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THE EFFECT OF CONVENTIONAL BANK CREDIT, ISLAMIC BANK FINANCING, AND ZAKAT DISTRIBUTION ON GDP

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Abstract: *The growth of gross domestic product (GDP) is subject to a number of different influences. The objective of this study is to analyse the impact of conventional bank credit, Islamic bank financing and zakat distribution on gross domestic product. The study employs a sample comprising data from 33 provinces in Indonesia, spanning the period from 2018 to 2022. The data analysis technique employed is dynamic panel data regression utilising the Generalised Method of Moments (GMM) method. The findings indicated that partial conventional bank credit and zakat distribution exerted a notable positive influence on GDP. In contrast, the impact of Islamic bank financing on GDP is not statistically significant. This is due to the fact that the market share of Islamic banking in Indonesia remains relatively low, and access to financing in this sector is also still quite complex. Concurrently, conventional bank credit, Islamic bank financing, and zakat distribution exert a significant influence on GDP. The findings of this study suggest that the financing provided by Islamic banks has not yet been fully capable of boosting GDP, given that the share of Islamic bank financing in Indonesia remains relatively modest in comparison to conventional banks. Consequently, the results of this study can be utilized to inform the development of programs and policies for relevant stakeholders.*

Keywords: *Economic growth, conventional bank credit, Islamic bank financing, zakat distribution*

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1. Introduction

The welfare of a country is synonymous with increasing economic growth. Economic growth in question is an increase in Gross Domestic Product (Wibowo, 2016; Yuni, 2021). Gross

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Domestic Product (GDP) is value Output produced by factors of production located domestically including the production of foreigners operating within the country (Case & Fair, 2009). There are several approaches in calculating a country's GDP, namely: Production approach, Income approach, and Production approach. GDP growth is influenced by many factors among which are factors of production. In general, the factors of production consist of labor, capital, land and entrepreneurship. However, there are two most important factors of production: capital and labor (Mankiw, 2006).

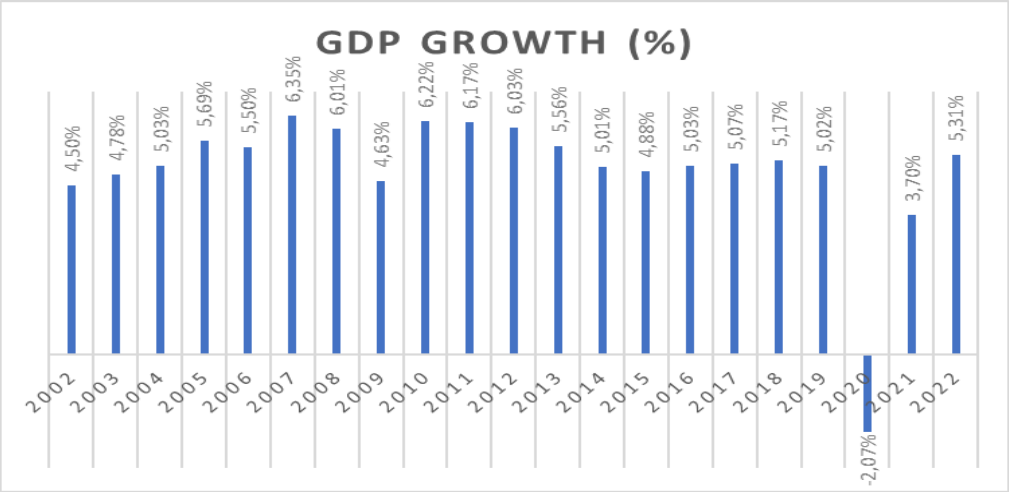

Figure 1. GDP growth in Indonesia 2002-2022
Source: worldbank.org

According to theory Neo-classical Harrod-Domar, Stable economic growth requires capital formation or investment. When capital increases, the production of goods and services will also increase. This theory states that investment can increase a country's production, labor, and efficiency which will ultimately increase the country's GDP (Evsey D. Domar, 1946; Harrod, 1939).

Indonesia is the largest country with relatively stable economic growth in Southeast Asia (Dewan Nasional Kawasan Ekonomi Khusus Republik Indonesia, 2023). Based on the figure above, Indonesia's GDP growth is relatively stable, only in 2020 which experienced a drastic decline caused by the Covid-19 pandemic that hit almost all countries in the world (Normasyhuri et al., 2021). However, when viewed after the pandemic period ended, Indonesia's economic growth increased in 2022 by 5.31 % previously in 2021 by only 3.7 %.

Economic growth in Indonesia is influenced by various factors. Based on data from the Ministry of Cooperatives and SMEs, the largest real economic sector in Indonesia comes from MSMEs. The contribution of MSMEs to GDP amounted to 61.07%, or 8,573.89 trillion Rupiah. MSMEs also have the ability to collect up to 60.4% of total investment, and absorb 97% of the existing workforce (kementerian koordinator bidang perekonomian Republik Indonesia, 2021). However, behind its large contribution, limited capital is still an obstacle to the growth of MSMEs in Indonesia (Adityaswara, 2021).

Theory Harrod-domar states that capital is an important variable in aggregate production growth. In Indonesia there are many sources of financing, one of which is financing from the banking industry. As a country that adheres to dual banking system, Indonesia has conventional financial institutions and Islamic financial institutions, both in the form of banking and non-banking. The function of banking itself is as an intermediary institution, collecting funds and channeling in the form of credit or financing whose ultimate goal is to improve the standard of living of the community (Darmawan & Fasa, 2020).

Around 77% of domestic funding sources come from the banking sector (Adityaswara, 2021). Financing provided by banking institutions is expected to increase domestic aggregate production because one of the factors of production is capital (Mankiw, 2006). Research results Febriyani (2020); Gudarzi Farahani & Dastan (2013); Kismawadi (2023); Setiawan (2020) found that banking financing has a significant impact on the country's economic growth. However, the results of the research conducted (Syahputra & Ningsih, 2020) found that conventional bank credit has a significant impact on the variable Gross Domestic Product (GDP), while Islamic banking financing does not have a significant impact on GDP.

In addition to the banking sector, zakat also contributes to economic growth. In Islamic economic theory, zakat is a fiscal instrument in the economic growth of a country because zakat can also be used for training and capital so as to create independent businesses and improve the welfare of its recipients. The main vision of zakat utilization is to turn *mustahik* (zakat recipients) into *Muzakki* (zakat givers), so that it can be seen that in essence zakat is not only for consumptive purposes but must be productive (Khasanah, 2010).

As a country with a Muslim majority and the largest Muslim population in the world (Amman, 2022). Indonesia has a huge zakat potential in 2022, the zakat potential in Indonesia reaches 5.84 trillion (Hasbi Zaenal et al., 2022). The huge zakat potential in Indonesia can be used as a capital instrument in order to increase economic growth. Several studies prove that zakat has a significant positive effect on the country's economic growth (Ben Jedidia & Guerbouj, 2021; Putriani et al., 2020; Shaukat & Zhu, 2021). However, it is different from the results of research conducted by Iit Mazidah & Arivatu Ni'mati Rahmatika (2021) which concludes that zakat has no significant effect on economic growth.

Studies related to conventional bank credit, Islamic bank financing, and the distribution of zakat to GDP growth have been widely studied. However, several previous research results show inconsistencies in the results of previous research and no previous research has comprehensively examined conventional bank credit, Islamic bank financing, and zakat distribution to GDP growth. Therefore, this research is interesting to conduct to fill knowledge gaps and provide deeper insight into the determinants of a country's economic growth.

2. Literature review

2.1. Gross Domestic Product (GDP)

National income serves as a principal indicator of a country's economic growth. The quantification of national income can be achieved through the utilisation of a number of key economic indicators, including the gross domestic product (GDP), the gross national product (GNP), and the national income (Dumairy et al., 2018). Samuelson & Nordhaus (2004) assert that the most reliable indicator for measuring a country's economic activity is gross domestic product (GDP). The term "gross domestic product" (GDP) is used to describe the total value of goods and services generated within a country's borders, including the contribution of foreign workers. The gross national product (GNP) represents the total value of goods and services produced by a country's inhabitants, both domestically and overseas (Mankiw, 2006).

In general, gross domestic product (GDP) exceeds gross national product (GNP) in developing countries. This is due to the fact that the level of foreign investment in developing countries exceeds the amount of capital that their citizens have invested abroad. Consequently, developing countries tend to utilise the Gross Domestic Product (GDP) as a metric for gauging the overall welfare level of their respective nations (Herlambang et al., 2001). There are three principal methods for calculating a country's gross domestic product (GDP), namely:

a. Production approach

National income can be calculated using the production approach, which is based on the sum of the value of products and services produced by all sectors of a country's economy in a given period of time, usually one year.

b. Income approach

The income approach is a method for calculating national income that is based on the amount of income received by an entire sector of the economy in a given period of time, usually one year.

c. Production approach

The expenditure approach is the calculation of national income based on the amount of expenditure used by all sectors of a country's economy in one year. The expenditure approach is a common approach used by countries in calculating national income. In this approach, if a country's economy is still closed, it means that there is no economic relationship with foreign countries. When a country is already an open economy, the variable calculation of national income increases with exports (X) and imports (M). The equation in calculating GDP is as follows:

$$Y = C + I + G + (X-M) \quad (1)$$

Information:

Y = National Income
C = Consumption
I = Investment
G = Government spending
X = Export
M = Import

According to classical economic theory, production is a process of change Input become Output. Inputs are factors of production consisting of natural resources, capital, labor, and entrepreneurship (Mankiw, 2006). Furthermore, the Harrod-Domar neo-classical theory explains the relationship between investment, economic growth, and employment. This theory was developed by Roy Harrod in his writings "An Essay in Dynamic Theory (1939) and Evsey Domar on his writing "Capital Expansion, Rate of Growth, and Employment (1946)". Theory neo-classical Harrod-Domar argues that stable economic growth requires capital formation or investment. When capital increases, the production of goods and services will also increase (Djojohadikusumo, 1994).

From the theory put forward by neo-classical economic thinkers, there is a positive relationship between capital or investment and economic growth. The more capital or investment in a country, the more production of goods and services in the country so that the country's economic growth will increase.

2.2. Credit and banking financing

"A bank is a business entity that collects funds from the public in the form of deposits, and distributes them to the public in the form of credit and or other forms, in order to improve the standard of living of many people" (Undang Undang No. 10 Tentang Perbankan, 1998). The banking system in Indonesia is divided into two, namely: conventional banking and Islamic banking. Conventional banking and Islamic banking have the same function. It's just that the difference is that Islamic banks carry out their business activities based on sharia principles. The fundamental principle of Islamic banking is prohibition Maysir, Gharar, and usury. The orientation of sharia transactions is basically not just material benefits but achieving Falah or the happiness of the world and the hereafter (Ardiansyah, 2015).

In the theory of financial intermediation, banks act as intermediaries that function as a medium to raise funds and channel these funds in the form of credit or financing (Chowdhury & Haron, 2022). Banking offers products accompanied by interest or profit sharing that aims to attract people to save their funds in banking. Products that are usually offered in the form of savings, current accounts, and deposits. So that people's needs to save and invest in banks are met (Brilian & Rohman, 2023). On the other hand, banks also function as lending or financing institutions. Credit or financing is financial or capital support provided by banks for the need to acquire certain products, assets, or services (Otoritas Jasa Keuangan, 2023). Judging from the purpose of distribution, credit or financing can be grouped into two types, namely:

Productive credit, this credit is channeled to increase business or production. For example, giving credit to build factories, purchasing business machinery, purchasing agricultural equipment and others. Consumer credit, credit used for consumption purposes. In this credit there is no increase or increase in production. For example, home loans, cars, household appliances and other consumer loans.

Credit channeled by conventional banks can help customers to meet their needs and expand or develop their business so that production can increase. According to Theory neo-classical Harrod-Domar, stable economic growth requires capital formation or investment, when capital increases then the production of goods and services will also increase (Djojohadikusumo, 1994). The results of previous research showed that credit disbursed by conventional banks had a significant positive effect on the country's economic growth (Setiawan, 2020; Syahputra & Ningsih, 2020). So, the hypothesis was proposed:

H1: conventional bank credit has a significant positive effect on GDP

Islamic bank financing refers to the provision of financial support for the acquisition of certain goods, assets, or services. According to Theory neo-classical Harrod-Domar, stable economic growth requires capital formation or investment, when capital increases then the production of goods and services will also increase (Djojohadikusumo, 1994).

Research results Febriyani (2020); Gani & Bahari (2021); Gudarzi Farahani & Dastan (2013); Kismawadi (2023); Setiawan (2020) shows that financing disbursed by Islamic banks has a significant positive effect on the country's economic growth or Gross Domestic Product. So that the following hypotheses can be developed:

H2: Islamic bank financing has a significant positive effect on GDP

2.3. Credit and banking financing

Zakat is an obligation that must be paid by a Muslim due to the fulfilment of conditions Nisab (quantity limit) and Haul (time limit) set by Sharia over self and property owned (Inayah, 2003). Zakat is a source of income in the Islamic economy. Therefore, zakat can increase aggregate consumption so as to stimulate productivity growth (Toriquddin, 2015). The collected zakat will be distributed to those who are entitled to receive it in accordance with the orders of the Sharia. Along with its development, zakat is not only given to meet consumptive needs. However, zakat shifted to fulfilling productive needs, such as providing capital to open a business. The vision of zakat itself is to turn zakat recipients into zakat givers (Asnaini, 2008).

According to Khasanah (2010) The utilization of zakat funds plays an important role in improving social welfare. In Islamic economic theory, zakat is a fiscal instrument in the economic growth of a country because zakat can also be used for training and capital so as to create independent businesses and improve the welfare of its recipients. Research results Ben Jedidia & Guerbouj (2021); Purwanti (2020); Putriani et al. (2020); Shaukat & Zhu (2021) shows that zakat has a significant positive effect on economic growth. So that the hypothesis proposed in this study is as follows:

H3: The distribution of zakat has a significant positive effect on GDP.

3. Research method

This type of research is quantitative in nature. Quantitative research refers to research methods that necessitate the gathering, examination, and interpretation of numerical data in order to reach conclusions (Sugiyono, 2017). The data employed in this study is provincial data from Indonesia, spanning the period from 2018 to 2022. In this study, the sampling technique employed is non-probability sampling, utilising data available in each data source as the criterion for selection.

The sample comprises 33 provinces in Indonesia, with data collected over the period 2018-2022. The data analysis technique employed in this study is dynamic panel data regression with the generalized method of moments (GMM) method. The data processing procedure was conducted with the assistance of the E-views 10 software. The following section presents the definitions and indicators of each variable.

Table 1. Operational definition of variables

No	Variable	Definition	Indicator	Source
1	Gross Domestic Product (GDP)	Gross Domestic Product is the value of output produced by factors of production located within a country including the production of foreigners working within the country	GRDP on the basis of prevailing prices by province	Statistical Center Body
2	Conventional Bank Credit (CBC)	Conventional bank credit is financing provided by conventional banks to customers for production, investment, and consumption purposes	Total loans disbursed by conventional banks by province	Financial Services Authority
3	Shariah Bank Financing (SBF)	Islamic bank financing is funding or providing capital provided by Islamic banks to customers for production, investment, and consumption purposes	Total financing disbursed by Islamic banks by province	Financial Services Authority
4	Zakat Distribution (ZD)	Zakat distribution is the distribution of zakat funds collected by zakat management institutions in Indonesia	Total zakat disbursed by province	National Amil Zakat Agency

4. Result

4.1. Credit and banking financing

Table 2. Descriptive test results

	GDP	CBC	SBF	ZD
Mean	499093.0	34618.26	2189.387	109.2683
Median	211750.0	15876.00	976.6500	28.21000
Maximum	3186111.	199242.6	21362.70	1958.260
Minimum	36468.79	2193.430	6.180000	0.000000
Std. Dev.	698224.7	45882.23	3861.133	242.3440
Observations	165	165	165	165

Source: Data processing results, 2024

Based on the results of the descriptive statistical test in the table above, the number of observations in this study was 165, further explaining that the mean value in the variable GDP (Y) was 499093, the median was 211750, the maximum value was 3186111, the minimum value was 36468.79, the standard deviation was 698224.7. The standard deviation value of 698224.7 > 499093, meaning that most of the character differences in the GDP (Y) data are not significant or homogeneous. Furthermore, in the CBC variable, the mean value is 34618.26, the median is 15876, the maximum value is 199242.6, the minimum value is 2193.430, the standard deviation is 45882.23, and the standard deviation value is 45882.23 > the mean value is 34618.26, indicating that the characters in the CBC data are homogeneous.

SBF variable mean value is 2189.387, median value is 976.65, maximum value is 21362.7, minimum value is 6.18, standard deviation is 3861.133. A standard deviation value exceeding the mean indicates that the SBF data is homogeneous. Moreover, the mean value of the ZD variable is 109.2683, the median value is 28.21, the maximum value is 1958.260, the minimum value is 0, and the standard deviation is 242.3440. The standard deviation value is 242.3440, which is greater than the mean value of 109.2683. This indicates that the data on ZD is homogeneous.

4.2. Variable instrumental validity test

Instrumental validity test is a statistical method used in regression analysis to evaluate whether the instrumental variable used actually qualifies as a valid instrument.

Table 3. Sargan test results

Effects Specification			
Cross-section fixed (first differences)			
J-statistic	1.596961	Instrument rank	6
Prob(J-statistic)	0.450012		

Source: Data processing results, 2024

The instrumental validity test in this study was carried out using the sargan test method by comparing the j-statistical probability value with α (0.05). If the estimated result has a probability value of > 0.05, then the instrument used is valid. The sargan test results in the table above show that the probability J-statistic value of 0.450012 > α 0.05. So, it can be ensured that the instrument used is valid.

4.3. Autocorrelation test

The autocorrelation test is employed to ascertain whether a correlation exists between the residual errors at time t and the residual errors at time t-1 in a linear regression model. The existence of such a correlation indicates the presence of an autocorrelation issue in the regression model. The Arellano-Bond (AB) test was employed in order to identify any instances of autocorrelation. The Arellano-Bond autocorrelation test is employed to evaluate the correlation between errors and the reliability of estimates derived from the Generalized Method of Moments (GMM) process (Arellano & Bond, 1991).

Autocorrelation tests are conducted utilizing Arellano-Bond m1 and m2 statistics to assess the reliability of estimated outcomes. If the probability value of AR (2) is more than 0.05, or AR (2) > 0.05, then there is no Autocorrelation issue, and the estimate is reliable. If the probability value of AR (2) is less than 0.05, there is an autocorrelation issue, leading to inconsistent estimation.

Table 4. Test results Arellano Bond (AB Test)

Test order	m-Statistic	Prob.
AR (1)	1.117061	0.2640
AR (2)	1.109884	0.2670

Source: Data processing results, 2024

The results of the Autocorrelation test using Arellano Bond (AB Test) in the table above show that the probability value of AR (2) 0.2670 > 0.05, meaning that there is no Autocorrelation problem so that the resulting estimate is consistent.

4.4. Multicollinearity test

The Multicollinearity Test is employed to ascertain whether there is a correlation among the independent variables included in a regression model. An ideal regression model is defined by the absence of multicollinearity, which indicates that there is no correlation among the independent variables (Widarjono, 2013). Multicollinearity can render independent factors insignificant to the dependent variable, despite a high coefficient of determination.

Multicollinearity can be identified by examining the correlation coefficient or F value. According to Widarjono (2013), In the event that the correlation coefficient of each independent variable is less than 0.85, it can be concluded that there is no issue with multicollinearity. Should the correlation value of each independent variable exceed 0.85, this would indicate the presence of multicollinearity in the regression model.

Table 5. Multicollinearity test results

	CBC	SBF	ZD
CBC	1	0.8051	0.6966
SBF	0.8051	1	0.7153
ZD	0.6966	0.71531	1

Source: Data processing results, 2024

In consideration of the test results presented in the aforementioned table, it can be inferred that the correlation value of each independent variable is less than 0.85, thereby indicating the absence of multicollinearity issues.

4.5. Model Generalized Method of Moments (GMM)

There are two estimation methods commonly used in the GMM approach, namely first difference GMM (FDGMM) or Arellano-Bond GMM (ABGMM) and System GMM (SYS GMM). In this study, dynamic panel data regression was used with the Arellano-Bond GMM approach and processed with the E-Views 10 program. Regression testing results show the following:

Table 6. Dynamic panel data regression test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP (-1)	0.467098	0.077004	6.065890	0.0000
CBC	12.48228	3.269714	3.817545	0.0002
SBF	-8.468518	23.78451	-0.356052	0.7226
ZD	256.7300	107.3588	2.391327	0.0188

Source: Data processing results, 2024

In light of the regression results presented in the preceding table, the regression equation can be formulated as follows:

GDPit = 0.467098GDP-1 + 12.48228 CBCit - 8.468518 SBFit + 256.7299 ZDit

1. Variable Gross Domestic Product (GDP-1)
   The regression coefficient of GDP (t-1) has a value of 0.467098, which indicates that if the values of the CBC, SBF, and ZD variables in the i-th observation and in the t-th time period are 0 or constant, the GDP value is 0.467098.
2. Variable Credit of Conventional Banks (CBC)
   The regression coefficient for the CBC variable demonstrates a positive value of 12.48228. This indicates that an increase of 1% in the CBC value at the initial observation and in the t-th time period will result in a 12.48228% increase in the GDP value, assuming that the remaining variables remain fixed or constant.
3. Sharia bank financing variables (SBF)

   The regression coefficient for the SBF variable demonstrates a negative value of -8.468518. This implies that an increase of 1% in the SBF value at the i-th observation and t-th time period will result in a corresponding decrease of 8.468518 in the GDP value, assuming that the remaining variables remain fixed or constant.
4. Variable Distribution of Zakat (ZD)
   The regression coefficient for the variable ZD demonstrates a positive value of 256.73. This indicates that an increase of 1% in the ZD value at the i-th observation and t-th time period will result in a 256.73% increase in the GDP value, assuming that the remaining variables remain fixed or constant.

4.6. Partial test (t-test)

A partial test is employed to evaluate the influence of each independent variable on the dependent variable. Should the p-value of the t-statistic be less than the significance level α (0.05), it can be concluded that the independent variable exerts a significant impact on the dependent variable.

Table 7. Partial test results

Variable	Coefficie t	Std. Error	t-Statistic	Prob.
GDP (-1)	0.467098	0.077004	6.065890	0.0000
CBC	12.48228	3.269714	3.817545	0.0002
SBF	-8.468518	23.78451	-0.356052	0.7226
ZD	256.7300	107.3588	2.391327	0.0188

Source: Data processing results, 2024

The results of the t-test indicate that the variable representing Conventional Bank Credit (CBC) has a positive coefficient of 12.48228 and a probability value of 0.0002, which is less than the significance level α of 0.05. The variable Conventional Bank Credit (CBC) exerts a considerable beneficial impact on gross domestic product (GDP). The Sharia Bank Financing (SBF) variable exhibits a negative coefficient of -8.468518 and a probability value of 0.7226, which exceeds the significance level of 0.05. The variable Islamic Bank Financing (SBF) does not exert a significant influence on gross domestic product (GDP). The variable representing zakat distribution has a statistically significant positive coefficient of 256.7300 with a p-value of 0.0188, which is less than the significance level of 0.05. The distribution of zakat is found to have a significant and positive effect on gross domestic product (GDP).

4.7. Wald test

The Wald test is employed in dynamic panel models to determine the existence of a relationship within the model (Arellano & Bond, 1991). The Wald test is a statistical method employed to evaluate the collective influence of independent variables on the dependent variable.

Arellano & Bond (1991) posit that the determination of the Wald test hypothesis is contingent upon the assessment of probability values. The effect of an independent variable on a dependent variable is deemed significant if the probability value is less than 0.05. In the event that the probability value exceeds 0.05, it can be concluded that the independent variable does not exert a simultaneous effect on the dependent variable.

Table 8. Result of Wald test

Test Statistic	Value	df	Probability
F-statistic	56.26045	(3, 95)	0.0000
Chi-square	168.7814	3	0.0000

Source: Data processing results, 2024

The results of the Wald test indicate that when the probability chi-square value is 0.0000, which is less than 0.05, the independent variable exerts a significant simultaneous influence on the dependent variable.

5. Discussion

5.1. The effect of Conventional Bank Credit (CBC) on Gross Domestic Product (GDP)

The regression test for the Conventional Bank Credit (CBC) variable indicates a probability value of 0.0000, which is less than the significance level α of 0.05, thereby providing evidence that the null hypothesis can be rejected. The coefficient value is positive and has a value of 12.48228. The results demonstrate that conventional bank credit (CBC) has a significant and beneficial impact on gross domestic product (GDP), thereby confirming the theoretical proposition advanced in this study. An increase in conventional bank credit (CBC) will result in an increase in gross domestic product (GDP) growth.

The study's findings align with the neo-classical Harrod-Domar Theory, which asserts that economic growth is dependent on capital formation or investment. An increase in capital leads to a rise in the production of goods and services. Conventional banks distribute credit by providing capital and investment for productive purposes. The findings of this study align with Setiawan (2020) research, indicating that traditional bank loan has the potential to enhance economic growth, as evidenced by GDP growth. The research by Syahputra & Ningsih (2020) demonstrates that traditional bank loan has the potential to boost economic growth, as indicated by the GDP's absolute value.

The findings indicate that credit disbursed by traditional banks in Indonesia has a notable beneficial impact on Gross Domestic Product (GDP) growth. This discovery suggests that channeled credit can serve as a source of capital for production, as money is one of the key components of production (Mankiw, 2006).

5.2. The effect of Sharia Bank Financing (SBF) on Gross Domestic Product (GDP)

The regression test for the Sharia Bank Financing (SBF) variable indicated a probability value of 0.7226, which is higher than the significance level α of 0.05, thus providing evidence that the null hypothesis can be rejected. The coefficient value was calculated to be -8.468518. The

results demonstrate that Islamic Bank Financing (SBF) does not exert a significant influence on Gross Domestic Product (GDP), thereby invalidating the hypothesis proposed in this study.

This study's findings do not align with the neo-classical Harrod-Domar hypothesis, which posits that economic growth is dependent on capital formation or investment, leading to increased output of commodities and services. Islamic banks can provide funding in the form of capital and investment for production objectives.

The findings of the study are in accordance with the research conducted by Syahputra & Ningsih (2020), which indicates that Islamic banking financing does not have a considerable impact on economic growth or GDP. Furthermore, the study by Hidayat & Irwansyah (2020) corroborates the assertion that Islamic bank financing does not exert an influence on economic growth, as reflected in GDP figures. The findings of Hachicha & Ben Amar (2015) suggest that Islamic banking financing does not exert a significant influence on gross domestic product (GDP) over the long term. The impact of Islamic bank funding on gross domestic product (GDP) is notable when considered in the short term. The study by Gani & Bahari (2021) indicates that Islamic banking financing has a favourable impact on the actual economy in the long term, while its influence in the near term is not significant.

This study presents a challenge to the findings of Setiawan (2020) research, which concluded that the funding provided by Islamic banks has a notable positive impact on Indonesia's economic growth, as indicated by GDP growth. Similarly, Febriyani (2020) research found that funding provided by Islamic banks has a notable beneficial impact on economic growth.

The research findings suggest that the financing provided by Islamic banks in Indonesia does not exert a notable influence on the country's gross domestic product (GDP) growth. The relatively low market share of Islamic banking in Indonesia, in comparison to conventional banking, indicates that the financing provided by Islamic banks has not yet reached a level that can address the country's macro financing needs (Caniago, 2023). Furthermore, obtaining funding in Islamic banking remains complex (Berliana & Suri, 2023).

5.3. The effect of Zakat Distribution (ZD) on Gross Domestic Product (GDP)

The regression test findings for the Zakat Distribution (ZD) variable indicate a statistically significant relationship, with a p-value of 0.0188, which is less than the significance level α of 0.05. The coefficient value is 256.73, indicating a positive association. The study demonstrated that the distribution of zakat has a discernible positive impact on gross domestic product (GDP), thereby substantiating the hypothesis proposed in the study.

The results of the test provide evidence that zakat plays a significant role in the economic growth of a country and serves as a source of income in the Islamic economy, thus aligning with the principles of Islamic economic theory. Zakat can boost total consumption, leading to enhanced productivity development (Toriquddin, 2015). Zakat can be utilized to offer training and finance for establishing autonomous firms, which can enhance the well-being of the beneficiaries (Khasanah, 2010).

The findings of this study are pertinent to the research carried out by Putriani et al. (2020). The research conducted by Purwanti (2020) indicates that zakat has a notable positive impact on economic growth, as evidenced by a positive correlation between GDP and zakat contributions. The analysis corroborates the findings of Ben Jedidia & Guerbouj (2021) that zakat has a positive impact on economic growth (GDP) in Senegal, Indonesia, Sudan, Malaysia, Qatar, the UAE, Kuwait, and Saudi Arabia. The study by Shaukat & Zhu (2021) indicates that zakat has a significant positive impact on economic growth (GDP) in 38 sampled countries.

The data suggest that the distribution of zakat has a discernible positive effect on gross domestic product (GDP) growth. The distribution of zakat has the potential to stimulate economic growth, as reflected in an increase in gross domestic product (GDP).

6. Conclusion

The objective of this study is to analyse and empirically test the impact of conventional bank credit, Islamic bank financing and zakat distribution on gross domestic product (GDP). The findings indicated that conventional bank credit exerted a considerable positive influence on gross domestic product (GDP). Thus, it can be inferred that an increase in conventional bank credit will result in a corresponding increase in gross domestic product (GDP). This finding indicates that channeled credit can serve as a source of capital for production, given that capital is among the factors of production.

The impact of Sharia Bank Financing (SBF) on Gross Domestic Product (GDP) is not statistically significant. This is due to the fact that the market share of Islamic banking in Indonesia is still relatively low in comparison to conventional banking. Consequently, Islamic banking financing has not yet been able to play a significant role in targeting macro financing. Moreover, the process of obtaining financing in Islamic banking is still quite complex. Moreover, the distribution of zakat (ZD) has a considerable positive impact on gross domestic product (GDP). It can be inferred that an increase in the distribution of Zakat will result in an increase in Gross Domestic Product. This finding elucidates the potential of zakat as a fiscal instrument, whereby the distribution of zakat can enhance gross domestic product and stimulate productivity growth through increased aggregate consumption.

The findings of this study have theoretical implications. The discrepancy between the results of this research and those of previous studies will provide scientific insight through different models and approaches, thus providing a basis for future researchers. In practical terms, the financing provided by Islamic banks has not been sufficient to drive economic growth, given that their share of the market in Indonesia remains relatively small compared to conventional banks. Consequently, the findings of this study can inform the development of programmes and policies for practitioners in this field.

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