inclusive and sustainable development. Consequently, incentives for zakat compliance, cross-sector partnerships with the private sector, and integration of zakat into regional poverty reduction roadmaps are imperative to maximize the socio-economic impact of zakat.

CONCLUSION

This study concludes that zakat plays a significant role in both stimulating regional economic growth and alleviating poverty in Indonesia. Regression results demonstrate that zakat has a positive and statistically significant impact on Gross Regional Domestic Product (GRDP), confirming its function as an effective Islamic social finance instrument in enhancing economic performance. Additionally, zakat distribution shows a negative and significant relationship with poverty levels, reinforcing its effectiveness in supporting low-income communities and addressing income disparities. Alongside zakat, variables such as Human Development Index

(HDI) and Foreign Direct Investment (FDI) also contribute positively to economic growth and poverty reduction, while unemployment exhibits a direct and significant correlation with higher poverty levels. However, the unexpected positive link between education and poverty highlights the need for better alignment between education outcomes and labour market demands.

The findings resonate with both national and international empirical studies, which affirm zakat's potential as a strategic fiscal tool for inclusive development. In the Indonesian context, zakat's impact on poverty reduction appears more substantial than its influence on economic growth alone. Cross-country evidence also supports zakat's redistributive function in promoting equity and social welfare. Therefore, zakat should not merely be viewed as a religious obligation but as a socio-economic policy instrument that aligns with sustainable development goals. For optimal impact, policy efforts must focus on improving zakat governance, institutional integration, and synergy with public fiscal policies to enhance its contribution to national development.

Despite its contributions, this study has several limitations. First, the relatively short time span (2019–2021) may not fully capture long-term effects, especially for variables like education and zakat which require time to impact macroeconomic outcomes. Second, the availability and consistency of provincial-level zakat data remains a challenge, potentially affecting the accuracy of the results. Third, the study does not account for institutional factors, such as governance quality or zakat management efficiency, which may significantly influence the effectiveness of zakat distribution and utilization.

Future research should consider expanding the time frame and incorporating longitudinal datasets to better assess the dynamic and long-run impacts of zakat on economic development. Moreover, integrating qualitative indicators, such as institutional performance, zakat program effectiveness, and public trust in zakat institutions, would enrich the analysis. Comparative studies between regions with different zakat governance models (e.g., formal BAZNAS-managed vs. community-based models) could also provide deeper insights into best practices. Lastly, future models should explore the interaction effects between zakat and government social spending, to examine their combined potential in achieving economic equity and sustainable growth.

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