

The Effect of Zakat and Poverty on Economic Growth in West Java

Iman Supratman^{1,*}, Vemy Suci Asih²

^{1,2}Faculty of Islamic Economics and Business, Universitas Islam Negeri Sunan Gunung Djati Bandung, Bandung, Indonesia

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***Corresponding author:** imansupratman@uinsgd.ac.id

Abstract: Economic growth is one of the important aspects of how we can see the development of a region. Mature this consequence happening growth of the Covid - 19 pandemic Indonesia's economy experienced decline, as well as those affected in West Java. This paralyzes the productivity of economic activity which provokes the poverty rate to increase. In this case, as one of the alternative solutions for economic development instruments, zakat is here to provide incentives for economic growth. Top base that's study this done, also for look influence in a manner partial and simultaneous from poverty and zakat against growth economy in West Java in 2016-2020. Through method study descriptive with approach quantitative . Result of study showing that in a manner partial Zakat in kind Partial influential significant to growth economy with t count value $6.218353 > t \text{ table } 1.978$ or prob value $> \alpha 0.05$. And poverty in a manner Partial influential to growth economy with -t count value $-10.12971 < -t \text{ table } -1.978$ or mark probability $0.000 < \alpha 0.5$. As well as by simultaneous influential to growth economy with f count value $941.7948 > f \text{ table } 3.065$ or mark probability $0.000 < \alpha 0.5$.

Keywords: zakat; poverty; economic growth.

1. Introduction

Balance in an economy is a necessity in improving the economy of a country. The country's economic growth is also seen from the economic growth in each province. Countries that have high economic growth will be able to have a good impact on other fields. Because when economic growth increases , a country 's national income will also increase.

Economic growth in West Java as a densely populated province continues to experience changes from year to year. This economic growth is of course a condition that describes the economic conditions that occur in the region.

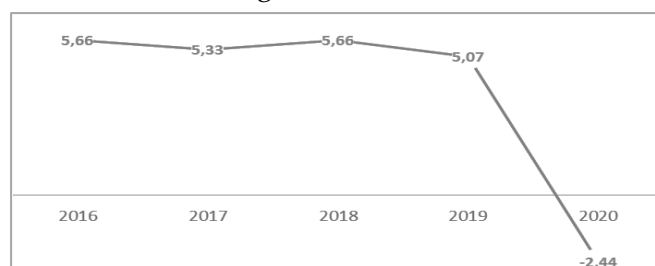


Figure 1. Pace West Java Economic Growth
Source : Central Bureau of Statistics West Java

Figure 1 shows the rate of economic growth in West Java. From 2016 to 2017 it decreased by 0.33%, then in 2018 it experienced an increase of 0.33% and again decreased in 2019 by 0.59%, and in 2020 it experienced a very significant decrease of 2.63%. Actually, if it is said that in the 2015-2019 range, economic growth in West Java was stable in the range of 5% - 6%, but dropped very drastically in 2020.

The decline that occurred in 2020 was due to a decrease in productive activity due to the Covid 19 pandemic which became a national epidemic and had an impact on the national economy as a whole. In West Java, as a result of the impact of Covid- 19, several business sectors experienced a contraction, such as the service business sector, wholesale and retail trade and car and motorcycle repair. As a result, many people who later became victims of this incident, poverty increase as impact from contraction the economy going on.

Poverty is problem complex inherent in many countries in the world, including Indonesia. Poverty occur when somebody no capable Fulfill need life and family in matter clothing, boards, and food. Poverty is a complex obstacle and must be considered in countries that are carrying out their economic development process. Poverty no fulfillment need a day day life someone. This is caused by many factors such as population growth that is not balanced with economic growth, high unemployment, uneven development and distribution of society, levels of education that tend to be low, and the occurrence of natural disasters that paralyze local economic activities.

In settlement problem even distribution or distribution, economics Islam have tool that is in the form of zakat. Zakat is a recommended means and is a great potential to be utilized in the context of distributing wealth to increase economic growth. Zakat in consumptive mustahik will Upgrade income mustahik, which means power buy mustahik to something product to be the request will too increase. An increase in the purchasing power of a product will have an impact on an increase in demand for that product. Enhancement Request means enhancement production company, securities from enhancement production is enhancement capacity production means company will absorb power work more many. It means level unemployment and poverty will down. Meanwhile, on the other hand, increased production will increase taxes paid to the state, both corporate taxes, value added taxes and income taxes.

From discussion above, got said that zakat as one of the policy instruments in economy Islam for even distribution wealth and justice in distribution this have effect multiplier (Multiplier Effect). According to Arif (2012), Even zakat in the form of supporting consumption will provide many benefits, especially if this zakat is given to mustahik in the form of support in terms of productivity, of course it will provide more benefits and effects. So that can We ataka that this zakat in a manner no live give influence to enhancement growth economy. Which one of the indicators that shows that this economic growth is good is the reduced poverty rate in the region. Research that supports this view is conducted by Piotrowska (2016) the results of panel data estimation prove that economic growth significantly affects poverty reduction and encourages changes in income distribution that supports the poor and Achmad (2018) poverty has a significant negative effect on economic growth.

Table 1 Economic Growth Rate, Poverty Rate, and Distribution of Zakat Funds

Year	Economic Growth	Percentage Poverty	Distribution of Zakat Funds
2016	5.66%	8.95%	4,895,411,095
2017	5.33%	8.71%	19,807,521,531
2018	5.66%	7.45%	19,136,075,369
2019	5.07%	6.91%	27,891,303,437
2020	-2.44%	7.88%	29,195,183,028

Source : Author Output Results

Based on the data in table 1.1 the author get from BPS and Baznas pages could We see that in 2017 the distribution of zakat funds increased amounting to Rp.14,912,110,437, which was also followed with decline percentage poverty in West Java is 0.24 % however in growth economy occur decline by 0.33%. then in 2019 the same phenomenon occurred when viewed from the zakat distribution sector there was an increase of Rp. 8,755,228,068 followed by a 0.54% reduction in poverty and a 0.59% reduction in economic growth. then in 2020 it happened enhancement distribution of zakat funds of Rp. 1,303,999,591 were followed with decline growth economy by 2.63% as well enhancement poverty by 0.97%.

Phenomenon The showing Inconsistency connection between Zakat, Poverty with Economic Growth . While in previous research as stated by Sarea (2012) in his research that when zakat funds increase then Economic growth will also increase. When Poverty down so growth economy going up or otherwise , in meaning poverty influential negative to growth economy (Achmad , 2018) so need for done testing hypothesis . So on base that Researcher pushed for do Research that saw is there is connection influence Among third variable earlier.

2. Research Method

This research uses a quantitative descriptive method or approach using secondary data collected using library techniques from all cities and districts in West Java in 2016-2020. Data already collected earlier then done testing use method analysis panel data regression , assumption test classic , and hypothesis data test .

3. Results and Discussion

3.1. Analysis Panel Data Regression

3.1.1. Chow test

The Chow test is a test used to select the best approach between the Common Effect Model (CEM) and Fixed Effect Model (FEM) approaches in estimating panel data.

Table 2. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effect Test	Statistics	df	Prob.
Cross-section F	533.898099	(26,106)	0.0000
Chi-square cross-sections	659.133393	26	0.0000

Cross-section fixed effects test equation:

Dependent Variable: Y

Method: Panel Least Squares

Date: 09/26/22 Time: 10:22

Samples: 2016 2020

Period included: 5

Cross-sections included: 27

Total panel (balanced) observations: 135

Variables	coefficient	std. Error	t-Statistics	Prob.
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C	13.97765	1.051262	13.29607	0.0000
X1	0.121897	0.045273	2.692495	0.0080
X2	0.708121	0.075831	9.338095	0.0000
Root MSE	0.714012	R-squared		0.471702
Mean dependent var	24.52600	Adjusted R-squared		0.463698
SD dependent var	0.986008	SE of regression		0.722080
Akaike info criterion	2.208610	Sum squared residue		68.82477
Schwarz criterion	2.273172	Likelihood logs		-146.0812
Hannan-Quinn criter .	2.234847	F-statistics		58.92951
Durbin-Watson stat	0.099021	Prob(F-statistic)		0.000000

Source : Eviews Output Results 10

The results of the chow test show that mark the probability of cross section F is 0.0000 < 0.05, meaning that H0 is rejected . With thus , the most appropriate model in estimate equality regression is (FEM).

3.1.2. Hausman test

The Hausman test is a test used to select the best approach between the Random Effect Model (REM) and Fixed Effect Model (FEM) approaches in estimating panel data.

Table 2. Hausman Test Results

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-sections	67.556229	2	0.0000

Cross-section random effects test comparisons:

Variables	Fixed	Random	Var(Diff.)	Prob.
X1	0.037144	0.042452	0.000000	0.0000
X2	-0.721657	-0.491264	0.000794	0.0000

Cross-section random effects test equation:

Dependent Variable: Y

Method: Panel Least Squares

Date: 09/26/22 Time: 10:23

Samples: 2016 2020

Period included: 5

Cross-sections included: 27

Total panel (balanced) observations: 135

Variables	coefficient	std. Error	t-Statistics	Prob.
C	32.16896	0.858322	37.47889	0.0000

X1	0.037144	0.005973	6.218353	0.0000
X2	-0.721657	0.071242	-10.12971	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.062157	R-squared	0.995996
Mean dependent var	24.52600	Adjusted R-squared	0.994939
SD dependent var	0.986008	SE of regression	0.070146
Akaike info criterion	-2.288674	Sum squared residue	0.521573
Schwarz criterion	-1.664578	Likelihood logs	183.4855
Hannan-Quinn criter .	-2.035059	F-statistics	941.7948
Durbin-Watson stat	1.219479	Prob(F-statistic)	0.000000

Source : Eviews Output Results 10

Results of the hausman test show that mark the probability of a random cross section is $0.0000 < 0.05$, meaning that H_0 is rejected . With thus , the most appropriate model in estimate equality regression is the Fixed Effect Model (FEM). According to Basuki and Prawoto (2016:277) p this because from some estimation models for resolve one or more problem there is the two most prominent models namely Common Effect Model (FEM) and Fixed Effect Model (REM) as well seen from the highest R^2 value (close to 1). So got concluded that the best model approach used for determine The Effect of Zakat Funds (X1) and Poverty (X2) on Economic Growth (Y) in the Province West Java from 2016 to 2020 is the Fixed Effect Model (FEM).

Table 4. Results of Panel Data Analysis of the Fixed Effect Model

Dependent Variable: Y

Method: Panel Least Squares

Date: 09/26/22 Time: 10:21

Samples: 2016 2020

Period included: 5

Cross-sections included: 27

Total panel (balanced) observations: 135

Variables	coefficient	std. Error	t-Statistics	Prob.
C	32.16896	0.858322	37.47889	0.0000
X1	0.037144	0.005973	6.218353	0.0000
X2	-0.721657	0.071242	-10.12971	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.062157	R-squared	0.995996
Mean dependent var	24.52600	Adjusted R-squared	0.994939
SD dependent var	0.986008	SE of regression	0.070146
Akaike info criterion	-2.288674	Sum squared residue	0.521573
Schwarz criterion	-1.664578	Likelihood logs	183.4855
Hannan-Quinn criter .	-2.035059	F-statistics	941.7948

Durbin-Watson stat	1.219479	Prob(F-statistic)	0.000000
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Source : Eviews Output Results 10

From the results of this fixed effect model We could find equality linear regression as following :

$$\text{LnY} = 32.16896 + 0.037114 \text{ LnX1} - 0.721657 \text{ LnX2} + e$$

Equation results with linear regression of the panel data above show that LnY (Economic Growth) has mark constant of 32.16896 means if variable other independent values remains (constant) then LnY (Economic Growth) of 32.16896.

Coefficient LnX1 regression (Zakat Fund) of 0.037114 means every an increase of 1 unit of LnX1 (Zakat Fund) will Upgrade LnY (Economic Growth) of 0.037114 units with assumption condition variable other independent values fixed (constant). The more Zakat Fund then increases Economic Growth will the more increases , and vice versa .

Coefficient LnX2 regression (Poverty) of -0.721657 means every decrease of 1 unit LnX2 (Poverty) will Upgrade LnY (Economic Growth) of 0.721657 units with assumption condition variable other independent values fixed (constant). The more decrease Poverty so Economic Growth will the more increases, and vice versa.

3.2. Assumption Test Classic

3.2.1. Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a high or perfect correlation between the independent variables. A good regression model should not have a correlation between the independent variables. The multicollinearity test between variables can be identified by using the correlation value between the independent variables.

Table 5. Multicollinearity Test Results

	X1	X2
X1	1	0.280767953273223
X2	0.280767953273223	1

Source : Eviews Output Results 10

Results obtained from the multicollinearity test show mark correlation between variable independent namely Zakat Funds (X1) and Poverty (X2) are lacking from 0.80. With so, can concluded that no there is problem multicollinearity between variable independent in the regression model.

3.2.2. Heteroscedasticity Test

Heteroscedasticity test aim for test is in the regression model occur variance inequality of residual one observation to another observation . If the variance of the residual is one observation to other observations remain called homoscedasticity and if different called heteroscedasticity. Good regression models is homoscedasticity . For test heteroscedasticity could done with using the Glejser test . Glejser test is regress residual absolute value to independent variable .

Table 6. Results of the Heteroscedasticity-Glejser Test

Dependent Variable: RESABS
Method: Panel Least Squares

Date: 09/26/22 Time: 10:32

Samples: 2016 2020

Period included: 5

Cross-sections included: 27

Total panel (balanced) observations: 135

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.124467	0.574770	0.216552	0.8289
X1	0.003672	0.024753	0.148364	0.8823
X2	0.034695	0.041460	0.836833	0.4042
Root MSE	0.390381	R-squared		0.006471
Mean dependent var	0.597012	Adjusted R-squared		-0.008582
SD dependent var	0.393109	SE of regression		0.394792
Akaike info criterion	1.001057	Sum squared residue		20.57363
Schwarz criterion	1.065619	Likelihood logs		-64.57134
Hannan-Quinn criter .	1.027293	F-statistics		0.429899
Durbin-Watson stat	0.326757	Prob(F-statistic)		0.651482

Source : Eviews Output Results 10

Results obtained from the heteroscedasticity test with using the Glejser test show that the variable Zakat Funds (X1) and Poverty (X2) are not occur heteroscedasticity matter this proven have mark the significance of Zakat Funds (X1) and Poverty (X2) is more big from 0.05. With so , can pulled conclusion that the regression model no occur heteroscedasticity.

3.3. Hypothesis Test

Hypothesis test consists from the coefficient test determination (R²), simultaneous test (F test) and partial test (t test) with estimate for panel data linear regression using the Fixed Effect Model (FEM) as following :

Table 7. Hypothesis Test Results

Dependent Variable: Y

Method: Panel Least Squares

Date: 09/26/22 Time: 10:21

Samples: 2016 2020

Period included: 5

Cross-sections included: 27

Total panel (balanced) observations: 135

Variables	coefficient	std. Error	t-Statistics	Prob.
C	32.16896	0.858322	37.47889	0.0000
X1	0.037144	0.005973	6.218353	0.0000
X2	-0.721657	0.071242	-10.12971	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.062157	R-squared	0.995996
Mean dependent var	24.52600	Adjusted R-squared	0.994939
SD dependent var	0.986008	SE of regression	0.070146
Akaike info criterion	-2.288674	Sum squared residue	0.521573
Schwarz criterion	-1.664578	Likelihood logs	183.4855
Hannan-Quinn criter .	-2.035059	F-statistics	941.7948
Durbin-Watson stat	1.219479	Prob(F-statistic)	0.000000

Source : Eviews Output Results 10

3.4. Coefficient Test Determination

Coefficient value determination showed with the R² value of the regression model . Results obtained from the coefficient test determination with the R² value of 0.995996 means 99.59% variation Economic Growth can influenced by the Zakat Fund and Poverty . While 0.41% Economic Growth can influenced by other factors that are not researched in research.

3.5. F Test (Simultaneous Test)

The F test was used for knowing is all variable independent in a manner together (simultaneously) influence variable dependent . The F test was used with level significant of 0.05. Results obtained from the F test shows that mark probability $0.0000 < 0.05$ or Fcount (941.7948) > Ftable (3.065). This means at a significance level of 5% or 0.05 that Zakat Funds (X1) and Poverty (X2) are together (simultaneous) effect to Economic Growth (Y). With thus , variable independent in a manner together influence variable dependent where Economic Growth (Y) is highly dependent with variable Zakat Funds (X1) and Poverty (X2).

3.6. T test (Partial Test)

The t test was used for knowing influence independent variable on variable dependent individually (partially). The t test was used with level significant of 0.05. Based on t test results, then could taken decision as following :

- 1) Variable Zakat Funds (X1) has mark tcount (6.218353) > ttable (1.978) or mark probability $0.0000 < \alpha 0.05$. This has a partial meaning of the Zakat Fund variable (X1) has an effect significant to Economic Growth (Y). tcount value positive it means every enhancement Zakat Fund variable (X1) then variable Economic Growth (Y) will also experience increase , and vice versa .
- 2) Variables Poverty (X2) has value - tcount (-10.12971) < - ttable (-1.978) or mark probability $0.0000 < \alpha 0.05$. This has a partial meaning of poverty variable (X2) has an effect significant to Economic Growth (Y). tcount value negative it means every decline variable Poverty (X2) then variable Economic Growth (Y) will experience increase , and vice versa.

3.7. Discussion

3.7.1. Analysis Effect of Zakat Funds on Economic Growth

Coefficient LnX1 regression (Zakat Fund) of 0.037114 means every an increase of 1 unit of LnX1 (Zakat Fund) will Upgrade LnY (Economic Growth) of 0.037114 units with assumption condition variable other independent values fixed (constant). The more Zakat Fund then increases Economic Growth will the more increases , and vice versa .

In line with the results obtained above, Deputy Governor West Java UU Ruzhanul Ulum

also said that if Zakat rate in West Java is increasing between 25% and 30% each year, that will help Upgrade the economy in the region and help in alleviation poverty especially poverty extreme. As stated by Ridwan Kamil that if just in collection of zakat funds according to the target of Rp. 1.6 trillion, get help government deep west java effort they eradicate poverty.

Zakat matters significant to growth economy, because in distribution of this zakat have effect multiplier. According to Wise Rianto (2012) Zakat in consumptive mustahik will Upgrade income mustahik, which means power buy mustahik to something product to be the request will too increase. Enhancement power buy something product will impact on improvement Request to product the. Enhancement Request means enhancement production company, securities from enhancement production is enhancement capacity production means company will absorb power work more many. It means level unemployment and poverty will down. Meanwhile, on the other hand, increased production will increase taxes paid to the state, both corporate taxes, value added taxes and income taxes.

Even zakat in the form of supporting consumption will provide many benefits, especially if this zakat is given to mustahik in the form of support in terms of productivity, of course it will provide more benefits and effects. In line with Arif, the research conducted by Sarea also yielded results conclusion that If Zakat goes up then Economic growth will increase. this because of zakat gradually help in eradication poverty, reduction unemployment and rates inflation.

3.7.2. *Analysis Influence Poverty to Economic Growth*

Coefficient LnX2 regression (Poverty) of -0.721657 means every decrease of 1 unit LnX2 (Poverty) will Upgrade LnY (Economic Growth) of 0.721657 units with assumption condition variable other independent values fixed (constant). The more decrease Poverty so Economic Growth will the more increases, and vice versa.

Poverty can be interpreted as a low standard of living resulting in material shortages in some groups of people between the prevailing standard of living in a society. Poverty has become a problem that has always been a challenge for every ruler in every administration anywhere, including in Indonesia, especially West Java. The government in this case must always provide policies in the context of poverty alleviation.

Poverty naturally Becomes profession House for government from year to year. Especially with exists the crippling Covid-19 pandemic part big activity society, of course impact all aspect life, economy for example. The long-standing Covid-19 pandemic has paralyzed the wheels of the economy, many business actors have gone out of business or have had to rethink how to survive and continue to produce in the midst of a pandemic, no doubt some have laid off their employees. As a result, many people lost their jobs. Layoffs happened naturally will worsen level unemployment to be fishing level poverty more high. Naturally this must quick eradicated and eradicated solution best in alleviation poverty this, because if occur enhancement poverty so will slow down rate growth economy, as it has been evidenced by Achmad (2018) that poverty significant negative effect to growth economy.

3.7.3. *Analysis The Effect of Zakat and Poverty in a manner simultaneous to Economic Growth*

Results obtained from the F test shows that mark probability $0.0000 < 0.05$ or $F_{count} (941.7948) > F_{table} (3.065)$. This shows that the independent variables together are at the level of significance 5% significant effect to variable dependent. so that can We say that variable zakat and poverty influential in a manner simultaneous to growth economy.

Economic growth is one of the criteria that can be used as a reason why a region can be

said to be advanced or not. Of course, the economic growth of a region will always be different from each year, it could be higher or lower. This happens because many factors influence it, as an example we can see with the increase in population. If this is not addressed properly, this will cause problems, because if the population increases, there will be an increase in demand for consumption and there will also be an increase in demand for employment opportunities. When this is not accompanied by an increase in good production factors, it will cause disparities in income distribution so that conditions where economic growth with an increase in the poverty rate.

Province West Java which is the research area this time showing fluctuation enhancement growth economics on the range 2016-2020 year, here occur no because because but we can look at the factors external influence. Factor the is exists outbreak of the covid-19 pandemic. The pandemic that emerged at the start this year 2020 not only impact on the Health sector but also impact to sector others, not except economy. Enhancement the Covid-19 case, especially in West Java, forced government down hand To use zoom out opportunity spread with validity restrictions social scale large on April 22 2020 in West Java.

Impact this covid-19 shook economy in West Java. So many perpetrator affected businesses, so they must struggling endure as much maybe for business his permanent walk so that many from perpetrator efforts to lay off employees. this layoff Upgrade level unemployment in West Java and fishing enhancement number poverty this proven with research data get that in 2020 happened enhancement number poverty 0.97%. And here it is needed role government for give stimulus to perpetrator effort or those affected by this pandemic so that they can Upgrade productivity. Government with Policy of course try maximum possible resolve impact rather than the pandemic that occurred and on the other hand boosted wheel economy for more passionate. One of the alternatives taken is through West Java BAZNAS distributing zakat funds to victims affected by co-19.

Zakat given to the mustahik this can channeled with two events viz with consumer zakat or productive zakat. Zakat as help consumption will too bring many benefits, moreover if this zakat given to mustahik as help productivity naturally will bring more benefits and impact. As stated by Arif that consumptive zakat will increase mustahik income, increased income will increase the demand for the goods needed, this increase in demand leads to increased production which requires more labor. So that tax payments to the state will increase and unemployment and poverty will decrease.

This research reinforces previous research that has been done. That is research conducted by Arif (2012) and Sarea (2012) which resulted in the conclusion that the increase that occurred in the distribution of zakat would have an impact on economic growth which also increased. As well as research Achmad (2018) and Piotrowska (2016) which states that poverty has a negative effect on economic growth, which means that any increase in poverty will lead to a decrease in economic growth or vice versa. On research this variable zakat and poverty influential significant to growth economy with a value of 99.59% and another 0.41%. influenced by other variables that are not explained this time.

4. Conclusions

Based on the results of the Data Analysis Test that researchers have carried out regarding the effect of zakat and poverty on economic growth in West Java in 2016-2020 the following conclusions can be drawn:

- 1) Variable Zakat Funds (X1) has mark tcount (6.218353) > ttable (1.977) or mark probability $0.0000 < \alpha 0.05$. This means that partially the Zakat Fund variable (X1) has an effect significant to Economic Growth (Y). tcount value positive it means every enhancement

Zakat Fund variable (X1) then variable Economic Growth (Y) will also experience increase, and vice versa.

- 2) Variables Poverty (X2) has value - tcount (-10.12971) < - ttable (-1.977) or mark probability $0.0000 < \alpha 0.05$. This means that partially the variable Poverty (X2) has an effect significant to Economic Growth (Y). tcount value negative it means every decline variable Poverty (X2) then variable Economic Growth (Y) will experience increase , and vice versa.
- 3) Variable Zakat Funds (X1) and Poverty (X2) . together influential to Economic Growth (Y). this can seen of the F value of 1439.841 and value probability $0.0000 < 0.05$ or Fcount (1439.841) > Ftable (3.062). With thus , variable independent in a manner together influence variable dependent of 99.74% where Economic Growth (Y) is influenced by Zakat Funds (X1) and Poverty (X2) variables , and 0.26% is influenced by other factors.

Based on the results of the research discussed above, here are some suggestions from researchers that can be given, namely that this study uses not too much data with annual data for a period of 5 years and is taken only from BAZNAS and BPS, not using data from Other institutions so as to support this research better. Then this research is expected to be examined with other variables that affect economic growth. Also by using a wider sample so that it can better represent a population.

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