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The relevance of Muhammad Baqir al-Sadr's thought on zakat distribution for poverty alleviation in Indonesia

Muhammad Al Berto[1*], Mugiyati[2], Muhammad Daffa Al-farisy[3]

[1,2] *Sharia Economics Study Program, Faculty of Islamic Economics and Business, UIN Sunan Ampel Surabaya, Indonesia*

[3] *Faculty of Economics and Management Sciences, International Islamic University Malaysia, Malaysia*

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ABSTRACT

Poverty remains a major challenge in Indonesia despite institutionalized zakat management. Muhammad Baqir al-Sadr conceptualizes zakat as a productive redistributive mechanism intended to promote long-term socioeconomic justice. This study assesses the effectiveness of zakat within this framework using the Autoregressive Distributed Lag (ARDL) approach with annual data from 2001–2023 and GDP as a control variable. The results indicate that zakat has a significant short-run effect, reducing poverty with its strongest impact appearing after a lag (coefficient = –0.131), although the effect weakens and reverses over time, reflecting a consumption-based distribution pattern. In contrast, GDP shows both short-run and long-run significance in lowering poverty, with a sustained negative long-term effect (coefficient = –0.855). These findings suggest that current Zakat implementation has not yet embodied al-Sadr's productive model and requires governance reforms to strengthen its structural role in poverty alleviation.

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* Corresponding Author. muhammadalberto1210@gmail.com

1. Introduction

Poverty remains a major challenge to economic development and social welfare, particularly in developing countries like Indonesia. Various conventional economic policies have been implemented to reduce poverty, but their effectiveness is often limited by income inequality, limited access to employment, and other structural factors. Therefore, a more comprehensive alternative approach is needed to address these problems (Dauda, 2017).

In general, poverty is not only understood as the inability of individuals or households to meet basic needs but is also closely related to limited access to education, health, capital and economic opportunities. This makes poverty multidimensional, so that the strategy to overcome it is not sufficient only through macroeconomic policies but also requires interventions that touch on aspects of distribution, social justice, and empowerment of poor communities (Craig & Porter, 2005; Egharevba et al., 2016). Thus, the expected solution will not only be able to reduce poverty figures statistically but also create independence and improve the quality of life of poor people in a sustainable manner.

From an Islamic economic perspective, zakat is not only a religious obligation but also an instrument for wealth redistribution that can strengthen social welfare and reduce economic inequality. One prominent thinker, Muhammad Baqir al- Shadr, (2008), emphasized that an Islamic economic system must balance private ownership with social responsibility. He argues that zakat serves as a strategic instrument for distributing wealth to prevent it from accumulating in a small group, while simultaneously strengthening the economic participation of the poor. Within this framework, Zakat can play a productive role in poverty alleviation, not just for consumption.

Muhammad Baqir al-Sadr divides economic distribution into two broad dimensions: the distribution of resources before they are controlled by individuals, and the distribution of wealth after they are in individual control. In the first dimension, distribution is carried out through public, state, and individual ownership mechanisms in accordance with sharia principles to ensure that access to resources is not concentrated in the hands of certain groups. In the second dimension, instruments such as zakat (alms) serve as an important means of maintaining socio-economic balance. Zakat serves as a corrective mechanism for potential inequality, ensuring that a portion of the wealthy is distributed fairly to those in need. In this way, zakat not only plays a role in meeting the basic needs of the poor but also in stimulating productive economic activity by increasing their purchasing power and economic participation (Aziz et al., 2020; Herianingrum et al., 2024) Pakistan. Microlevel data are utilized from a renowned national survey, Pakistan Social and Living Standards Measurement Survey (PSLM. This thinking emphasizes that economic distribution in Islam is dynamic, not solely consumptive, but also emphasizes an empowering function so that poverty can be reduced systematically and sustainably.

Several studies have shown that zakat plays an important role in reducing inequality and improving social welfare (Ayuniyyah et al., 2018; Bayuni, 2023). As a structured redistribution mechanism, zakat contributes to poverty alleviation by reallocating wealth from eligible contributors to underserved communities. Empirical evidence also indicates that zakat can strengthen community resilience through productive programs such as farmer empowerment, disaster relief support, and targeted assistance for vulnerable groups, including women and low-income households (Anis & Kassim, 2016; Arifin & Anwar, 2021; Saputra & Tanjung, 2024). These findings highlight zakat's multidimensional value, extending beyond consumption-based support toward broader socio-economic development.

Despite its demonstrated benefits, the empirical examination of zakat's temporal impact remains limited. Most research focuses on static relationships, offering little insight into whether zakat functions primarily as a short-term relief mechanism or evolves into a long-term structural economic tool. This lack of dynamic assessment is particularly relevant considering Baqir al-Sadr's theoretical perspective, which emphasizes zakat as a means of productive redistribution and sustained empowerment rather than merely immediate assistance. Thus, distinguishing between the short-run and long-run effects of zakat is crucial to empirically validating whether current zakat practices align with the theoretical foundations of Islamic distributive justice.

In addition to zakat, poverty is also influenced by broader macroeconomic conditions. Economic growth often measured through Gross Domestic Product (GDP) may reduce poverty through increased income levels, improved employment opportunities, and enhanced productive activity (Škare & Pržiklas Družeta, 2016; Zhu et al., 2022)and to analyze the causal link between the two phenomena. Research issues that drive our study are: Does economic growth tend to "raise all boats" as Kuznets (1955. Therefore, GDP is included in this study solely as a control variable to ensure that the estimated impact of zakat on poverty is not distorted by national macroeconomic fluctuations (Balasubramanian et al., 2023). Based on the theoretical basis and previous empirical studies, the relationship between variables in this study is illustrated as follows:

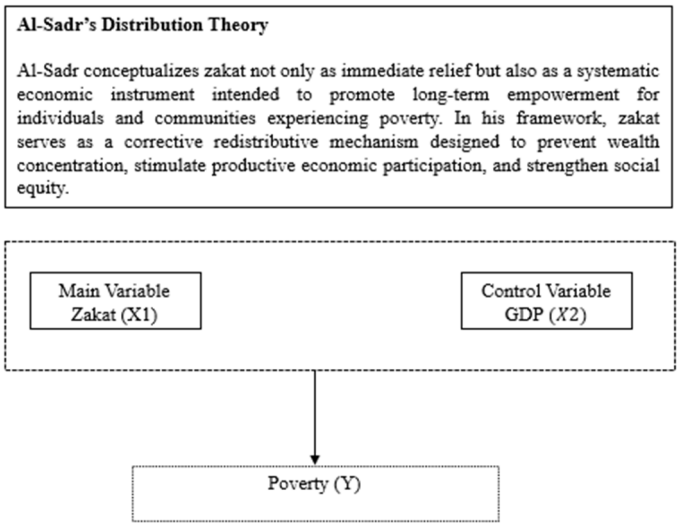

Figure 1. Conceptual Framework

Source: Author, 2025

This framework implies that zakat is theoretically expected to contribute to poverty reduction across different time horizons. In the short run, zakat may function as immediate financial relief for households with limited resources, while in the long run it is expected to operate as a redistributive and empowerment mechanism consistent with al-Sadr's conceptualization of sustainable socio-economic balance. GDP is included solely as a control variable to capture the influence of broader macroeconomic dynamics such as income growth, employment expansion, and consumption capacity thereby ensuring that the estimated impact of zakat on poverty is not confounded by external economic conditions. By integrating theoretical reasoning and empirical justification, the model evaluates whether zakat functions merely as short-term assistance or evolves into a long-term structural instrument for poverty alleviation.

H: Zakat has a negative and significant effect on poverty in the short and long term.

2. Research Method

This study employed quantitative research, employing numerical data, and using statistical and econometric methods as analytical tools. The data used is secondary time series data, with a total of 23 observations covering the period 2001-2023. The data in this study comprises the total number of poor people and total zakat (alms) in Indonesia. The data were sourced from the websites of the Central Statistics Agency (BPS) of the Republic of Indonesia, World Bank, and the National Board of Zakat Republic of Indonesia (BAZNAS).

The dependent variable in this study, Poverty Level (LNPOV), is measured by the total number of poor individuals, defined as the population living below the poverty line set by BPS and recorded annually in units of people. The independent variable, Total Zakat (LNZAK), represents the total annual zakat funds collected by BAZNAS of the Republic of Indonesia, including Trade Zakat, Zakat Maal, Zakat Fitrah, Profit Sharing from Zakat Fund Placement, Surplus from Exchange/Appraisal, and Other Receipts Without Amil Rights, measured in Indonesian Rupiah (IDR). Additionally, the control variable, Gross Domestic Product (LNGDP), is sourced from the World Bank and presented in constant 2015 U.S. dollars to ensure consistency across years and to control for macroeconomic conditions that may influence poverty levels independently of zakat distribution. All variables are transformed into natural logarithms to stabilize variance, improve normality, and allow the coefficients to be interpreted as elasticities in the ARDL estimation framework.

This study uses the Autoregressive Distributed Lag (ARDL) analysis tool. The ARDL model is a combination of the autoregressive (AR) and distributed lag (DL) methods. The AR method uses one or more past data points from the dependent variable, while the DL method uses both current and past data points from the independent variable. This model is a linear regression model that takes into account the long-term and short-term effects of the dependent variable on a unit change in the value of the explanatory variable (Gujarati, 2021; Pesaran, 2015).

The ARDL bounds testing procedure was selected because it is suitable for datasets where variables are integrated at mixed orders either I (0), I (1), or a combination of both (Mohammed Idris et al., 2021). This characteristic makes ARDL particularly appropriate for this research since the variables used do not share the same level of stationarity. Additionally, the ARDL technique allows simultaneous estimation of long-run and short-run effects and performs effectively when working with relatively limited sample sizes, which strengthens the robustness of the empirical results (Menegaki, 2019; Saleem et al., 2020).

To represent the theoretical relationship among variables, the functional form of the model is written as:

$$LNPOV_t = f(LNZAK_t, LNGDP_t) \qquad (1)$$

The ARDL specification of the model is formulated as follows:

$$\Delta LNPOV_t = \alpha_0 + \sum_{i=1}^{n} \alpha_{1i}\, \Delta LNPOV_{t-i} + \sum_{i=1}^{n} \alpha_{2i}\, \Delta LNZAK_{t-i} + \sum_{i=1}^{n} \alpha_{3i}\, \Delta LNGDP_{t-i} + \lambda_1 LNPOV_{t-1} + \lambda_2 LNZAK_{t-1} + \lambda_3 LNGDP_{t-i} + \varepsilon_t \qquad (2)$$

After confirming cointegration, the short-run dynamics are estimated using the Error Correction Model (ECM), which is expressed as:

$$\Delta LNPOV_t = \beta_0 + \sum_{i=1}^{p} \beta_1\, \Delta LNPOV_{t-i} + \sum_{i=1}^{q} \beta_2\, \Delta LNZAK_{t-i} + \sum_{i=1}^{r} \beta_3\, \Delta LNGDP_{t-i} + \phi ECM_{t-1} + \varepsilon_t \qquad (3)$$

where denotes the first difference operator, represents the error correction term derived from the long-run estimation, and captures the speed of adjustment toward equilibrium.

3. Results and Discussion

The ARDL model is used to determine whether there is a short-term and long-term relationship between the research variables. Before estimating the ARDL model, the first step is to conduct a stationarity test.

a. Stationarity Test

The Augmented Dickey-Fuller (ADF) Test with a significant level of 5% is used to determine whether the data is stationary. A probability value below 5% leads to rejection of H0 and indicates that the data is stationary, while a probability value above 5% supports H0, meaning the data is non-stationary. If the variables show different stationarity levels, such as some being stationary at the level while others become stationary only after first differencing, then the Autoregressive Distributed Lag (ARDL) model is the appropriate analytical approach. This is because ARDL can accommodate datasets with mixed stationarity levels, if none of the variables require second differencing. Therefore, since the variables in this study demonstrate different levels of stationarity, the ARDL model is selected for further analysis. Table 1 summarizes the results of the stationarity test.

Table 1. Stationarity Test Results

Variable	Level		Frist Difference	
	Prob.	Ket.	Prob.	Ket.
LNPOV	0.7583	Non-stationary	0.0007	Stationary
LNZAK	0.0021	Stationary	-	-
LNGDP	0.4594	Non-stationary	0.0185	Stationary

Source: Statistical Processing Results EViews 13, 2025

The Augmented Dickey-Fuller (ADF) test results show that the LNPOV variable, with a probability value of 0.7583 (>0.05), is non-stationary at the level but becomes stationary after first differencing with a probability of 0.0007 (<0.05). The LNZAK variable is stationary at the level with a probability of 0.0021 (<0.05), indicating that no differencing is required. Meanwhile, the LNGDP variable is non-stationary at the level (0.4594 > 0.05) but becomes stationary after first differencing (0.0185 < 0.05). These findings indicate a combination of variables that are stationary at the level and at first difference, meeting the conditions for using the ARDL approach since none of the variables require second differencing.

b. Optimum Lag Test

Lag determination is performed using the Akaike Information Criterion (AIC), which helps select the most appropriate lag length for the model, with smaller values indicating a better fit. The following are the results of data lag determination:

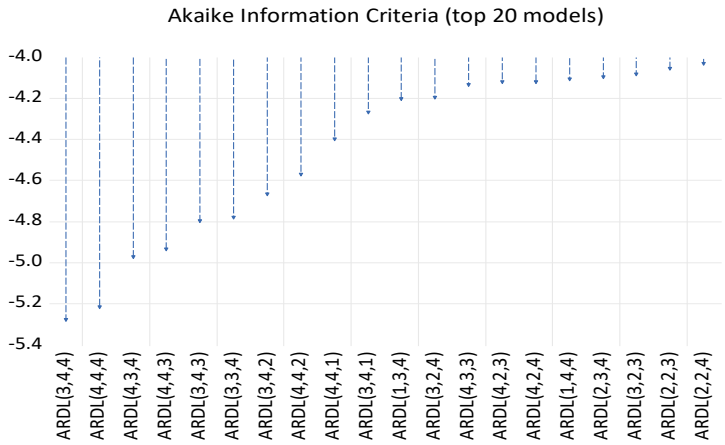

Figure 2. Optimum Lag Test Results

Source: Statistical Processing Results EViews 13, 2025

Based on the Akaike info criterion method, the system automatically determines the lag of the ARDL model for variable Y, namely LNPOV at 3 lag, while for variable X, namely LNZAK and LNGDP at 4 lag.

c. Cointegration Test

The next step is cointegration testing. The cointegration test in this study uses the Bound Test Approach. The cointegration test aims to determine the long-term relationship between the dependent variable and the independent variable. Cointegration between variables can be determined by the critical value and the predetermined F-statistic value. There are two limits to the cointegration test: the lower bound and the upper bound. If the F-statistic value is above the upper bound, it can be concluded that cointegration occurs between the variables. However, if the F-statistic falls between the lower and upper bounds, the test result is inconclusive, meaning that further investigation is required to establish whether cointegration exists.

Table 3. Cointegration Test Results

Test	Value	K
F-Stat.	8.215.840	2
Significant	I(0)	I(1)
10%	2.915	3.695
5%	3.538	4.428
1%	5.155	6.265

Source: Statistical Processing Results EViews 13, 2025

Based on the table above, the results of the cointegration test using the Bounds Test approach show that the F-statistic value is 8.215.840. Since this value is greater than the lower and upper bound critical value at the 5% significance level, it indicates the rejection of the null hypothesis of no cointegration. This finding confirms that a long-run relationship exists among the variables included in the model. In other words, the tested variables are not only connected in the short run but also move toward a long-run equilibrium.

d. Normality Test

This test is used to determine whether the residual distribution in a data set is normal or not. Normally distributed residuals can affect the validity of a study. If the p-value <α, then H0 is rejected, meaning the residuals are not normally distributed. H0 is not rejected if the residuals are normally distributed. The figure below shows a Jarque-Bera value of 0.022785 with a p-value of 0.988672 or greater than 5% alpha. Therefore, H0 is not rejected, meaning the residuals are normally distributed.

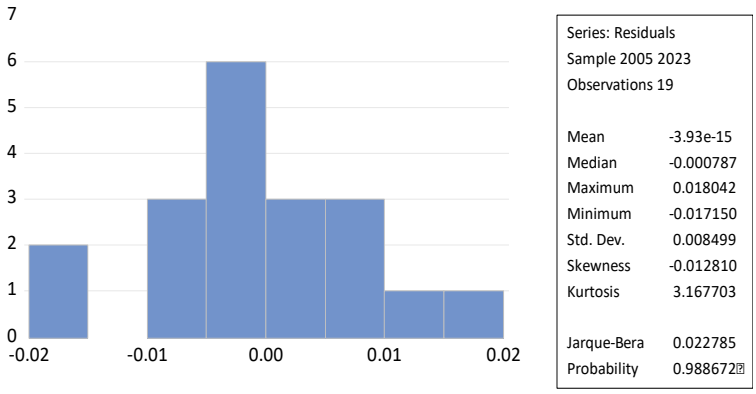

Figure 3. Normality Test Results

Source: Statistical Processing Results EViews 13, 2025

e. Heteroscedasticity Test

The heteroscedasticity test is a test used and aims to determine the inequality of residual variances in research. The test tool used is the Breush-Pagan-Godfrey test where H0 is rejected if the p-value < α, H0 means there is no heteroscedasticity. In the table below, the p-value is 0.4461 or greater than 5% alpha, it can be stated that H0 is accepted or there is no heteroscedasticity problem in the model being tested.

Table 4. Heteroscedasticity Test Results

Breusch-Pagan-Godfrey Test	
F-statistic	0.837952
Obs*R-squared	13.02267
Scaled explained SS	0.977468
Prob. F (13,5)	0.6351
Prob. Chi-Square (13)	0.4461
Prob. Chi-Square (13)	0.9999

Source: Statistical Processing Results EViews 13, 2025

f. Autocorrelation Test

This test aims to determine whether there is a correlation between the variables in the prediction model with changes in time. Based on the Breusch-Godfrey Serial Correlation LM test, the Chi-Square probability is 0.2701 > α 5%, so it can be concluded that the assumptions of the autocorrelation test have been met or there is no autocorrelation problem between the variables.

Table 5. Autocorrelation Test Results

F-statistic	2.090259
Obs*R-squared	11.06185
Prob. F (2,3)	0.2701
Prob. Chi-Square (2)	0.0040

Source: Statistical Processing Results Eviews 13, 2025

g. Short-Term Estimation Result

Short-term ARDL estimation uses the ECM model and an error correction variable shown in the form of CointEq(-1) as the previous period's error. Cointegration of the dependent variable with the independent variable and the validity of the ARDL ECM model are known if the CointEq (-1) value is negative and significant. Meanwhile, the short-term relationship can be explained by the probability of t start < the significance value (α = 0.05) then the model is significant. The following are the results of the short-term ARDL model estimation.

Table 6. Short-Term Estimation Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ*	-0.637108	0.087861	-7.251302	0.0001
D (LNPOV (-1))	0.396250	0.107072	3.700773	0.0060
D (LNPOV (-2))	0.795212	0.145287	5.473397	0.0006
D (LNZAK)	-0.043427	0.030417	-1.427697	0.1912
D (LNZAK (-1))	-0.131144	0.024845	-5.278442	0.0007
D (LNZAK (-2))	-0.059163	0.019051	-3.105588	0.0145
D (LNZAK (-3))	0.096494	0.017565	5.493437	0.0006
D(LNGDP)	-2.651207	0.227002	-1.167922	0.0000
D (LNGDP (-1))	-0.051721	0.393159	-0.131552	0.8986
D (LNGDP (-2))	0.636864	0.395270	1.611212	0.1458
D (LNGDP (-3))	-1.067853	0.283206	-3.770585	0.0055

Source: Statistical Processing Results Eviews 13, 2025

Based The short-run ARDL estimation shows that the error correction term (CointEq(-1)) is negative and statistically significant with a coefficient of -0.637108 (p = 0.0001), confirming a valid adjustment mechanism and indicating that approximately 63.71% of short-run disequilibrium is corrected each period toward long-run equilibrium. The dependent variable, poverty, demonstrates significant short-term persistence, where lag 1 (coefficient = 0.396250; p = 0.0060) and lag 2 (coefficient = 0.795212; p = 0.0006) are both positive and statistically significant, indicating that past poverty levels continue to influence current poverty conditions over the short-run horizon.

For the main explanatory variable, zakat, the contemporaneous effect is not statistically significant. However, the lag structure indicates meaningful short-run dynamics. Zakat at lag 1 (-0.131144; p = 0.0007) and lag 2 (-0.059163; p = 0.0145) display negative and statistically significant effects on poverty, suggesting that the impact of zakat materializes after a temporal delay rather than instantaneously. Meanwhile, zakat at lag 3 becomes positive with a statistically significant value (0.096494; p = 0.0006), showing a reversal of direction in the short-run response pattern.

The control variable GDP also contributes to short-run poverty dynamics. The current GDP coefficient is negative and statistically significant (-2.651207; p = 0.0000), while lag 1 and lag 2 show no significant effects. The significance reappears at lag 3, with a negative coefficient (-1.067853; p = 0.0055). This indicates that economic output affects poverty in the short run, with its strongest effect observed contemporaneously and again after a multi-period lag structure.

h. Long-Term Estimation Result

Long-term estimation of the ARDL model to determine the long-term influence of variables is performed using the Long Run Form test, combined with the cointegration test or Bound Test. The long-term relationship can be explained by the condition that if the t-statistical probability value is < the significance value (α = 0.05), then the model is significant. The following are the results of the long-term ARDL model estimation.

Table 7. Long-Term Estimation Test Results

Variable *	Coefficient	Std. Error	t-Statistic	Prob.
LNZAK (-1)	0.043882	0.063382	0.692341	0.4986
LNGDP (-1)	-0.855118	0.279557	-30588278	0.0075
C	4.968513	9.650742	5.148322	0.0001

Source: Statistical Processing Results EViews 13, 2025

Based on the long-run estimation, the variable zakat lag 1 shows a coefficient value of 0.043882 with a probability value of 0.4986, indicating that zakat does not have a statistically significant long-term effect on poverty in this model. Although the coefficient is positive, the absence of statistical significance suggests that long-term changes in zakat distribution do not generate measurable adjustments in poverty levels throughout the observed period.

In contrast, the variable control GDP lag 1 demonstrates a negative and statistically significant coefficient of -0.855118 with a probability value of 0.0075, indicating that GDP has a meaningful and sustained long-run impact on reducing poverty. This implies that increases in economic output are associated with lower poverty levels over time.

i. Discussion

The findings indicate that zakat has a dynamic response to poverty. In the short term, zakat does not show a significant effect in the current period but becomes significant at the first and second lag periods, with negative coefficients. This suggests that the impact of zakat on reducing poverty is not immediate but requires a time lag before contributing to welfare improvement. This delayed effect aligns with Ayuniyyah et al., (2018) who found that zakat-based poverty reduction becomes measurable only after recipients transition from consumption-based support to productive income earning activities. However, at the third lag, the direction of the zakat coefficient becomes positive and remains significant. This reversal may indicate a structural limitation within the current zakat implementation model, where distribution remains dominated by short-term consumption-based assistance, causing beneficiaries to fall back into vulnerable conditions once temporary aid ends. Similar evidence was reported by Beik & Arsyianti, (2016), who explained that zakat interventions lose effectiveness in the absence of sustainable economic empowerment programs.

In the long term, zakat does not show a statistically significant effect on poverty. This finding demonstrates that zakat has not yet functioned as a structural economic instrument capable of

transforming poverty patterns at the national level. This contrasts with the theoretical framework of Muhammad Baqir al-Sadr, who conceptualizes zakat as an integrated economic mechanism designed not only to meet immediate needs but also to ensure long-term redistribution, productivity, and social equilibrium within an Islamic economic system. According to al-Sadr, zakat should function as an institutionalized mechanism linked with state policy, ensuring sustainable empowerment rather than relief-oriented assistance. The gap between al-Sadr's theoretical expectations and the empirical outcome in Indonesia indicates that the governance structure of zakat particularly integration with national economic policies, sustainability of programs, and beneficiary graduation mechanisms has not yet enabled zakat to operate as a transformative poverty alleviation tool. This critique is consistent with Saad et al., (2023), who concluded that zakat becomes effective only when governance systems, targeting accuracy, and monitoring mechanisms are aligned with long-term productive objectives.

GDP included in the model as a macroeconomic control variable demonstrates a negative and significant impact on poverty in both the short and long term. This confirms that national economic growth remains a primary determinant in reducing poverty levels. This finding is consistent with Setiawan et al., (2024) who used a system dynamics model and demonstrated that macroeconomic expansion has a stronger structural effect on poverty reduction compared to fluctuations in zakat distribution. Including GDP enhances the explanatory power of the model by capturing the interaction between macroeconomic conditions and institutional religious redistribution.

Policy implications derived from these findings suggest that the effectiveness of zakat in reducing poverty is not solely determined by the amount collected, but rather by governance quality, institutional design, and the shift from consumptive assistance toward productive empowerment. Empirical studies such as highlight that productive zakat schemes supported by business development training, capital investment, and structured evaluation can sustainably improve the socio-economic welfare of beneficiaries. Consistent with al-Sadr's theory, zakat must be deinstitutionalized not merely as a charitable transfer but as a developmental mechanism embedded within the national economic framework. Furthermore, strengthening digital governance, transparency, and data integration as emphasized by Herianingrum et al., (2024) can increase public trust, expand the zakat collection base, and enable systematic planning aligned with national poverty reduction agendas. Therefore, implementing institutional reform, integrating zakat into macroeconomic policies, and transitioning toward measurable empowerment-based programs are essential steps for enabling zakat to fulfil its intended structural role in poverty reduction.

4. Conclusion

This study evaluates the relevance of Muhammad Baqir al-Sadr's conception of zakat as a transformative socio-economic instrument for poverty alleviation in Indonesia using the ARDL method. The findings indicate that zakat has a short-run effect in reducing poverty, as reflected in negative coefficients; however, the presence of positive coefficients at certain lag periods suggests that zakat distribution still predominantly consumptive tends to generate temporary rather than sustained impacts. In the long run, zakat does not demonstrate a statistically significant effect, indicating that its structural role in poverty reduction has not yet been fully optimized. In contrast, the control variable GDP shows a consistently significant negative effect in both the short and long run, suggesting that economic growth remains the dominant factor influencing poverty reduction. Overall, these findings do not fully align with al-Sadr's theoretical expectation of zakat as a productive redistributive mechanism, as the empirical evidence that zakat practices in Indonesia remain focused on short-term relief rather than long-term empowerment.

This study acknowledges several limitations. The variables used were restricted due to limitations in the long-term time-series availability data, preventing the inclusion of additional economic and institutional indicators that could strengthen the analysis. Moreover, the use of national aggregate data may overlook regional disparities in zakat performance across areas with different governance capacity and levels of digitalization. Therefore, future research is recommended to expand the model with additional variables, employ cross-provincial or panel ARDL approaches, and explore micro-level program performance, as well as the role of digitalization and governance frameworks. Such efforts are expected to better reflect al-Sadr's concept of distributive justice and enhance zakat's long-term role as a sustainable poverty alleviation instrument in Indonesia.

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