



The Effect of GDP, Zakat, and Infaq Shadaqah On-Demand for Money and Their Relationship to Income and Poverty in Indonesia

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Abstract. This study aims to determine the effect of macroeconomic variables, Zakat and Infaq Shadaqah on money demand in Indonesia. The used data is secondary data from the 2010-2019 time series. The method of this research is using Autoregressive Distributed Lag (ARDL). E-views 9 program is used for processing data. The results of the LM test on the M0 show that there is no autocorrelation problem in the estimated M0 ARDL. Based on the short-term ECM estimation of the M0, several variables have significant values that affect the demand for money. These variables are significant GDP at lag 2 with a significant level of 10%, Zakat is significant at a significant level of 1% and Infaq Shadaqah is significant at lag 1 and 2 with a significant level of both 5%. While the ARDL estimation results show that the variables of GDP, Zakat, and Infaq Shadaqah significantly affect the demand for money in the long term at 1%, 1, % and 10% levels. Furthermore, GDP has a positive effect on income distribution and a negative on poverty. However, the current increase in GDP is considered not in favor of the poor. Zakat also has a significant negative effect on poverty while Infaq Shadaqah also has a negative but not significant effect.

Keywords: Money Demand · GDP · Zakat · Infaq Shadaqah

1 Introduction

Money is a means of payment for transactions in humans that appears later after humans experience the difficulties faced during the barter period. The types of money then developed very rapidly after that. Along with the rapid development of human transactions, nowadays, the existence of money has a very important role in the economic sustainability of a country.

The money supply in a country is determined by the amount of money supply (from the Central Bank) and money demand (from the public) (Butra Aini et al., 2016). Indonesia as a country that implements a dual monetary system, has the function of conventional and Islamic money demand.

The demand for Islamic money is more stable than the demand for conventional money in responding to shocks from the variables that influence it (Ascarya et al., 2008). One of the variables that affect the demand for Islamic money is macroeconomic

conditions. Among the macroeconomic variables that affect the demand for Islamic money are Real Gross Domestic Product (GDP), Inflation, and Exchange Rates.

Expansive monetary policy can reduce poverty in the short term (Yusuf, 2013). In the long run, low inflation and good macroeconomic stability are significantly associated with lower poverty rates and better income distribution.

Poverty that must be solved is poverty that afflicts individuals so that what must be done is to ensure the fulfillment of their basic needs and encourage them to fulfill secondary and tertiary needs, and the way to achieve this is by creating a fair economic distribution (equity) in the midst of society (Wahyudi Suliswanto, 2010).

The problem of poverty occurs due to several factors. The most dominant factors are vulnerability and powerlessness. Zakat is one of the social teachings of Islam that is oriented towards the benefit of humanity. A form of *maaliyah* worship that has a very strategic position in alleviating poverty in society (Ahmad, 2015).

Furthermore, according to Chapra that the factors that affect the function of Islamic money demand also include social value as a form of money demand from Islamic social activities (Chapra, 1996). This is the clearest difference between the Islamic and conventional money demand functions. In the function of Islamic money demand, each individual has the obligation to set aside a portion of his income to be allocated to Zakat, Infaq, Shadaqah and Waqf. This form of distribution is also proof of the balance of the world and the hereafter.

Based on the stated background, the research that the author conducted has the aim of analysing the implications of the demand for money consisting of currency (M0), in Indonesia based on the variables macroeconomic namely GDP, Inflation and Exchange Rate (Exchange) and social values namely Zakat, Infaq, and Shadaqah.

The demand for money in Indonesia is influenced by social values like Zakat and Infaq Shadaqah factor because in every property or money owed by a Muslim there is an obligation that must be fulfilled. Based on this background, this research focuses on the discussion about the effect of macroeconomics, Zakat, and Infaq Shadaqah on money demand in Indonesia.

This study aims to explain the effect of macroeconomics, Zakat, and Infaq Shadaqah on the demand for money in Indonesia, both in the short and long term, and their relationship to income and poverty In Indonesia.

2 Literature Review

2.1 The Theory of Money Demand

Variables that are affected by the demand for money are included in the macroeconomic situation. Macroeconomic variables that affect demand for money include the gross domestic product (GDP), inflation, and exchange rates.

As a country with a dual monetary system, Indonesia has the functions of conventional money demand and Islamic money demand (Misfah Bayuni et al., 2021). The amount of money in circulation in the country depends on the amount of money supply and demand (Butra Aini et al., 2016).

In contrast to traditional demand for money, demand for Islamic money is associated with Islamic social value as an influential factor. Economic variables also facilitate the

achievement of posthumous wealth (Sadeq, 1987). Therefore, the demand for money in the Islamic economy can be expressed by the following equation (Chapra, 1996):

$$M_d = f(Y_s, S, \pi)$$

where:

- Y_s = Products and services related to meeting needs and productive investments that are consistent with Islamic values.
- S = All moral and social values that affect resource allocation and distribution and help minimize M_d for conspicuous consumption, unproductive investments, and preventative and speculative purposes. And system (including Zakat); and
- π = Percentage of wins and losses in systems that do not allow interest rates to be used for financial intermediation.

2.2 The Theory of GDP, Islamic Social Finance, and Their Relationship to Income and Poverty

Gross Domestic Product (GDP) reflects the economic growth of a country. Economic growth is an increase in the long-term capacity of a country to provide various economic goods to its population. This capacity increase itself is determined or made possible by the progress or technological, institutional, and ideological adjustments to various existing guidelines (Smith, 2009). Smith also defines development as a multidimensional process involving major changes in social structures, public attitudes, national institutions as well as accelerating economic growth, reducing inequality and eliminating poverty. So, in a more concise manner, it can be said that the meaning of classical development and modern development is as follows:

- 1) classic development: development = economic growth
- 2) modern development: development = economic growth + others such as, suppressing unemployment, providing adequate education and health infrastructure.

An increase in per capita income may raise people's real living standards. It can happen that while real per capita income increases, per capita consumption decreases. The increase in people's income will result in the level of people's savings. This makes it a form of capital accumulation through public savings which will ultimately be used by the government in financing development in the country (Mankiw, 2006).

Islam recommends a Muslim to do philanthropy so that wealth does not only revolve among the rich (Surah Al Hasyr: 7). When explaining philanthropy, the Qur'an often uses the terms Zakat, Infaq and Shadaqah which contain the meaning of charity. Generosity in Islam, which includes broad dimensions of goodness such as zakat, Infaq, Shadaqah and waqf are terms that denote the official form of Islamic philanthropy. This Islamic philanthropy system was then formulated by the jurists with a lot of reliance on the Qur'an and the Prophet's hadith regarding detailed provisions, such as types of assets, minimum levels, amounts, and other rules (Faqih, 2020). The Qur'an does not introduce the term zakat, but alms. However, in the context of discourse, the use of the term's Zakat, Infaq and Shadaqah sometimes also contains special meanings and is also used differently (QS. At Taubah: 60).

Islamic social finance has many lessons:

1. helping, assisting, fostering, building the poor with materials to meet their needs.
2. As a form of faith in Allah SWT. Be grateful for the blessings, cultivate noble character with a high sense of humanity, eliminate miserly, greedy and materialistic traits.
3. Eradicating the diseases of envy, hatred and envy, from humans that usually arise when they see people whose lives are well-off, besides that zakat is a concrete form of social security that is prescribed by Islamic teachings.
4. Can support the realization of an Islamic social system consisting of the principles of “*ummatan wahidah*”. “*Munawah*” equality, rights and obligations, Islamic brotherhood and “*tafaqul*” help each other in a useful life. Almost all scholars agree that people who are entitled to receive zakat on behalf of the needy and poor are included as *sabilillah*.
5. Become an important element in realizing a balanced distribution of assets, balance and ownership of property and balance of individual responsibilities in society.
6. Zakat is zakat *maaliyah* which has a socio-economic dimension or income distribution which is an embodiment of social solidarity. Zakat that is managed properly will be able to open up extensive employment and business opportunities, as well as the control of assets by Muslims (Sabiq, 1978).

The distribution obligation contained in the teachings of zakat shows the existence of social care, not only individuality oriented. Social care shows the existence of cooperative values, while individuality orientation leads to a tendency to uphold competitive values. The difference in upholding cooperative values and competitive values determines the strength of the basis for achieving the welfare of living together (Pawenang, 2010).

2.3 Previous Study and Hypothesis

Research on the demand for money in Indonesia in general has been done quite a lot. An overview of the research on the behaviour of money demand in Indonesia can be read in Ascarya (Ascarya et al., 2008) which examines the behaviour of monetary aggregates in the dual monetary system in Indonesia. The test results show that the profit-sharing return (*Mudharabah*) has a negative effect on the demand for all components of Islamic money (currency, *Wadiah* demand deposits, *Mudharabah* savings, and *Mudharabah* deposits). The demand for Islamic money is more stable than the demand for conventional money in responding to shocks from other variables. Conventional money demand generally shows motive behaviour for transactions and precautionary measures (currency, demand deposits, and savings), as well as motive behaviour for speculation/investment (deposits). Meanwhile, the demand for Islamic money in general only shows motive behaviour for transactions and precautionary measures.

Research conducted by Gustianti (Gustiani, Ebrinda Daisy, Ascarya, 2010) concludes that GDP has a significant effect on the demand for money and social value still has a small effect due to the very large dominance of the conventional system.

Furthermore, Halia's research (Butra Aini et al., 2016) shows that there is a unidirectional relationship between real money demand and interest rates, between GDP against exchange rates and interest rates, between inflation and exchange rates. Finally, there

is a two-way relationship between GDP and real money demand, a two-way relationship between inflation and real money demand, a two-way relationship between GDP and inflation, a two-way relationship between interest rates and inflation and a two-way relationship between interest rates and the exchange rate. The results of this study also show that GDP does not significantly affect the demand for money. The exchange rate variable has a positive and significant effect on the demand for real money in the short term. While the interest rate has a negative and significant effect on the demand for real money. Real money demand in Indonesia in the long term is positively and significantly influenced by the GDP variable. While the exchange rate and interest rate variables have a negative effect.

Subsequent research by Maulana (Rifki Aditia & Cahyono, 2018) shows the estimation results of VECM, social values, currency, *wadhiah* demand deposits, Sharia returns and long-term *mudharabah* savings have no significant effect, short-term real GDP has a significant effect on money demand from an economic perspective. Islam in Indonesia. The results of variance decomposition that have the largest contribution are social values, then currency, *mudharabah* deposits, *mudharabah* savings, Sharia returns, Real GDP and *wadhiah* current accounts are the smallest.

Research conducted by Bayuni (Eva Misfah Bayuni, Muhammad Yunus, Mujahid, Shifa Nurul Fadhilah, Silvani Fauziah, Yusuf Azis, 2021) using the VECM method shows that macroeconomic variables such as GDP, inflation, and social values have positive implications for money demand. Islam in Indonesia.

Another study also conducted by Bayuni (Eva Misfah Bayuni, Muhammad Yunus, Mujahid, Shifa Nurul Fadhilah, Silvani Fauziah, Yusuf Azis, 2021) using the ECM method stated that in the 1st model, only the zakat variable will have a positive implication for Islamic money demand in the short term. That can be used by the domination of the conventional system over sharia's system and the effect is still very small on the demand for Islamic money. And the result also showed that GDP and Inflation will have positive implications for Islamic money demand in the long term. In the 2nd model, the short-term ECM estimation results do not show any variables that have a significant value; therefore, the second model cannot be continued with the long-term ECM reliability. This can happen because macroeconomic variables have no partial effect on the demand for Islamic money. However, different methods can be an option to see possible differences in results. In the 3rd model the results of ECM estimation both in the short and in the long-term, zakat variable has a significant value at the level of 5 and 1 percent. The result showed that the social variable, namely zakat, has considerable potential for the stability of the monetary system in Indonesia.

Furthermore, research was conducted by Murobbi (Muhammad Najib Murobbi, 2021) on the Effect of Zakat, Infaq, Alms, and Inflation on Poverty in Indonesia. The results showed that zakat receipts had a significant effect in reducing the number of poor people. Meanwhile, alms Infaq and inflation do not have a significant relationship to poverty and have a negative relationship.

The results of research conducted by Suliswanto (Wahyudi Suliswanto, 2010) showed that the provincial GDRP has not been too large to reduce the poverty rate. However, poverty reduction is more dominant than the Human Development Index (IPM)

variable. This indicates that the economic growth that has occurred has not been pro-poor or in other words has not provided benefits for the poor. The findings also show that improving the quality of human resources will be able to have a major influence on reducing the poverty rate that occurs.

Another research conducted by Yusuf (Yusuf, 2013) with research results showing that prudent monetary policy (maintaining price stability and macro conditions) has a permanent positive effect in reducing poverty levels and equalizing income distribution. It can be concluded that a prudent monetary policy is a monetary policy that favour's the poor.

The similarity of this study with previous studies lies in the variables used, for example, the components of money demand, macroeconomic variables, social values, income and poverty. However, the difference between this study and previous research is that these studies are separate studies and are not mutually integrated between the demand for money, macroeconomic variables, social values, income and poverty in Indonesia. Another difference lies in the period with a longer time interval than in previous studies. So, it can be said that this research is more comprehensive than previous studies.

To limit the problems in this study, the researcher will focus on discussing the impact of macroeconomic variables, social values on the demand for money, and their relationship to income and poverty in Indonesia.

The hypotheses of this research:

H01: macroeconomic variables have no effect on money demand in Indonesia.

Ha1: macroeconomic variables have an influence on the demand for money in Indonesia H02: social value variable has no effect on money demand in Indonesia.

Ha2: social value variable has an influence on money demand in Indonesia.

H03: macroeconomic variables and social values have no relationship to income and poverty in Indonesia.

Ha3: macroeconomic variables and social values have a relationship with income and poverty in Indonesia.

3 Research Methods

This research used secondary data from the 01:2010-12:2019 time series. The object of this research is one of the components of money demand such as narrow money (M0), macroeconomic variables (GDP, Inflation, and exchange rate), Zakat and Infaq Shadaqah variables in Indonesia for 10 years in 01:2010-12:2019. Data collection techniques used documentation and annual report of Bank Indonesia (BI), Financial Services Authority (OJK), Central Bureau of Statistics (BPS), and BAZNAS.

The model built in this study is the ECM model for the short term and the ARDL model for the long term. The following is the research equation that was built:

ECM Models

$$\begin{aligned} \Delta LN_MO_t = & \alpha + \sum_{i=1}^p \beta_1 \Delta LN_PDB_{t-i} + \sum_{i=1}^p \beta_2 \Delta INF_{t-i} + \sum_{i=1}^p \beta_3 \Delta LN_EX_{t-i} \\ & + \sum_{i=1}^p \beta_4 \Delta LN_ZAKAT_{t-1} + \sum_{i=1}^p \beta_5 LN_INSH_{t-i} + \delta ECT_{t-1} \varepsilon_t \end{aligned} \quad (1)$$

ARDL Models

$$LN_MO_t = \alpha + \sum_{i=1}^p \beta_1 LN_PDB_{t-i} + \sum_{i=1}^p \beta_2 INF_{t-i} + \sum_{i=1}^p \beta_3 LN_EX_{t-i} + \sum_{i=1}^p \beta_4 LN_ZAKAT_{t-1} + \sum_{i=1}^p \beta_5 LN_INSH_{t-i} + \varepsilon_t \quad (2)$$

The method of this research is using Autoregressive Distributed Lag (ARDL) and E-views 9 program is used for processing data.

The ARDL method in (Hamzah & Handri, 2017) is a method that can estimate a linear regression model in analyzing long-term relationships involving a cointegration test between time series variables. In general, there are several other cointegration tests used in estimating long-term relationships such as residual based Engle-Granger (1987) and Johansen (1988) with two-step and one-step procedures, the Johansen and Juselius (1990) method in (Hamzah & Handri, 2017) test based on maximum likelihood, but the cointegration test previously mentioned requires the estimated variables to be integrated in the same level of order $I(1)$ or first difference (Enders, 2004). To avoid this, this study uses the Autoregressive Distributed Lag (ARDL) method with the cointegration Bounds Test approach which was created by Pesaran and Shin in 1995 in (Hamzah & Handri, 2017).

The ARDL approach used can see the long-term relationship between variables and can be applied regardless of the variables that are estimated to be stationary at the level, first difference or second difference.

4 Result and Analysis

4.1 The Result of the Stationarity Test

The first step is to test the stationarity of all variables. The data stationarity test was performed based on the Phillips-Perron (PP) test to see if there was a root of unity in the difference between the level of the variable and the first level. If the PP statistic is less than the critical MacKinnon value, the data is quiescent at a given significance level. The stationarity test can also be seen from the fact that the probability value of PP is smaller than the actual level. The results of the routine test are listed in the Table 1.

The test results show that there are no fixed variables at the level. The unit root test then continues at the first difference level. After testing for the unit root at the first difference using the PP test for all variables, the test showed that all variables were steady at the level of the first difference. Based on the results of the check, you can conclude that the first difference does not contain a unit root in the data.

4.2 The Result of the Cointegration Test

To test the cointegration on the model, use the Boundary Test Cointegration method. The determination of confidence level of the cointegration is evaluated based on the bounds of the threshold. If the value of the F-statistic is less than the minimum threshold (lower bound), you can conclude that the model has no cointegration. If the value of the

Table 1. Result of Stationarity Test

Variables	PP Values	
	Level	1st Difference
LN_M0	8.372760	-15.28064
LN_PDB	3.405014	-10.86890
INF	-0.762637	-7.907969
LN_EX	1.631025	-11.20783
LN_ZAKAT	0.449066	-37.26374
LN_INSH	0.152521	-43.82836
MacKinnon critical values:	1% level	-4.046072
	5% level	-3.452358
	10% level	-3.151673

Note. Types in bold indicate that the data are normal at the 1%, 5%, and 10% significance levels

Table 2. The Result of the Cointegration Test

Model	F-Statistic	Decision
Model (M0)	5.373661***	Cointegrated
Significance	Lower Bound	Upper Bound
10%	2.08	3

***), **), and *) are cointegrated at the 1 percent, 5 percent, and 10 percent significance levels

Table 3. The Result of the Optimum Lag Test

Model	Lag Optimum
Model 1 (M0)	4, 3, 0, 0, 0, 3

F-statistic is greater than the highest threshold (upper bound), we can conclude that the model has a cointegration. However, if the F-statistic is between the lower and upper bounds, the result is inconclusive (Table 2).

The cointegration test showed that the F-statistics of the model were indicating that the models were cointegrated in the long run. With the presence of cointegration in the model, then the estimate made is a long-term ARDL model estimate followed by a short-term ECM estimate.

4.3 The Result of the Optimum Lag Test

The selection of the optimal displacement is done by choosing the minimum fundamental value of the Akaike Information Criterion (AIC) within the displacement range used. The results of the optimal latency test show that the level of latency selected in this study is different in each model (Table 3).

4.4 The Result Stabilisation Results and Autocorrelation Test

Autocorrelation test using LM test. The results of the LM test on model 1 show that the p-value of obs*R-squared is more than the 5 percent or 0.05 significance level, meaning that there is no autocorrelation problem in the model. Then, the stability test uses recursive estimation through plots of the cumulative sum (CUSUM) and cumulative sum of square (CUSUMSQ) which indicate the stability of the variable coefficients used in the model. The results of the CUSUM and CUSUMSQ plots of recursive estimates in the model indicate that the variables in the period used in this study are stable (Fig. 1).

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.213850	Prob. F(2,98)	0.1147
Obs*R-squared	5.014398	Prob. Chi-Square(2)	0.0815

5 ECM Short Term Analysis

Below are the estimation results of the three money supply models. Depending on the results of the boundary test, the model is cointegrated into the long-term model, so the estimation is performed by estimating the long-term ARDL model and then proceeding to the short-term ECM estimation. This estimate can be used to determine the long-term effect of the independent variable on the dependent variable. This can happen because of the cointegration in the research model (Table 4).

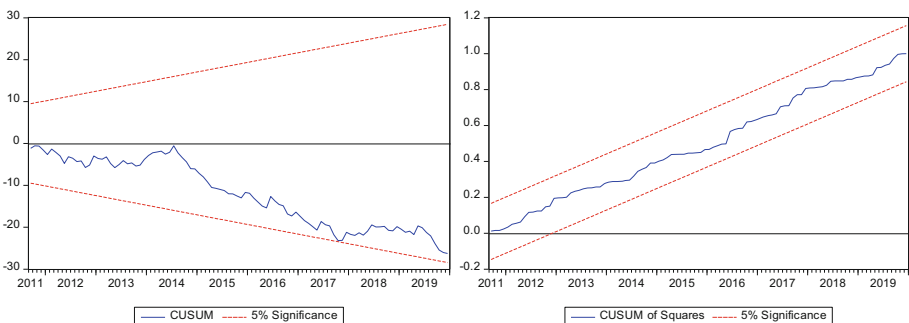


Fig. 1. The Result Stabilisation results and Autocorrelation Test.

Table 4. Result of Short-Term Estimation

Variable	Coefficients
	Model M0
D(LN_M0(-1))	-0.240939***
D(LN_M0(-2))	-0.186497**
D(LN_M0(-3))	-0.206279**
D(LN_PDB)	0.406134
D(LN_PDB(-1))	-0.366623
D(LN_PDB(-2))	-0.534474*
D(INF)	0.005016
D(LN_EX)	-0.079946
D(LN_ZAKAT)	0.022399***
D(LN_INSH)	-0.000366
D(LN_INSH(-1))	0.010723**
D(LN_INSH(-2))	0.010469**
CointEq(-1)	-0.515130***

***), **), and *) significant at 1%, 5%, and 10% significance levels

Table 5. Result of Long-Term Estimation

Variable	Coefficients
	Model M0
LN_PDB	2.034778***
INF	0.007342
LN_EX	-0.025928
LN_ZAKAT	0.037620***
LN_INSH	-0.034780*
C	-14.420853***

***), **), and *) significant at 1%, 5%, and 10% significance levels

5.1 ARDL Long-Term Analysis

Based on short-term estimation results, it is known that the model has four important variables: the lag 1, 2, and 3 variables themselves (LN_M0) and the GDP variable (LN_PDB) that has a significant effect on lag 2. The zakat variable (LN_ZAKAT) and the Infaq Shadaqah variable (LN_INSH) have a great influence on the first and second lags. The model also has a cointegration or long-term relationship, so it has an error correction factor (CointEq) value. The CintiQ value for the model is 0.51 and the significance level

is 1%. This shows that the imbalance in the model was corrected by 0.51 in the previous period (Table 5).

Second, the estimation continues over the long term. The results of the long-term estimation of the money supply model in the table generate three important variables: the GDP variable (LN_PDB), the Zakat variable (LN_ZAKAT), and the Infaq Shadaqah variable (LN_INSH).

5.2 The Effect of GDP, Islamic Social Finance on Demand for Money to Income and Poverty in Indonesia

This study has two general objectives, namely to explain the effect of macroeconomic variables and social values on the demand for money and to explain the relationship between these variables on income and poverty in Indonesia. Money demand is represented by M0 by considering the results of tests that have been carried out previously on M0, M1 and M2.

Based on the results of the ECM calculation above, it is found that in the short term only GDP is the macroeconomic variable that has a significant influence at the 10% level on the demand for money. Meanwhile, zakat and Infaq Shadaqah both have a significant influence at the level of 1% and 5%, respectively, on the demand for money.

Furthermore, the long-term results with ARDL also found that GDP, Zakat and Infaq Shadaqah have a significant influence on the demand for money. GDP and Zakat are significant at the 1% level while Infaq Shadaqah is at the 10% level.

The results found are the same as the results of previous research conducted by Gustianti, Halia Maulana and Bayuni that GDP and Zakat have a significant influence on the demand for money in Indonesia. While the Infaq Sadaqah variable has a smaller value than Zakat, so it is natural that the effect in the short and long term is significant but at the 5% and 10% levels. Murobbi's research also states that currently the Indonesian people in general prefer to channel directly without going through an institution (Muhammad Najib Murobbi, 2021). So, the value of Infaq Sadaqah is still less than Zakat.

To analyze the relationship of these variables to income and poverty, we use a descriptive analysis technique with a literature study approach.

Various studies on income and poverty have been carried out before. However, this study tries to provide a more comprehensive explanation of the relationship between variables. In addition to a more comprehensive discussion, the interrelationship of these variables must be discussed to prove that all of these variables are synergistic with each other in a single unit to realize mutual prosperity. This is in line with what Ahmad explained (Ahmad, 2015).

GDP, Zakat and Infaq Sadaqah have a significant influence on the demand for money (M0). But on the other hand, GDP, Zakat and Infaq Sadaqah also have an influence on income and poverty (Muhammad Najib Murobbi, 2021) (Ahmad, 2015) (Yusuf, 2013). In addition, monetary policy indirectly affects income and poverty. Especially monetary policy to maintain price stability and macroeconomic conditions (Yusuf, 2013).

The demand for money is not a direct part of monetary policy. However, the demand for money can be controlled through monetary control carried out by the central bank. In particular, the demand for M0 money, the government through the central bank does

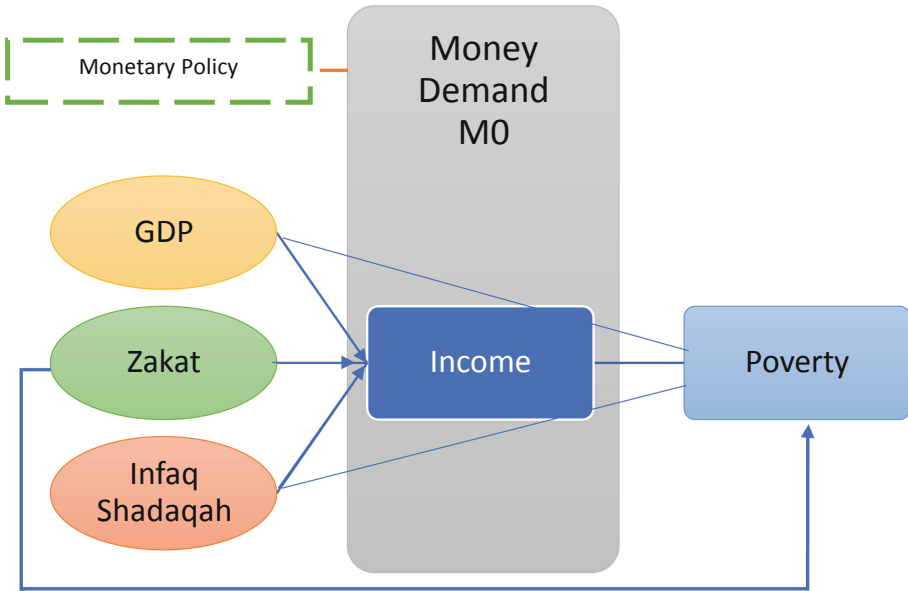


Fig. 2. The Relationship GDP, Islamic Social Finance on Demand for Money to Income and Poverty in Indonesia

a lot of coordination with commercial banks. The following is a brief description of the variables that are integrated with each other (Fig. 2).

GDP, has a significant relationship and influence on income and poverty. Likewise, with Infaq Shadaqah which has a relationship to income and poverty, although it is not significant. Meanwhile, Zakat has a significant effect on income and poverty. Therefore, all three have a firm line. Zakat, Infaq Shadaqah, income and poverty in Indonesia have a close relationship with the demand for money (M0), namely currency. This can be concluded because in general, Indonesian people use currency to pay Zakat, Infaq Shadaqah and other forms of income that are identical to money in a narrow sense. Furthermore, the measurement of the poverty rate is based on the nominal income of the community.

6 Conclusion

In this research, GDP, Zakat and Infaq Shadaqah variable will have a positive implication for money demand in the short term and long term. And the result also showed that the social variable, namely zakat, has a significant effect on the demand for money at the level of 1% both in the short term through ECM analysis and long term with ARDL analysis.

GDP, Zakat and Infaq Shadaqah also have an influence on income and poverty. GDP, has a significant relationship and influence on income and poverty. Likewise, with Infaq Shadaqah which has a relationship to income and poverty, although it is not significant. Meanwhile, Zakat has a significant effect on income and poverty. Therefore, all three

have a firm line. Zakat, Infaq Shadaqah, income and poverty in Indonesia have a close relationship with the demand for money (M0), namely currency. In addition, monetary policy indirectly affects income and poverty. Especially monetary policy to maintain price stability and macroeconomic conditions.

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