DECIPHERING THE DETERMINATION OF INDEX SHARIA FINANCIAL INCLUSION IN THE INDONESIAN LANDSCAPE

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Abstrak

Penelitian ini bertujuan untuk memberikan tinjauan komprehensif terhadap literatur mengenai Index Sharia Financial Inclusion (ISFI) dan menganalisis determinan yang memengaruhinya. Studi ini dilakukan dengan pendekatan kuantitatif pada 28 provinsi di Indonesia. Penghitungan nilai ISFI menggunakan rumus yang *common* dalam literatur sebelumnya. Metodologi yang digunakan dalam penelitian ini adalah metodologi umum yang telah banyak diterapkan, dengan alat analisis EViews 10. Hasil penelitian menunjukkan terdapat 2 variabel X berpengaruh positif sigifikan (PDRB per Kapita dan IPM), dan 2 variabel X berpengaruh negatif signifikan (Jumlah Penduduk Miskin dan Rasio Gini), dan terdapat pula 2 variabel X lainnya yang tidak berpengaruh (Pengangguran dan Penyaluran Zakat di bidang ekonomi). Implikasi dari penelitian ini di harapkan menjadi acuan evaluasi untuk perkembangan inklusi keuangan syariah di Indonesia.

Kata Kunci: Inklusi Keuangan Syariah, ISFI, Perkembangan, Zakat
JEL Classification: A10, G20, G21, O10

Abstract

This research aims to provide an in-depth review of the literature on the Index Sharia Financial Inclusion (ISFI) and examine the determinants influencing it. The study employs a quantitative approach across 28 provinces in Indonesia. The ISFI value is calculated using a well-established formula referenced in prior studies. The methodology adopted is a widely recognized one, utilizing the EViews 10 software for analysis. The results indicate that two variables, GDP per Capita and the Human Development Index (HDI), have a significant positive impact on ISFI. Conversely, the Number of Poor Population and the Gini Ratio exhibit a significant negative effect. Additionally, Unemployment and Zakat Distribution in the economic sector do not show a significant impact. The findings of this research are intended to serve as a reference for evaluating and enhancing sharia financial inclusion in Indonesia.

Keywords: *Sharia Financial Inclusion, ISFI, Economic Development, Zakat*

Pendahuluan

Financial inclusion constitutes a fundamental pillar underpinning contemporary global economic development. Its significance places it prominently on the development agendas of numerous nations. Financial inclusion entails providing accessible and affordable financial services to all societal strata, with a particular emphasis on marginalized and low-income groups, ensuring these services are both cost-effective and sustainable (Dev, 2006; Hassan, 2015; Naili et al., 2023). Additionally, the subject of Sharia-compliant financial inclusion garnered considerable attention at the 16th Islamic Financial Services Board (IFSB) Conference, held in Brunei Darussalam on May 8-9, 2024. This conference convened key policymakers, regulators, and industry stakeholders to deliberate on the policy implications of emerging risks within the Islamic finance sector. Participants engaged in high-level discussions to evaluate the efficacy of regulatory frameworks and to explore avenues for growth and innovation in the industry.

Financial inclusion involves ensuring that all members of society, including both individuals and businesses, have access to financial products and services that are useful, affordable, and tailored to their needs in a responsible and sustainable manner (Ali et al., 2019; Umar, 2017). The Indonesian government, through the Dewan Nasional Keuangan Inklusif (DNKI), has implemented various policies and strategies to enhance financial inclusion. DNKI is responsible for coordinating and synchronizing the implementation of the Strategi Nasional Keuangan Inklusif (SNKI). A key initiative undertaken is the expansion and facilitation of access to formal financial services by leveraging digital financial services (Ali et al., 2019; Barus et al., 2024; Mohd Daud et al., 2024). This includes the development of financial technology (fintech) infrastructure and the provision of banking services through digital platforms (Song et al., 2024).

Islamic banking is pivotal in advancing Sharia-compliant financial inclusion in Indonesia. Recent years have seen a notable rise in the number of Sharia banking institutions, alongside growing public awareness and comprehension of usury-free financial products and services (*riba*). According to the Sharia Banking Statistics data (2022), as of December 2022, Indonesia boasts 13 Sharia Commercial Banks, 20 Sharia Business Units, and 167 Sharia People's Financing Banks (Otoritas Jasa Keuangan, 2022). The Indonesian government, through supportive policies and regulations, persistently promotes the

development of Sharia banking (Barus et al., 2024). These efforts include enhancing Sharia financial literacy, advancing fintech infrastructure, and offering incentives to financial institutions that adhere to Sharia principles. Consequently, the aim is for Indonesia's Islamic financial ecosystem to become more robust and capable of significantly contributing to broader and more inclusive financial inclusion (Ali et al., 2019; Umar, 2017).

Overall, Sharia banking in Indonesia functions not only as an alternative to the conventional banking system but also as a cornerstone in establishing a fair, stable, and sustainable financial system. With the expansion of its reach and the growing public understanding of Sharia-compliant financial products, it is anticipated that financial inclusion in Indonesia will be achieved more comprehensively, thereby supporting more inclusive and equitable economic growth (Inoue, 2024; Rojas Cama et al., 2024). Research indicates that access to financial services is essential for inclusive growth and for mitigating the risk of poverty (Ali et al., 2019; Dev, 2006; Naili et al., 2023; Song et al., 2024). Inoue (2024) highlights that financial inclusion plays a critical role in fostering inclusive economic growth, thus helping to reduce economic disparities and inequalities. Access to credit and other financial services enables households and small businesses to invest in education, health, and productive enterprises, all of which contribute to enhanced economic and social well-being (Naili et al., 2023; Song et al., 2024). The advancement of the Index Sharia Financial Inclusion (ISFI) is crucial, necessitating an understanding of the factors or determinants that can enhance ISFI to address the opportunities and challenges prevalent in developed countries. Developing nations continue to face significant barriers in accessing financial services, including insufficient funding, inadequate documentation, and the distance to financial institutions, particularly in rural areas (Ali et al., 2019; Hassan, 2015; Inoue, 2024; Tissaoui et al., 2024). Financial inclusion programs, such as access to credit, can have substantial positive impacts on households, businesses, and national development (Barus et al., 2024). Financial inclusion encompasses not only the provision of access to financial services but also ensuring that these services are accessible, affordable, and beneficial to all societal levels, particularly the disadvantaged. With appropriate policies and international cooperation, the challenges to financial inclusion can be mitigated, thereby fostering more inclusive and sustainable economic growth. Consequently, research on the determinants that can support an increase in the ISFI in Indonesia is essential. This research aims to identify and analyze the determinants that can influence the Index Sharia Financial Inclusion (ISFI) in Indonesia. It is anticipated that the findings of this research will make a significant contribution to the financial inclusion literature and serve as a valuable resource for policymakers and researchers in developing effective strategies to enhance financial inclusion in Indonesia.

Literature Review

Sharia Finansial Inclusion

Financial inclusion refers to the efforts to provide individuals and businesses with access to financial products and services, including banking, credit, education, and financial information. The goal is to enhance accessibility within the formal financial system, thereby fostering economic growth and development by ensuring financial services are available to everyone, particularly marginalized (*unbankable*) groups. Previous studies highlight that financial inclusion is crucial for addressing various social issues, especially in developing countries. In recent years, the significance of financial inclusion has grown due to its direct connection to poverty alleviation and economic development (Mohd Daud et al., 2024; Tissaoui et al., 2024). International organizations describe financial inclusion as a multidimensional concept aimed at providing access to financial services (Fonseca & Matray, 2024; Naili et al., 2023; Song et al., 2024).

The Islamic economic and financial system is deeply rooted in the concepts of social responsibility and the common good, distinguishing it fundamentally from conventional financial systems. A central feature of Islamic economics is the goal of eradicating poverty, achieving socio-economic justice, and ensuring equitable income distribution. These objectives align with Islamic principles that emphasize social justice (*al-'adl al-ijtima'i*) and benevolence (*al-ihsan*) in all operations (Khan, 1985; Siddique & Iqbal, 2016). Social justice in this context means ensuring wealth is fairly distributed among society's members, so no one is excluded from economic and social welfare. The principle of al-ihsan encourages acts of kindness and generosity, reflected in mechanisms such as zakat (obligatory alms), infaq (voluntary donations), and waqf (endowments of property or assets) (Hassan, 2015; Siddique & Iqbal, 2016).

Index Sharia Financial Inclusion (ISFI)

The measurement of the Index Sharia Financial Inclusion (ISFI) is based on a concept previously introduced, which considers three key dimensions: (1) accessibility, (2) availability, and (3) usage. This measurement framework was proposed by (Sarma, 2012). The formula for evaluating these three dimensions is as follows:

1. Accessibility dimension (penetration banking): This dimension is measured using an indicator that calculates the ratio of the total third-party funds (TPF) in Islamic banking to the population, multiplied by 1,000 adults.

Formula 1

$$D_1 = \frac{\sum TPF\ Islamic\ Banking}{\sum Population}\ x\ 1.000$$

2. Availability dimension, The availability dimension is assessed using a ratio indicator that compares the

number of Islamic banking service offices to the population, multiplied by 1,000 adults.

Formula 2

$$D_2 = \frac{\sum Islamic\ Banking\ Services\ Office}{\sum Population}\ x\ 1.000$$

3. Usage dimension, measuring this dimension uses a percentage indicator of the comparison of the amount of financing per total provincial GDP times 1,000 adult population.

Formula 3

$$D_3 = \frac{\sum Amount\ of\ Islamic\ Bank\ Financing}{\sum GDP\ /\ Provinsi}\ x\ 1.000$$

Once the actual values have been determined using this formula, the subsequent step is to compute the total index for each dimension. The equation employed is as follows:

Equation 1

$$d_i = w_i \frac{D_i - m_i}{M_i - m_i}$$

Keterangan:
Wi : The weight used in all dimensions is 1 (wi = 1)
Di : Actual values are based on calculations in dimension i
Mi : The highest limit value of each dimension i
mi : Lower limit value of each dimension i

After the values are determined based on the formula above, the next step is to calculate the Index Sharia Financial Inclusion (ISFI), which is derived from the average values X1 (lower axis) and X2 (ideal axis). The calculation is performed using the following formula (Sarma, 2012):

Equation 2

$$X_1 = \frac{\sqrt{{d_1}^2 + {d_2}^2 + {d_3}^2}}{\sqrt{{W_1}^2 + {W_2}^2 + {W_3}^2}}$$

Equation 3

$$X_2 = 1 - \frac{\sqrt{(W_1 + d_1)^2} + (W_2 + d_2)^2 + (W_3 + d_3)^2}{\sqrt{{W_1}^2 + {W_2}^2 + {W_3}^2}}$$

Equation 4

$$ISFI = \frac{1}{2}\ [X_1 + X_2]$$

The ISFI evaluation outcomes are established according to the ultimate score (Sarma, 2012) which can be classified into the following three categories:

a. If the ISFI value is ≤0.3, then the ISFI in the measured area is deemed low;
b. If the ISFI value falls within the range of >0.3 to ≤0.6, then the ISFI in the measured area is categorized as moderate;
c. If the ISFI value is in the range of >0.6 to 1, then the ISFI in the measured area is classified as high.

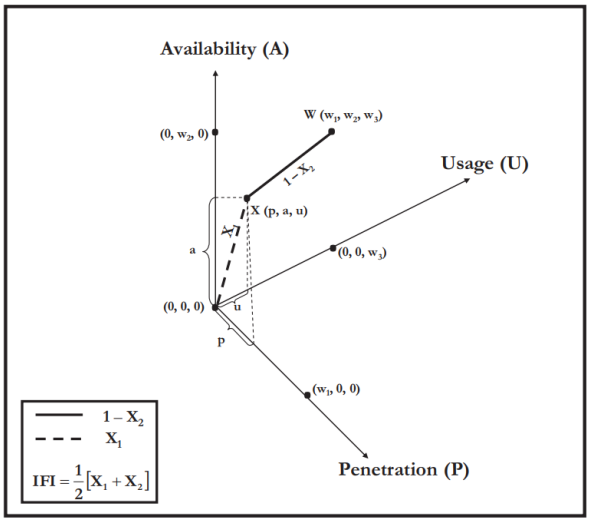

Figure 1. ISFI graph / dimensions (Sarma, 2012)

Methode

Research Methodology

Aligned with the research objectives, this study adopts a quantitative approach utilizing secondary data sourced from various entities such as the Badan Pusat Statistik (BPS), the Otoritas Jasa Keuangan (OJK), and other pertinent sources. The primary aim of this research is to identify the factors or determinants that can influence the Index Sharia Financial Inclusion in Indonesia from 2018 to 2022. Consequently, the dataset comprises five-year panel data encompassing 28 provinces out of 34. The exclusion of 6 provinces from the research is due to unavailability of data necessary for robust data analysis, which is crucial for this study's objectives.

Data Collection

The data utilized in this study are primarily sourced from the Badan Pusat Statistik (BPS), the Otoritas Jasa Keuangan (OJK), and other pertinent sources.
The ISFI data for 28 provinces is derived from equations 1 to 4 as previously outlined, yielding numerical data that serves as an index for evaluating Sharia financial inclusion in Indonesia.

ISFI National Data 2018-2022

Table 1. ISFI National Data

NO	PROVINCE	ISFI / YEAR				
		2018	2019	2020	2021	2022
1	Sumatera Utara	0.40	0.44	0.47	0.50	0.52
2	Sumatera Barat	0.40	0.47	0.52	0.58	0.64
3	Riau	0.40	0.44	0.56	0.69	0.94
4	Kepulauan Riau	0.52	0.58	0.66	0.74	0.96
5	Jambi	0.32	0.31	0.38	0.38	0.45
6	Sumatera Selatan	0.37	0.41	0.45	0.46	0.50
7	Kep. Bangka Belitung	0.23	0.28	0.32	0.37	0.41
8	Bengkulu	0.30	0.33	0.37	0.39	0.40
9	Lampung	0.19	0.20	0.20	0.21	0.21
10	DKI Jakarta	0.92	0.92	0.92	0.91	0.91
11	Jawa Barat	0.37	0.40	0.48	0.49	0.51
12	Banten	0.44	0.46	0.51	0.65	0.68
13	Jawa Tengah	0.29	0.30	0.31	0.33	0.34
14	DI. Yogyakarta	0.70	0.75	0.85	0.89	0.89
15	Jawa Timur	0.33	0.37	0.37	0.40	0.41
16	Kalimantan Barat	0.34	0.34	0.35	0.38	0.42
17	Kalimantan Tengah	0.18	0.18	0.21	0.21	0.21
18	Kalimantan Selatan	0.65	0.71	0.78	0.91	0.90
19	Kalimantan Timur	0.73	0.76	0.81	0.84	0.86
20	Gorontalo	0.15	0.15	0.16	0.17	0.18
21	Sulawesi Tengah	0.19	0.20	0.22	0.24	0.25
22	Sulawesi Selatan	0.31	0.34	0.36	0.41	0.41
23	Sulawesi Barat	0.12	0.14	0.15	0.17	0.17
24	Sulawesi Tenggara	0.22	0.24	0.28	0.30	0.29
25	Bali	0.18	0.18	0.18	0.18	0.20
26	Nusa Tenggara Barat	0.70	0.81	0.84	0.87	0.88
27	Maluku Utara	0.24	0.26	0.29	0.31	0.36
28	Papua	0.09	0.09	0.08	0.08	0.08

Source: Data processed by researchers (2024)

Data Analysis Method

Regression equation

Equation 5

$$ISFI_{it} = \beta_0 + \beta_1 GDP_{it} + \beta_2 NPP_{it} + \beta_3 HDI_{it} + \beta_4 GINI_{it} + \beta_5 UNEM_{it} + \beta_6 ZECON_{it} + e_{it}$$

explanation:

ISFI : Index Sharia Finansial Inclusion
GDP : GDP per Capita
NPP : Number of Poor Population
HDI : Human Development Index
GINI : Gini Ratio
UNEM : Unemployment
ZECON : Distribution of Zakat in the Economic Sector
β_0 : Constant
β_1 : Coefficient variable GDP per Capita
β_2 : Coefficient variable Number of Poor Population
β_3 : Coefficient variable HDI
β_5 : Coefficient variable Unemployment
β_6 : Coefficient variable Distribution of Zakat in the Economic Sector
i : Province-i (i = 1,2,3,4,5,.....,28)
t : T-th time period (year = 2018-2022)
e : error

to assess the impact of the dependent variable on the independent variables. There are six dependent variables considered: X1 GDP per Capita, X2 Number of Poor Population, X3 Human Development Index (HDI), X4 Gini Ratio, X5 Unemployment, and X6 Distribution of Zakat in the Economic Sector. Meanwhile, the independent variable is the Y Index Sharia Financial Inclusion (ISFI). Regression analysis is employed to identify the optimal model, involving the selection between the Command Effect Model (CEM) and Fixed Effect Model (FEM) through the Chow test. Subsequently, the Fixed Effect Model (FEM) and Random Effect Model (REM) are compared using the Hausman test. Once the best model is determined, it is utilized in testing the research data.

Following the regression analysis, the subsequent step involves conducting classic assumption tests, including the multicollinearity test. This test aims to ascertain whether there exists a correlation among the dependent variables included in the regression model, with a stipulated criterion that the correlation coefficient between variables should be below 0.80. Subsequently, the heteroscedasticity test is conducted to ensure that all dependent variables exhibit no signs of heteroscedasticity, with the requirement that the probability value of this test should exceed 0.05.

Result and Discussion

Result

1. Model Selection

a. CEM vs FEM

Chow Test

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	105.515080	(27,106)	0.0000
Cross-section Chi-square	465.889678	27	0.0000

Source: data processed by E-Views 10 (2024)

If the probability value is less than 0.05, then the chosen model is FEM; if the probability value exceeds 0.05, then the chosen model is CEM. In Table 2, the test outcomes indicate a probability value of 0.0000, which is less than 0.05. Therefore, based on the Chow test, the selected model is the FEM model.

b. FEM vs REM

Hausman Test

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	31.815258	6	0.0000

Source: data processed by E-Views 10 (2024)

If the probability value is less than 0.05, the selected model is FEM; if it is greater than 0.05, the selected model is REM. As seen in Table 3, the test results indicate a probability value of 0.0000, which is below 0.05. Therefore, based on the Hausman test, the chosen model is the FEM model.

Considering the outcomes of both the Chow test and Hausman test as mentioned earlier, the model selected for this research is the FEM model.

2. Classic assumption test

a. Multicollinearity test

Table 4. Multicollinearity Test Results

	X1	X2	X3	X4
X1	1.000000	0.082288	0.538454	-0.070135
X2	0.082288	1.000000	0.201890	0.269568
X3	0.538454	0.201890	1.000000	0.112690
X4	-0.070135	0.269568	0.112690	1.000000
X5	0.437594	0.330173	0.310621	-0.040134
X6	0.127403	0.616301	0.329271	0.236274

Source: data processed by E-Views 10 (2024)

In the multicollinearity assessment, the criterion for the correlation coefficient value is that it must not exceed 0.80 (<0.80). As shown in Table 4, the overall correlation coefficient value is less than 0.85, indicating that the X variables are not correlated with each other (indicating the absence of multicollinearity).

b. Heteroskedasticity test

Table 5. Heteroscedasticity Test Results

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.577186	2.964057	-0.194728	0.8460
X1	0.061219	0.059923	1.021634	0.3093
X2	0.198843	0.123880	1.605132	0.1114
X3	-0.373038	0.854914	-0.436345	0.6635
X4	4.33E-05	0.183063	0.000236	0.9998
X5	-0.034570	0.019176	-1.802734	0.0743
X6	-0.004323	0.005497	-0.786404	0.4334

Source: data processed by E-Views 10 (2024)

In the heteroscedasticity assessment, the criterion for the probability value is that it must exceed 0.05 (>0.05). As depicted in Table 5, the overall probability value for all X variables is greater than 0.05, indicating the absence of heteroscedasticity symptoms.

3. T-test

Table 6. t test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-45.54468	6.147827	-7.408256	0.0000
X1	0.332892	0.124288	2.678406	0.0086
X2	-0.846550	0.256942	-3.294715	0.0013
X3	10.96715	1.773199	6.184953	0.0000
X4	-0.846655	0.379696	-2.229825	0.0279
X5	0.010018	0.039774	0.251879	0.8016
X6	0.019154	0.011401	1.680042	0.0959

Source: data processed by E-Views 10 (2024)

Interpretation of t-test results:

1. Variable X_1, the (GDP per Capita) demonstrates a significant positive impact on Y (ISFI), indicated by a coefficient value of 0.332892 and a t-statistic of 2.678406, surpassing the t-table with a significance value of 0.0000, which is less than 0.05.
2. Conversely, Variable X_2, Conversely, the (Number of Poor Population) shows a significant negative influence on Y (ISFI), evidenced by a coefficient value of -0.846550 and a t-statistic of -3.294715, exceeding the t-table with a significance value of 0.0086, which is less than 0.05.
3. Furthermore, Variable X_3 the (HDI) exhibits a notable positive effect on Y (ISFI), with a coefficient value of 10.96715 and a t-statistic of 6.184953, surpassing the t-table with a significance value of 0.0000, which is less than 0.05.
4. Similarly Variable X_4 the (Gini ratio) demonstrates a significant negative impact on Y (ISFI), with a coefficient value of -0.846655 and a t-statistic of -2.229825, surpassing the t-table with a significance value of 0.0279, which is less than 0.05.
5. On the other hand, Variable X_5 the (Unemployment) does not have a discernible effect on Y (ISFI), as indicated by a coefficient value of 0.010018 and a t-statistic of 0.251879, falling below the t-table with a significance value of 0.8016, which is greater than 0.05.
6. Similarly, Variable X_6 the (Distribution of Zakat in the Economic Sector) does not impact Y (ISFI), with a

coefficient value of 0.019154 and a t-statistic of 1.680042, below the t-table with a significance value of 0.8016, which is greater than 0.05.

4. Simultaneous F test

Table 7. F Test Results

F-statistic	218.0387
Prob(F-statistic)	0.000000

Source: data processed by E-Views 10 (2024)

Based on the results of the F test (simultaneous), the F-statistic probability value of 0.000000 is smaller than 0.05, so all variables X together have an effect on variable Y (ISFI).

5. R-Square (R^2) Test

Table 8. R^2 Test Result

R-squared	0.985482
Adjusted R-squared	0.980962

Source: data processed by E-Views 10 (2024)

Based on the table above, it can be seen that the Adjusted R-squared (R2) value is 0.980962 or 98.09%, which means that all variable X influences variable Y by 98.09%, while 1.91% with the remaining 1.91% influenced by external variables beyond the scope of this research.

Discussion

Following the regression analysis, including the t-test, F-test, and R2 test mentioned earlier, it is evident that two X variables exert a significant positive influence on variable Y, while two others have a significant negative impact on Y. Additionally, two X variables do not show any effect on variable Y.

(GDP per Capita) demonstrates a notable positive effect on Y (ISFI). Conceptually, GDP per Capita serves as a pivotal indicator reflecting the average economic income within a region. As GDP per Capita increases, so does the purchasing power and economic capability of the population, fostering greater interest and capacity among individuals and businesses to utilize various financial services, including Islamic financial services. This heightened utilization of financial services further bolsters broader financial inclusion (Beck et al., 2007). A rise in GDP per Capita in a region correlates positively with an increase in the Index Sharia Financial Inclusion (ISFI), given that enhanced economic prosperity enables enhanced access to and utilization of Islamic financial services, along with supporting the development of more robust financial infrastructure (Beck et al., 2007; Demirguc-Kunt et al., 2012).

The Variable X_2 (Number of Poor Population) exhibits a significant negative impact on Y (ISFI). Regions with a higher concentration of poverty tend to showcase lower levels of sharia financial inclusion. This aligns with the theory that higher poverty rates within an area correspond to reduced accessibility to sharia financial services. Impoverished individuals often encounter numerous hurdles in accessing financial services, including Sharia-compliant options, such as financial constraints, limited financial literacy, and inadequate financial infrastructure. Consequently, regions with a high prevalence of poverty typically exhibit lower levels of financial inclusion (Lusardi & Mitchell, 2014; Sarma & Pais, 2011). A substantial number of impoverished individuals within an area markedly diminishes the Index Sharia Financial Inclusion (ISFI). Addressing this issue necessitates comprehensive policy interventions, encompassing enhanced financial literacy, financial support mechanisms, and the enhancement of financial infrastructure. This approach can facilitate an increase in sharia financial inclusion, enabling more individuals to access equitable financial services aligned with sharia principles.

The Variable X_3 (HDI) can be elucidated through several primary mechanisms illustrating how human development contributes to enhancing Islamic financial inclusion. HDI serves as a comprehensive metric reflecting the well-being and quality of life within a region, encompassing education, health, and income facets. An elevation in HDI signifies an enhancement in the quality of life, empowering individuals to access formal financial services more effectively, including Sharia-compliant options. Various studies indicate a robust correlation between human development and financial inclusion (Beck et al., 2007; Demirguc-Kunt et al., 2012; Sarma & Pais, 2011).

The Variable X_4 (Gini Ratio) demonstrates a significant negative impact on Y (ISFI). Regions characterized by pronounced inequality often witness a decrease in financial inclusion. Conversely, regions with lower levels of inequality tend to experience heightened levels of Sharia financial inclusion. Countries grappling with substantial income inequality typically exhibit lower levels of financial inclusion, whereas reduced income disparity correlates with increased access to financial services (Allen et al., 2016; Honohan, 2008). Elevated levels of inequality, as measured by the Gini Ratio, adversely impact the Index Sharia Financial Inclusion (ISFI). Therefore, policies aimed at mitigating inequality and enhancing income distribution can contribute to augmenting Sharia financial inclusion and facilitating broader access to equitable financial services in alignment with Sharia principles.

The Variable X_5 (Unemployment) exhibits negligible impact on variable Y (ISFI). This lack of influence stems from the intricate nature and diversity within the unemployment realm, encompassing open unemployment, closed unemployment, and educated unemployment. Each type of unemployment carries distinct characteristics and

implications for accessing sharia financial services. Prior studies indicate that financial inclusion is not consistently affected by unemployment rates, particularly if unemployed individuals possess adequate skills or education enabling continued access to financial services (Allen et al., 2016). Access to financial services correlates more closely with factors like education and financial literacy rather than sole employment status (Demirgüç-Kunt et al., 2020). The unemployment variable fails to exert a substantial impact on the Index of Sharia Financial Inclusion (ISFI) due to the diversity in unemployment types and various other factors influencing access to Sharia financial services. Policies concentrating on enhancing financial literacy and fostering digital financial services can surmount barriers faced by the unemployed.

The Variable X_6 (Distribution of Zakat in the Economic Sector) holds no sway over Y (ISFI). This stems from several factors, notably the relatively low distribution of zakat in the economic sector across diverse regions. Nonetheless, statistical analysis results indicate that this variable nearly attains a positive influence, suggesting significant potential if zakat utilization becomes more effective. Efficient management and productive distribution of zakat can serve as a potent instrument for poverty reduction and enhanced financial inclusion (Ahmed, 2004; Arifin & Herianingrum, 2024; Herianingrum et al., 2023; Roziq et al., 2021)

Research Conclusions and Implications

In this study, the variables including GDP per Capita, Number of Poor Population, HDI, Gini Ratio, Unemployment, and Zakat Distribution in the Economic Sector emerge as critical determinants essential for enhancing the Index Sharia Financial Inclusion (ISFI). This is evident from the substantial R2 value of 98.09%, indicating a collective impact of the X variables on Y.

The research underscores several implications, highlighting the necessity of maintaining ISFI to foster economic advancement and mitigate disparities and uneven development. An intriguing discovery lies in leveraging Zakat within the economic domain to empower communities through effective management, consequently bolstering Sharia financial inclusion. This underscores the potential of Islamic philanthropy mechanisms to uplift people's standards of living.

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