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MORALITY BEFORE KNOWLEDGE

Analyzing the impact of human development, price stability, and Islamic social funds on Indonesia's economic growth

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ABSTRACT

Background: This study aims to analyze the factors that influence Indonesia's economic growth, focusing on the impact of the Human Development Index (HDI), inflation, and Islamic social funds, which include zakat, infaq, and sadaqah (ZIS), during the period 2003-2024. This study was motivated by the slowdown in Indonesia's economic growth, which only reached 5.27% in the 2022-2024 period. In addition, previous studies that have shown uncertainty in the relationship between HDI, inflation, and ZIS on economic growth necessitate a more comprehensive and long-term analysis. **Methods:** This study uses secondary data obtained from official reports from the Central Bureau of Statistics of Indonesia/*Badan Pusat Statistik Indonesia*, Indonesian Bank/*Bank Indonesia* (BI), and the National Zakat Collection Agency/*Badan Amil Zakat Nasional* (BAZNAS). Data analysis was performed using multiple linear regression with the Ordinary Least Squares (OLS) approach, processed with EViews 12 software, to test the effect of independent variables on economic growth. **Findings:** The results indicate that HDI and ZIS have a positive and significant impact on economic growth, with coefficients of 3.089 and 0.0401, respectively. In contrast, inflation has no significant effect on economic growth. These findings support the theory that improving the quality of human development and optimizing the management of Islamic social funds can promote inclusive economic growth. Simultaneously, the variables of HDI, inflation, and ZIS were found to have a significant effect on economic growth, with the model explaining 89% of the variation. **Conclusion**: Improving the quality of human resources and optimizing the collection of Islamic social funds have been proven to increase Indonesia's economic growth. **Novelty/Originality of this article:** The novelty of this study lies in the integration of the Human Development Index, inflation, and Islamic social funds (zakat, infaq, and sadaqah) variables into a single long-term analysis model. The study offers more representative and robust empirical evidence on the determinants of economic growth in Indonesia.

KEYWORDS: economic growth; human development index; inflation; Islamic social funds.

1. Introduction

Economic growth is a key indicator of a country's national development success in a certain period, reflecting an increase in welfare and overall economic equality (Razia et al., 2023; Sama et al., 2024; Zhang & Zhou, 2025). From an Islamic perspective, economic success is not only measured by an increase in material welfare but also by progress in spiritual, social, and community aspects (Wartoyo & Haida, 2023). Healthy economic growth is reflected in the equitable distribution of income among the people, which ultimately promotes social stability and sustainable development (Safitri et al., 2024a).

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Governments around the world strive to strengthen their economies by reducing unemployment, and the cultivation of knowledge and skills within society. These efforts promote innovation and technological progress, which in turn reinforce economic growth (Lutfi et al., 2023; Putri et al., 2023). However, in contrast to global economic growth, which increased by 0,2% from 2023 to 2024 (International Monetary Fund, 2023), Indonesia experienced a slowdown, with its economic growth rate declining to 5.27% during the 2022-2024 period. This decline is associated with moderate growth in the production sector, fluctuations and investment dynamics, and an imbalance in performance between exports and imports (Badan Pusat Statistik, 2025c).

This situation warrants serious attention, as economic slowdown can exacerbate unemployment rates, hinder development through stagnant productivity, and intensify economic inequality (Safitri et al., 2025; Tampubolon, 2024; Vechsuruck & Pratoomchat, 2024). Ideally, economic growth should reflect both improved welfare and equitable income distribution (Hang, 2022). This indicates that the success of economic growth cannot be separated from the influence of various macroeconomic and social factors that shape the overall structure of the economy (Khan et al., 2022; Timergazizova, 2025).

Several factors that influence economic growth include the Human Development Index (HDI) and the inflation rate (Gulcemal, 2020; Nabila & Udjianto, 2023; Soleman et al., 2022; Suprapto & Saleh, 2022). Furthermore, from an Islamic economic perspective, the collection of Islamic social funds in the form of *zakat, indaq, and sadaqah* (*ZIS*) also plays an important role in driving economic growth through the mechanisms of wealth redistribution and improved social welfare (Arwani & Wahdati, 2020; Maslakhah et al., 2024). Figure 1 below illustrates the development of the HDI, inflation rate, and growth in *ZIS* collection (in percentage) in Indonesia over the 2003-2023 period.

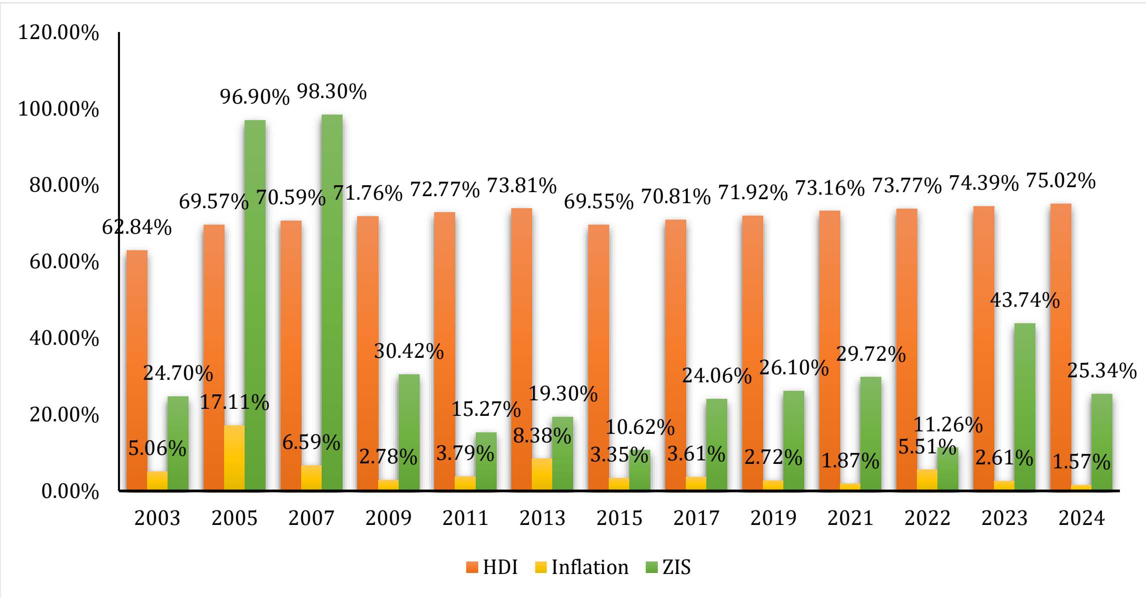

Fig. 1. Percentage of Human Development Index (HDI), inflation rate, and growth of Islamic social fund collection (ZIS) in Indonesia for the period (2003 – 2024)
(Badan Amil Zakat Nasional, 2025; Badan Pusat Statistik, 2025a; Bank Indonesia, 2025)

Based on the statistical data in Figure 1, Indonesia's *Human Development Index* (*HDI*) achievements are classified into four categories, namely high (HDI ≥ 80), upper middle (70 ≤ HDI < 80), lower middle (60 ≤ HDI < 70), and low (HDI < 60). Between 2003 and 2024, Indonesia's HDI increased at an average annual rate of approximately 0.89%, consistently placing the country in the upper-middle category. However, in 2009-2010, there was a decline of around 7.29*%* due to the economic recovery process after the monetary crisis and pressure on the agricultural sector caused by pest infestations and financial constraints (Morley et al., 2019; Badan Pusat Statistik 2025a).

The HDI, developed by the United Nations Development Programme (UNDP) in 1990, is an indicator for assessing human development achievements based on three main dimensions; health, education, and decent living standards (Andini et al., 2023; Appiah et al., 2019). The health dimension is measured through life expectancy indicators that reflect the level of community productivity (Baouchari & Raouf, 2025). The education dimension is evaluated based on the average years of schooling and literacy rates, while the standard of living is assessed through per capita income, indicating the community's capacity to meet basic needs and improving overall welfare (Arwani & Wahdati, 2020; Haryono & Margono, 2024). Numerous studies have found a positive and significant relationship between HDI and economic growth (Arwani & Wahdati, 2020; Gulcemal, 2020; Haryono & Margono, 2024; Maslakhah et al., 2024). However, other studies have found a negative effect (Andini et al., 2023; Wijaya & Windhani, 2025) or no statistically significant effect (Azizah & Prasetyo, 2023; Damanik et al., 2021; Yusnuri & Abubakar, 2023).

Bank Indonesia's inflation calculations reflect changes in the prices of goods and services that represent patterns of consumption in a given period (Bank Indonesia, 2025). From 2003 to 2024, Indonesia's inflation rate remained relatively stable, ranging between 2.5% and 10%. Nonetheless, in certain years, inflation deviated from the central bank's target range of 3% - 9%. Inflation below the target was recorded in 2003, 2020, and 2021, primarily due to global economic downturns, the Covid-19 pandemic, and supply-side disruptions (Sulistiawati et al., 2024; Widodo, 2023). Conversely, inflation above the target occurred in 2008, reaching 11.06%, triggered by a surge in global commodity prices and a weakening of the rupiah exchange rate (Christianingrum & Syafri, 2019; Riwana & Haryanto, 2024). According to Philips, inflation can reduce unemployment and have a positive impact on economic growth. This perspective aligns with several studies suggesting that moderate inflation promotes economic stability and welfare (Kiefer, 1997; Razia et al., 2023; Sama et al., 2024; Yakub et al., 2024). However, excessive inflation can harm economic growth (Qabaja & Tenekeci, 2024).

In addition to HDI and *inflation*, *Zakat*, *Infaq*, and *Sadaqah* (*ZIS*) also play a role in driving economic growth. ZIS is a portion of the community's wealth that is distributed to the poor and those in need (Imami & Fadila, 2024). Infaq and sadaqah are voluntary contributions with no restrictions on amount or timing, while zakat is a mandatory payment allocated to eight eligible groups (*asnaf*): the poor, the needy, administrators (*amil*), new converts (*muallaf*), slaves (*riqab*), debtors (*ibnu sabil*) (Beik & Ayuniyyah, 2018). Between 2003 and 2024, the *ZIS* collection exhibited a fluctuating trend rising in 2004-2005, declining during the global financial crisis, and weakening again between 2011 and 2015. The Covid-19 pandemic temporarily suppressed collection, but a notable recovery occurred in 2021-2022, supported by the increasing digitalization of zakat systems. Overall, the potential of *ZIS* remains significant if it is managed professionally, transparently, and adaptively to technological developments (Badan Amal Zakat Nasional, 2025; Maulida et al., 2024; Prasetyoningrum, 2023). Several studies also show that *ZIS* has a positive and significant effect on economic growth (Arwani & Wahdati, 2020; Harahap et al., 2024; Maslakhah et al., 2024; Ramadhanty & Ryandono, 2025; Safitri et al., 2024b), although several other studies have found insignificant effects (Nuriski, 2023; Ridlo & Wardani, 2020).

Fluctuations in Indonesia's economic growth over the past two decades reflect structural challenges in maintaining stability and sustainability in national development. This condition indicates that the national economy is still vulnerable to changes in macroeconomic and social factors. Consequently, a more comprehensive investigation is required to identify the variables that significantly influence sustainable economic growth.

This research is important because it provides an empirical basis for policymakers to understand the contribution of key factors, such as inflation, human development, and Islamic social funds, to long-term economic growth in Indonesia. Academically, the relevance of this study lies in its efforts to address the inconsistencies found in previous research, which have reported varying relationships between HDI, inflation, *ZIS*, and economic growth. These discrepancies underscore the need for updated analyses that incorporate extended observation periods and more robust analytical frameworks to accurately capture long-term economic dynamics.

This study not only strengthens empirical validity but also provides new, more representative evidence on Indonesia's economic cycle through the expansion of data to 22 years (2003-2024). Furthermore, this study contributes conceptually by integrating conventional economic variables, such as HDI and inflation, with Islamic economic variables in the form of Islamic social fund collection (*ZIS*). This approach is important because Islamic economics emphasizes the principles of distributive justice and social welfare, which theoretically can strengthen the foundations of an inclusive macroeconomy. Thus, this study not only enriches the empirical literature on the determinants of economic growth in Indonesia but also expands scientific studies on the role of Islamic social instruments as drivers of equitable and sustainable growth. Therefore, the purpose of this study is to analyze the effect of the HDI, inflation, and *ZIS* on Indonesia's economic growth during the period 2003-2024, both partially and simultaneously, to provide new empirical evidence on the role of Islamic economics in supporting national economic stability and progress.

2. Methods

This study employs secondary data and conducts a quantitative analysis to examine the relationship among variables over a defined time period (Abubakar, 2021). In accordance with the nature of the data and the research focus, a quantitative approach with a causal research design was adopted. This approach was chosen because all variables in this study are expressed in measurable numerical form and can be statistically analyzed to test causal relationships (Saragih et al., 2021). A causality design was applied to identify the cause and effect relationship between the independent variables, namely the Human Development Index (HDI), inflation, and *zakat, infaq,* and *sadaqah* (*ZIS*), on the dependent variable, namely economic growth (Ferdinand, 2014).

This approach aligns with a framework that views socio-economic phenomena such as the level of *ZIS* fund collection, inflation, *HDI*, and economic such as real and objectively observable through empirical data (Triyawan et al., 2022; Zaky & Badriyah, 2024). Each variable is assumed to have a measurable and rational relationship, where changes in one variable may influence others (Permadi et al., 2023; Suhendar et al., 2022). Insights into these relationships are obtained through the collection and statistical analysis of numerical data to identify patterns, direction, and the magnitude of the relationships among variables.

This study focuses on the Indonesian economy as the research population, with an observation period from 2003 to 2024. Indonesia was chosen based on its national economic characteristics, which show a fluctuating pattern with a downward trend in the long term, especially after the peak period of 2011-2013 (Badan Pusat Statistik, 2024). These conditions reflect complex economic dynamics and instability in the factors affecting growth, making them interesting for further analysis.

The 2003-2024 time frame was chosen due to the availability of complete and consistent data from various official sources such as the Badan Pusat Statistik (BPS), Bank Indonesia (BI), and Badan Amil Zakat Nasional (BAZNAS). In addition, this period also covers various important phases in Indonesia's economic dynamics, such as the recovery from the 2008-2009 global crisis, the economic slowdown of 2014-2019, the impact of the Covid-19 pandemic in 2020, and the economic recovery phases of 2021-2024 (Badan pusat Statistik, 2024; Carita et al., 2025; World Bank, 2023). With a fairly long observation period of 22 years, this study is expected to provide a more comprehensive picture of the patterns of change and the relationship between *ZIS*, inflation, and HDI variables on economic growth in Indonesia.

In addition, this period allows for a more in-depth analysis of summarizing critical economic transitions, including the recovery phases and policy adaptations that shape the national economic landscape. The sampling technique employed is purposive sampling, in which samples are selected based on specific criteria that align closely with the research objectives (Auliya et al., 2020). This method ensures that the selected data possess the characteristics necessary to effectively address the research questions.

The data used in this study are secondary data obtained from official reports from Badan Pusat Statistik (BPS), Bank Indonesia (BI), and Badan Amil Zakat Nasional (BAZNAS). The data collection technique was carried out through the documentation method, namely by examining written sources such as reports, books, scientific publications, and other documents containing the necessary information and data (Abubakar, 2021). The detailed description of the data sources, types, and measurement indicators used in this study is presented in Table 1.

Table 1. Sources of secondary data for the variables of *HDI*, *inflation*, *ZIS*, and *economic growth*

Variable	Indicator	Data source
Human Development Index (HDI)	Level of education, health, and decent living standards in percent from 2003 to 2024.	Data obtained from the Human Development Index reports, Badan Pusat Statistik at https://www.bps.go.id
Inflation	Consumer price index in percent from 2003 to 2024.	Data obtained from Bank Indonesia at https://www.bi.go.id/id/statistik/indikator/target-inflasi.aspx
Zakat, Infaq, and Sadaqah (ZIS)	Growth in the collection of zakat, infaq, and sadaqah (ZIS) funds in percent from 2003 to 2024.	Data obtained from the national zakat management report at the end of the year, Badan Amil Zakat Nasional (BAZNAS) https://baznas.go.id/statistik-zakat-nasional
Economic Growth	Gross Domestic Product (GDP) in percent from 2003 to 2024.	Data obtained from the Badan Pusat Statistik (BPS) https://www.bps.go.id

This study employs multiple linear regression analysis using the Ordinary Least Squares (OLS) method to process the data presented in Table 1. The multiple linear regression technique is applied to examine both the partial and simultaneous effects of several independent variables on a single dependent variable. The regression model used in this study is specified as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \qquad \text{(Eq. 1)}$$

Based on Equation 1, the variables used in this study are described as follows. The variable Y represents economic growth as the dependent variable. Meanwhile, β_0 denotes the constant, which reflects the value of economic growth when all independent variables are equal to zero. The variable β_1X_1 represents the Human Development Index (HDI), β_2X_2 represents inflation, and β_3X_3 represents the growth in the collection of zakat, infaq, and sadaqah (ZIS) as the independent variables expected to influence economic growth. Furthermore, e refers to the error term, which captures the effects of other factors not included in the model and accounts for unexplained variations in economic growth.

The linear regression model analysis in this study was processed using EViews 12 software. Before interpreting the regression results, a classical assumption test was first conducted to ensure that the regression model met the Best Linear Unbiased Estimator (BLUE) criteria. According to Basuki & Prawoto (2019), several classical assumption tests were conducted to ensure the validity and reliability of the regression model. First, the normality test was performed to determine whether the residuals were normally distributed, which is a fundamental assumption in many statistical analyses (Střelec & Stehlík, 2017). Residuals are considered normally distributed when the probability value exceeds 0.05 (Durilleul & Legendre, 1992). Second, the multicollinearity test was used to identify the presence of linear relationships among the independent variables in the regression model (Gunawan, 2001). Multicollinearity occurs when two or more independent variables are highly correlated with one another (Suhendra, 2021). The model is considered free from multicollinearity when all independent variables have a Variance

Inflation Factor (VIF) value of less than 10 and a Tolerance value greater than 0.10. Third, the heteroscedasticity test was conducted to examine whether the variance of the residuals remained constant across observations (homoscedasticity) or varied (heteroscedasticity) (Gujarati & Porter, 2010). The model is deemed free from heteroscedasticity if the Chi-square probability value is greater than 0.05. Finally, the autocorrelation test was carried out to detect correlations among residuals in time-series data, which may lead to biased estimations if left unaddressed (Swancpoel & Beer, 1989). The regression model is considered free from autocorrelation when the Chi-square probability value exceeds 0.05.

After conducting the classical assumption tests, the next stage involved hypothesis testing, which included the coefficient of determination (R^2), F-test, and t-test. The coefficient of determination (R^2) explains the extent to which the independent variables collectively account for variations in the dependent variable. A higher (R^2) value indicates a better-fitting model, as it reflects a greater explanatory power of the independent variables (Winarno, 2017).

The t-test is used to measure the partial effect of each independent variable on the dependent variable. A t-statistic value greater than the t-table indicates a significant effect. The level of significance is determined by a p-value less than *0.05*, while the direction of the effect is indicated by the sign of the regression coefficient (Ghozali, 2005). Meanwhile, the F-test is used to assess the simultaneous effect of all independent variables on the dependent variable. The model is considered statistically significant if the F-statistic value exceeds the F-table and the probability value is below *0.05* (Jumono, 2022).

The hypothesis of this study posits that the *HDI*, *inflation*, and *ZIS* act as independent variables that positively and significantly influence *economic growth*, which serves as the dependent variable. The conceptual framework of this study is supported by previous empirical findings that also confirm the effect of *HDI*, *inflation*, and *ZIS* on *economic growth*. The complete hypothesis model is illustrated in Figure 2.

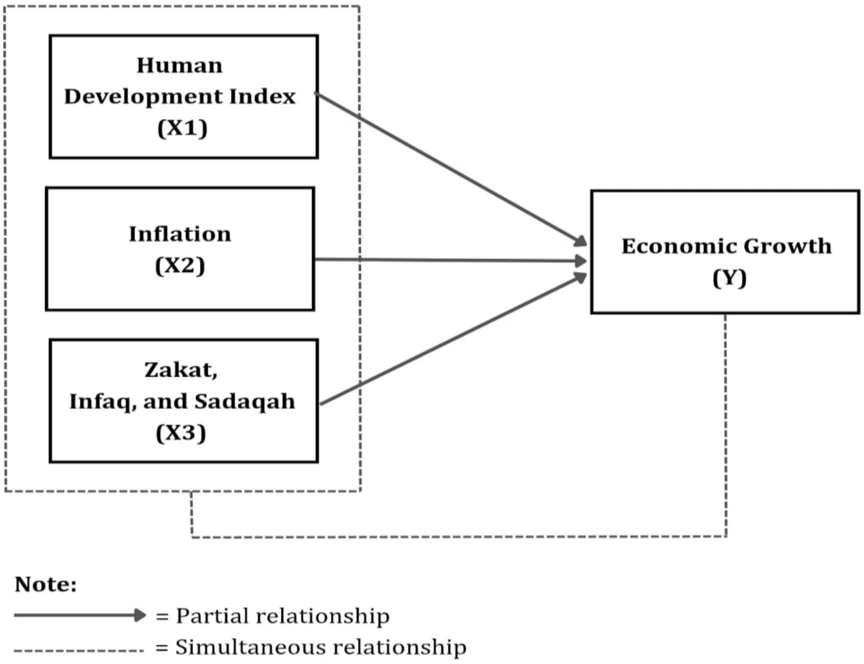

Fig. 2. Research framework

Based of the research framework outlined in Figure 2, the research hypothesis are formulated as follows:

H1: The *Human Development Index (HDI)* has a positive effect on *economic growth* in Indonesia

H2: *Inflation* has a positive and significant effect on *economic growth* in Indonesia.

H3: *Zakat, infaq, and sadaqah (ZIS)* have a positive effect on *economic growth* in Indonesia.

H4: Simultaneously, *HDI*, *inflation*, and *ZIS* have a significant effect on *economic growth* in Indonesia.

3. Results and Discussion

3.1 Model validity test

Using the Ordinary Least Squares (OLS) method, a multiple linear regression model was estimated to analyze the effects of the *Human Development Index* (X_1), *inflation* (X_2), and *ZIS* (*zakat*, *infaq*, and *sadaqah*) (X_3) variables on *economic growth* (Y). Before hypothesis testing, classical assumption tests were conducted, as outlined by Basuki & Prawoto (2019), including tests of normality, multicollinearity, heteroscedasticity, and autocorrelation. This test aims to ensure that the regression model used meets the Best Linear Unbiased Estimator (BLUE) criteria, so that the estimation results obtained are unbiased, efficient, and accurate. The entire series of tests was conducted in October 2025.

This study began with the classical assumption testing with a normality assessment. While normality is not a strict requirement for achieving BLUE properties, particularly in large samples, it becomes critical in small sample contexts. As noted by Basuki & Prawoto (2019), and further supported by Liang & Ahad (2020), the sample size in this study consisted of only 22 observations (fewer than 30), making normality testing vital for ensuring valid statistical inference and minimizing the risk of misinterpretation. The normality test yielded a probability value of 0.999597. since this value exceeds the 0.05 threshold, it can be concluded that the residuals of the model are normally distributed. Results from the remaining classical assumption tests-namely, multicollinearity, heteroscedasticity, and autocorrelation are presented in Tables 2 respectively.

Table 2. The multicollinearity, heteroscedasticity and autocorrelation test result

Variable	Coefficient variance	Uncentered VIF	Centered VIF
	Multicollinearity test results		
C	0.000168	1.328748	NA
IPM	0.427217	1.144230	1.032220
Inflation	0.086439	1.470149	1.468829
ZIS	0.000245	1.343524	1.343466
	Heteroskedasticity test: breusch-pagan-godfrey		
F-statistic	0.505394	Prob. F(6, 12)	0.7931
Obs*R-squared	3.832724	Prob. Chi-Square(6)	0.6993
Scaled explained SS	1.536486	Prob. Chi-Square(6)	0.9570
	Autocorrelation test result		
F-statistic	0.097507	Prob. F(2, 10)	0.9079
Obs*R-squared	0.363439	Prob. Chi-Square(2)	0.8338

Multicollinearity testing was conducted to ensure that there were no strong linear relationships between independent variables, given that this study used a multiple linear regression model. Based on the results of the Variance Inflation Factor (VIF) test presented in Table 2, all independent variables had VIF values, namely HDI (1.032220), inflation (1.468829), and *ZIS* (1.343466), all of which are less than 10, and Tolerance values greater than 0.10. These results indicate that the data in this study do not experience multicollinearity problems, so the variables of HDI, inflation, and *ZIS* do not have a significant relationship with each other. Thus, estimated regression coefficients obtained can be trusted (Hartono & Wahyuni, 2017)

Furthermore, the heteroscedasticity test was performed using the Breusch-Pagan-Godfrey method. As presented in Table 2, the Chi-Square probability value (Obs*R-squared) of 0.6993, is greater than 0.05. Therefore, it can be concluded that the regression model in this study has constant residual variance between observations (homoscedasticity), as explained by Basuki & Prawoto (2019).

Given that the dataset comprises time series, an autocorrelation test was also conducted. The results, shown in Table 2, yielded a Chi-Square probability value of 0.8338, which is greater than 0.05. This finding indicates that the regression model does not suffer from autocorrelation, meaning there is no significant relationship between the error terms across different time periods (Kumar, 2023). Based on all the result of the classical assumption tests, which include normality, multicollinearity, heteroscedasticity, and autocorrelation tests, it can be concluded that the regression model in this study has met the Best Linear Unbiased Estimator (BLUE) criteria. Therefore, the model is deemed appropriate for subsequent hypothesis testing.

3.2 Hypothesis testing

This section presents the hypothesis testing conducted to evaluate the impact of the independent variables HDI (X_1), inflation (X_2), and *ZIS* (X_3) on economic growth (Y) in Indonesia over the period 2003-2024. The analysis considers both partial and simultaneous effects of these variables. Using the Ordinary Least Squares (OLS) method, the multiple linear regression model estimated in this study is formulated as follows:

$$\text{In}(Y) = -0.005 + 3.089\, X_1 - 0.0004\, X_2 + 0.040\, \text{In}(X_3) + e \qquad \text{(Eq. 2)}$$

The results of hypothesis testing, which include the coefficient of determination (R^2) test, t-test, F-test, are presented in Tables 3 and 4.

Table 3. Results of the coefficient of determination (R^2)

R-Squared	Adjusted R-Squared
0.930787	0.896180

Based on the results of multiple linear regression analysis with logarithmic transformation on the independent variables of *ZIS* and the dependent variable of economic growth, this study reveals several important findings. First, the partial test results (t-test) presented in Table 4 show that the HDI variable has a statistically significant effect on economic growth in Indonesia. This is indicated by a t-statistic value of 4.726190, which is greater than the t-table value of 2.10092, and a probability value of 0.0005, which is less than the significance level of 0.05. the regression coefficient of 3.089 indicates a positive relationship between HDI and economic growth, suggesting that a one percent increase in HDI contributes to a significant increase in economic growth. Therefore, the first hypothesis, which posits that HDI positively affects economic growth, is supported.

Table 4. Result of the t-test and F-test

Variable	t-Statistic/F-statistic	Prob.	Description
HDI -> economic growth	4.726190	0.0005	H1 accepted
Inflation -> economic growth	-0.001466	0.9989	H2 rejected
ZIS -> economic growth	2.562896	0.0249	H3 accepted
HDI, inflation, and ZIS -> economic growth	26.89613	0.000003	H4 accepted

These findings align with Solow's theory of economic growth, which underscores the importance of human capital quality as a key factor in driving economic expansion (Hasyim & Ibrahim, 2016). The latest data on Indonesia's Human Development Index (HDI) reveals that the expected years of schooling for individuals aged 7 increased by 0.45%, while the average years of schooling for those aged 25 rose by approximately 0,91% (Badan Pusat Statistik, 2025b). This improvement in educational attainment reflects an enhancement in human capital quality, which directly strengthens labor capacity and stimulates innovation across various economic sectors (Wijaya & Windhani, 2025).

Individuals with higher levels of education generally exhibit greater adaptability to technological advancements and contribute more significantly to national productivity

(Erlyn et al., 2022). Likewise, individuals with better health conditions tend to demonstrate higher productivity and labor force participation, thereby contributing to aggregate economic output (Mongan, 2019). In parallel, indicators of societal welfare have also improved, with real annual per capita expenditure increasing by 3.71% in 2024. This rise reflects the growing purchasing power of the population, stemming from improved living standards (Badan Pusat Statistik, 2024).

In the Indonesian context, the rise in HDI not only signifies progress in education and health but also indicates an increase in labor productivity. The growth in average years of schooling and life expectancy, as reported by Badan Pusat Statistik (2025b), expands the population's capacity to innovate and adapt to the digital transformation of the national economy. Therefore, the enhancement no longer relies solely on the accumulation of physical capital but increasingly on human capabilities to generate new value-added outcomes (Rijal, 2025; Widarni, 2021)

Based on the study by Chatha et al. (2025), which analyzed 53 developing countries over the period 2002-2021, improvements in the Human Development Index (HDI) in developing nations can be achieved through three main areas of focus: increasing foreign direct investment, strengthening technological innovation, and enhancing institutional quality. Investment in human development has a multiplier effect that spreads across various economic sectors. For instance, improving access to and the quality of education can lead to higher income and better employment opportunities. This, in turn, drives household consumption and increases government tax revenues (Budiharso & Tarman, 2020).

Furthermore, technological innovation plays a vital role in expanding access to education and healthcare services. The application of technology not only broadens service reach but also improves learning outcomes and public health standards. Enhanced intellectual capacity and health form the foundation for a more productive, adaptive, and innovative workforce. This directly contributes to strengthening national competitiveness and accelerating economic growth (Kasim, 2024).

The resulting economic activity then creates a sustainable growth cycle, reinforcing the initial positive impact of investment in human development (Gulcemal, 2020). Even simple initiatives, such as improving financial and digital literacy among the population, also contribute to HDI advancement. Such literacy programs can empower individuals and increase community engagement in development efforts (Muti'ah et al., 2022). Therefore, Indonesia's future human development strategy should adopt a balanced and contextual approach-strengthening sectors that have shown strong performance while addressing specific challenges in regions with lower HDI. This approach will ensure more inclusive, equitable, and sustainable human development across all regions of Indonesia.

The findings of this study are consistent with prior research. Gulcemal (2020) found that HDI significantly influences economic growth in several developing countries, including Turkey, Peru, and South Africa. Similarly, Haryono and Margono (2024) demonstrated that improvements in human development substantially contributed to economic growth in East Java Province during the 2022-2023 period. Arwani and Wahdati (2020), who proved that HDI has a positive effect on Indonesia's economic growth during the 2013-2017 period.

Second, the partial test result (t-test) shown in Table 6 indicates that the inflation variable has a t-statistic value of -0.001466 with a probability value of 0.9989, which is much greater than the general significance level ($\alpha = 0.05$). Based on these results, it can be concluded that inflation does not have a statistically significant effect on economic growth in Indonesia during the 2003-2024 period.

This finding contrasts with the classical view proposed by Phillips, which posits a negative relationship between inflation and unemployment, thereby indirectly promoting economic growth. However, several previous studies affirm that under certain conditions, inflation does not always exert a tangible impact on economic growth, as its effects may be shaped by various structural factors and the cyclical dynamics unique to each country (Pandey, 2025).

The results of this study indicate that the influence of inflation on economic growth in Indonesia is not statistically significant, highlighting the complexity of the relationship between price stability and economic output. At the national level, monetary policy has remained relatively consistent in maintaining inflation within the target range 2-4% (Bank Indonesia, 2025), demonstrating that price stability has become a fundamental prerequisite for smooth economic activity sectors. This condition renders inflation fluctuations less impactful on national economic growth. In other words, inflation that remains controlled within the designated target range tends to be neutral with respect to economic growth. This aligns with the monetarist neutrality perspective, which asserts that when inflation is stable, its effect on output tends to be minimal (Angelina & Nugraha, 2020; Yakub et al., 2024).

Other studies also suggest that moderate inflation can act as a catalyst for economic growth, as it helps maintain price expectations at reasonable levels and encourages sustained consumer and investment activity (Lubocheng, 2024). Stable inflation sends positive signals to economic agents, as controlled price increases foster expectations of future profits. This environment can stimulate increased production capacity, expansion of investments in strategic sectors, and strengthening of aggregate demand, ultimately contributing to sustainable national economic growth.

Conversely, inflation that exceeds the optimal threshold can introduce economic uncertainty, erode purchasing power, and hinder long-term investment decisions. When inflation reaches excessively high levels, production costs rise, real incomes decline, and overall economic activity slows down (Macia, 2024). Therefore, inflation control is not merely an important element but a critical factor in maintaining macroeconomic stability and ensuring the long-term sustainability of economic growth in Indonesia.

From a policy standpoint, the government plays a strategic role in managing the relationship between inflation and economic growth through adaptive fiscal and monetary measures. While tight monetary policy can reduce inflation, it may also dampen economic activity due to reduced liquidity and investment (Pandiangan et al., 2025). Conversely, overly loose monetary policy can stimulate short-term economic growth, but has the potential to cause excessive inflationary pressure (Sinha, 2022). Thus, data-driven and dynamic policies are needed to maintain price stability without sacrificing the momentum of national economic growth.

Additionally, moderate increases in the prices of goods and services can incentivize productive sectors to improve efficiency and maximize profits, particularly when driven by rising demand or limited supply. Similar phenomena have been observed in countries such as China and Palestine, where moderate inflation was followed by production expansion and improved industrial performance (Qabaja & Tenekeci, 2024; Taliding et al., 2019). This demonstrates that controlled inflation does not always have negative effects; under well-coordinated macroeconomic policies, it can act as a driver of economic activity.

Previous research by Susilawati & Wibowo (2025) found that inflation had a negative but statistically insignificant effect on economic growth in Indonesia during the 1990-2023 period. Comparable findings were reported by Razia et al. (2023), who concluded that inflation did not significantly affect economic growth in Palestine between 1991 and 2020. Meanwhile, Sule et al. (2024) demonstrated that high inflation rates-particularly those exceeding 10%-tend to negatively impact Gross Domestic Product (GDP) growth, investment levels, and employment rates.

Third, the t-test results for the *ZIS* variable show that *ZIS* has a statistically significant effect on economic growth in Indonesia. This is evidenced by a t-statistic value of 2.562896, which is less than the significance level of 0.05. The coefficient value of 0.0401 indicates a positive relationship between *ZIS* and economic growth, meaning that every 1% increase in *ZIS* will drive economic growth by 0.04%. Therefore, the third hypothesis, which posits that *ZIS* positively affects economic growth, is accepted.

The potential for collecting *zakat, infaq, and sadaqah (ZIS)* in Indonesia is immense, estimated at 327 trillion rupiah. This figure aligns with the country's large Muslim population, which reaches approximately 246 million out of a total of 282 million people around 13% of the global Muslim population (Kementerian Dalam Negeri, 2024; Ridlo & Wardani, 2020). However, actual zakat collection in Indonesia has only reached about 10% of its total potential. This shortfall is attributed to several factors, including limited support from local governments, slow implementation of zakat digitalization, and low public trust in zakat management institutions (Badan Amil Zakat Nasional, 2025).

Additional challenges also arise in reporting and governance. Although the reporting participation rate is relatively high at 93.77%, the fact that not all of the 722 zakat managers submit reports on time indicates ongoing barriers to achieving full compliance. On the other hand, efforts to maintain and enhance public trust, as well as to optimize *ZIS* management, remain critical challenges that must be addressed promptly (Badan Amil Zakat Nasional, 2024). Given the vast potential of *ZIS*, optimizing its collection could significantly impact national economic growth, particularly in reducing poverty levels (Andni, 2023). Previous studies have shown that the effectiveness of *ZIS* management can be improved through the implementation of professional management systems and the development of structured and productive programs within zakat collection units. These steps would enhance the efficiency of both fund collection and distribution (Supriyadi, 2023).

Moreover, increasing public awareness about the importance of fulfilling *zakat, infaq, and sadaqah* through official institutions is also a crucial factor. This awareness helps expand community participation and strengthens *ZIS* contributions to poverty alleviation (Fadhilah et al., 2024; Imami & Fadila, 2024). Additionally, integrating zakat management with the Sustainable Development Goals (SDGs) can amplify its socio-economic impact. Such alignment not only provides a framework for measuring success but also attracts broader support from various stakeholders (Asyifa et al., 2024; Syamsuri et al., 2022; Umar et al., 2025).

This finding underscores the importance of stronger and more coordinated policy integration between zakat institutions and national fiscal authorities. Such integration ensures that *ZIS* distribution is not merely consumptive but is also directed toward productive, well-planned, and sustainable activities. Examples include social entrepreneurship programs, structured microfinance initiatives, and vocational training that directly enhance the capacity and skills of communities (Ridlo & Wardani, 2020). This approach is expected to significantly improve the economic competitiveness of low-income populations while contributing meaningfully, to equitable, inclusive, and sustainable national economic growth (Adawiah et al., 2023).

The findings of this study are consistent with previous research. Sudi (2024) reported that zakat has the most significant influence on economic empowerment in Indonesia. Similarly, Rosyidah & Luthfiyah (2025) emphasized the potential of *ZIS* in reducing poverty and fostering national economic growth. Cholil et al. (2024) found that *ZIS* has a positive and significant effect on Gross Domestic Product (GDP) in both short and long term, primarily by the enhancing the purchasing power of low-income communities. These conclusions are further supported by Hidayat et al. (2023), who highlighted the substantial contribution of *ZIS* revenue to Indonesia's economic growth and underscored the role of Islamic social funds in building an inclusive and equitable economic foundation.

Fourth, the simultaneous analysis of HDI, inflation, and *ZIS* variables confirms their collective significance in influencing economic growth in Indonesia. The F-test result presented in the table show an F-statistic value of which exceeds the critical F-value of 3.16, accompanied by a probability value of 0.000003. These findings support the acceptance of the fourth hypothesis, which posits that HDI, inflation, and *ZIS* jointly exert a significant impact on economic growth.

Furthermore, as shown in Table 5, the Adjusted (R^2) value of 0.896 indicates that approximately 89% of the variation in economic growth is explained by the three independent variables, while the remaining 11% is attributable to other factors not included in the model. This high explanatory power suggests that HDI, inflation, and *ZIS* are robust predictors of economic performance in the Indonesian context.

These findings imply that strategic improvements in HDI-particularly through investment in education, healthcare, and living standards-combined with effective inflation control and optimized *ZIS* fund mobilization, have the potential to substantially enhance Indonesia's economic growth. Strengthening policy synergies between human development initiatives and *ZIS* management is therefore a critical pathway for advancing national economic progress.

The government is expected to continue developing effective *ZIS* management strategies and social policies, with sustainable implementation through cross-institutional collaboration, such as between the Indonesia Government, Bank Indonesia, and National Zakat Collection Agency/*Badan Amil Zakat Nasional* (BAZNAS). This collaboration is expected to strengthen the zakat fund collection and distribution system, increase its contribution to inclusive and sustainable economic development, and encourage improvements in the quality of social programs and infrastructure that support equitable economic growth.

Overall, the findings of this study affirm that human development and the optimization of Islamic social funds (*zakat, infaq, and sadaqah*) constitute two fundamental pillars in supporting sustainable economic growth in Indonesia. The synergy between fiscal and social policies that integrate human development with *ZIS* management can produce a more effective policy mix: on one hand, enhancing human capacity through improvements in education and health, and on the other, expanding the productive economic base through the strategic utilization of social funds. Thus, *ZIS* functions not only as a social instrument but also as a strategic tool in national development. Looking ahead, the government must strengthen cross-sectoral collaboration, improve the effectiveness of *ZIS* management, and integrate human development policies with macroeconomic stabilization strategic to ensure the achievement of inclusive and sustainable economic growth.

This study, however, is subject to several limitations. It relies on secondary data sourced from the Central Bureau of Statistics/*Badan Pusat Statistik* (BPS), Bank Indonesia (BI), and Badan Amil Zakat Nasional (BAZNAS). The data is annual and, in some instances, exhibits inconsistencies across reporting periods, leading to discrepancies in values. Although the sample size 22 observations meets the minimum requirements for regression analysis, broader data coverage-particularly more complete records on *ZIS* fund collection-would enhance the robustness of the findings.

Additionally, the coefficient of determination (R^2) suggests that 11% of the variation in economic growth is influenced by variables not captured in the model, pointing to the existence of other important determinants. The use of a multiple linear regression (OLS) approach also assumes linear relationships among variables, whereas the actual dynamic between economic growth, HDI, inflation, and *ZIS* may be non-linear or shaped by complex interaction growth, without accounting for distribution patterns or the effectiveness of fund utilization-factors that directly influence real economic activity. As such, the estimated impact of *ZIS* on economic growth remains partial and warrants further investigation.

Therefore, the estimated effects of the variables examined in this study on economic growth remain limited and warrant further exploration. These inconsistencies across periods, whether sourced from BPS, BI, or BAZNAS. Given these constraints, future research is recommended to utilize more comprehensive datasets with longer time spans, incorporate additional relevant variables that may influence economic growth and apply methodological approaches capable of capturing complex, non-linear relationships and dynamic interactions among variables.

Such steps are expected to broaden the understanding of the determinants of Indonesia's economic growth in a more holistic manner, thereby enabling the formulation of national development strategies that are more targeted, effective, and sustainable, and that better reflect the actual conditions of the economy.

4. Conclusions

This study confirms that improvements in the quality of education, health, and living standards are critical indicators of human development that significantly contribute to economic growth in Indonesia. Advancements in these three areas reflect the success of human development initiatives, which not only enhance labor productivity but also bolster the long-term competitiveness of the national economy. Additionally, the study highlights the strategic importance of managing Islamic social funds through *zakat*, *infaq*, and *sadaqah* (*ZIS*) as instruments for strengthening the economic foundation and improving community welfare. This is particularly relevant given Indonesia's position as the country with the largest Muslim population in the world, which has great potential in optimizing religious social funds to support inclusive economic development.

The main findings of the study show that a combination of improved human development quality, maintained inflation stability, and effective management of Islamic social funds can create a foundation for inclusive and sustainable economic growth. Thus, economic growth does not only depend on macroeconomic policies, but also on strengthening social and humanitarian aspects through human development and equitable distribution of welfare.

The long-term analysis over the 22-year research period provides strong and representative empirical evidence on the determinants of economic growth in Indonesia. This study also fills a gap in the literature by examining the simultaneous effects of HDI, inflation, and *ZIS*, which have rarely been studied in the Indonesian context. Thus, the results of this study contribute theoretically and practically to the literature on economic development, particularly in strengthening the understanding of the determinants of economic growth from a more holistic and inclusive perspective.

Moreover, the study highlights the importance of synergy among key institutions-namely the Indonesia Government, Bank Indonesia, and the Badan Amil Zakat Nasional (BAZNAS) in fostering a fair and resilient economic system. Such collaboration not only supports macroeconomic stability but also enhances social mechanisms, promotes income redistribution, and ensures equitable welfare distribution. In doing so, this research expands scientific insight into the drivers of inclusive and sustainable economic growth and provides a conceptual and empirical foundation for the formulation of strategic, equitable, and long-term human development-oriented economic policies.

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Author Contribution

Mardiatunnisa was responsible for all aspects of the research, including methodology design, data collection and analysis, manuscript writing, and overall management of the research project.

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Conflicts of Interest

The authors declare no conflict of interest.

Declaration of Generative AI Use

During the preparation of this manuscript, the author used Grammarly (or a similar tool) to help improve the grammar, clarity, and academic style of the writing. After using this tool, the author reviewed, edited, and ensured the accuracy of the content thoroughly and remains fully responsible for all content in this publication.

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