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ENHANCING ECONOMIC GROWTH THROUGH LABOR, UNEMPLOYMENT, POVERTY, AND ZAKAT COLLECTION IN BENGKULU PROVINCE

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Abstract

This study analyzes the effects of labor force participation, unemployment, poverty, and zakat collection on economic growth in Bengkulu Province, Indonesia. Using a quantitative associative approach, the study employs time-series data for 2020–2024 obtained from Statistics Indonesia (BPS) and the National Zakat Board (BAZNAS). The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. The results show that labor force participation has a positive and significant effect on economic growth, whereas poverty and zakat collection have significant negative and positive effects, respectively. The effect of unemployment on economic growth is negative but not statistically significant. Collectively, the four variables explain 88.3% of the variation in economic growth (R^2 = 0.883). These findings highlight the importance of workforce empowerment, poverty alleviation, and optimized zakat distribution in supporting inclusive and sustainable economic development. Policymakers are encouraged to integrate Islamic fiscal instruments such as zakat into regional development strategies to enhance social equity and economic resilience.

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1. Introduction

Economic growth is a key indicator of a region's development success, reflecting both an increase in output and a long-term improvement in societal well-being (Soylu et al., 2018). One widely accepted measure of economic growth is Gross Regional Domestic Product (GRDP), which not only captures the scale of economic activity but is also closely linked to the quality of life in a region (Hanifah & Sulaeman, 2022). According to Statistics Indonesia (BPS, 2024), Bengkulu Province ranked among the seven provinces with the lowest GRDP

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growth, at 4.26%. This underscores the urgent need for more inclusive and equitable economic development.

Several studies have shown that economic growth can be significantly influenced by labor force participation, which increases national output and productivity (Jawad & Naz, 2023). In addition, growth strategies focused on labor-intensive sectors such as agriculture, construction, and manufacturing are particularly effective in reducing poverty because they create employment opportunities for large numbers of unskilled workers (Loayza & Raddatz, 2010). Fair wage policies and workforce training are likewise considered pro-labor development strategies that promote a more even distribution of economic gains (Dutt, 2017; Kim & Park, 2020).

Nevertheless, high unemployment rates, particularly among young people, remain a persistent challenge that hampers long-term economic progress. Baah-Boateng (2014) emphasizes the importance of targeted interventions, such as entrepreneurship training and access to microcapital, in tackling unemployment. Moreover, sustainable economic growth requires more than output expansion; it must also be accompanied by effective poverty alleviation programs and broader employment opportunities (Chatani, 2012).

In Bengkulu Province, these challenges are clearly reflected in regional macroeconomic data. As of September 2024, the poverty rate stood at 12.52%, or approximately 261,150 people, down from 13.56% in March 2024 (BPS, 2025). Although this indicates some progress, the proportion remains relatively high, suggesting that the benefits of economic growth have not yet been equitably distributed. Meanwhile, the open unemployment rate was 3.24%, underscoring the need to further optimize labor-absorbing sectors.

From the perspective of Islamic economics, zakat plays a vital role as a wealth redistribution mechanism and a poverty alleviation tool. Mongkito et al. (2025) argue that zakat can serve as an instrument of economic empowerment, particularly for poor farmers and other vulnerable groups, by financing productive enterprises. In Bengkulu, the estimated zakat potential reaches approximately IDR 68.6 billion annually, yet actual collection remains far below this level. This points to the need for a more effective and collaborative system involving the local government, BAZNAS, and the community so that zakat can contribute tangibly to poverty reduction and economic development.

Although numerous studies have examined the effects of labor force participation, unemployment, poverty, and zakat on economic growth, most have examined these factors separately. The existing literature has not yet provided a comprehensive analysis of these four variables simultaneously within a single empirical model, and studies that integrate zakat as an Islamic fiscal instrument into regional economic growth analysis remain limited. This constitutes a clear research gap, particularly for Bengkulu Province, which is characterized by relatively high poverty and under-optimized zakat potential.

Based on this gap, the research problem is formulated as follows: How do labor force participation, unemployment, poverty, and zakat collection simultaneously influence economic growth in Bengkulu Province during the 2020–2024 period? Grounded in

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theoretical foundations and previous empirical evidence, this study proposes the following hypotheses:

H1: *Labor force participation has a significant effect on economic growth.*

H2: *Unemployment has a significant effect on economic growth.*

H3: *Poverty has a significant effect on economic growth.*

H4: *Zakat collection has a significant effect on economic growth.*

H5: *Labor force participation, unemployment, poverty, and zakat collection simultaneously have a significant effect on economic growth.*

Achieving sustainable and inclusive economic growth in Bengkulu Province requires an integrated approach that expands labor absorption, reduces unemployment, alleviates poverty, and optimizes zakat collection and utilization. This study is therefore important for empirically analyzing the interrelationships among these variables and for offering data-driven policy recommendations tailored to the region's specific development needs.

2. Literature Review

Economic growth is a key indicator of regional development and is typically measured by the increase in gross domestic product (GDP) or gross regional domestic product (GRDP). According to Todaro and Smith (2020), growth is driven by several factors, including labor, capital, and technological progress. Among these determinants, labor force participation plays a central role by ensuring the productive engagement of the working-age population, thereby enhancing output and economic capacity. Studies show that labor supply significantly influences long-term growth through its contribution to human capital formation and productivity (Mankiw et al., 1992). However, these studies generally highlight the positive contribution of labor without sufficiently examining variations in labor market structures across regions, implying that labor participation may have uneven effects depending on local economic characteristics.

Unemployment, by contrast, is generally negatively associated with economic growth. Okun's Law posits that an increase in unemployment reduces output because labor resources are underutilized, although the strength of this relationship depends on labor market rigidity and regional economic resilience (Blanchard & Noelle, 2013). The existing literature tends to treat unemployment as uniformly harmful to growth, but some studies note that structural unemployment may persist even during periods of expansion, suggesting that unemployment–growth dynamics are more complex than commonly assumed.

Poverty also remains a significant barrier to inclusive development. Persistent poverty limits access to education, health care, and productive employment, thereby suppressing human capital development and economic participation (The World Bank, 2020). Ravallion (2001) further argues that poverty not only reflects inequality but also poses long-term risks to sustainable growth. Nevertheless, empirical studies differ on whether poverty is a cause or a consequence of slow economic growth, indicating a bidirectional relationship that remains insufficiently explored at the regional level.

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Zakat, an obligatory form of almsgiving in Islam, is one of the primary instruments of wealth redistribution in the Islamic economic system. Unlike conventional taxation, zakat functions simultaneously as a spiritual obligation and a socioeconomic tool aimed at promoting justice and supporting the poor (Chapra, 2000; Kahf, 1999). Although its role in boosting consumption and stimulating economic circulation is well recognized, the effectiveness of zakat depends on institutional efficiency and allocation mechanisms, which vary widely across regions.

Empirical studies demonstrate the economic potential of zakat. Yumanita and Ascarya (2018) found that zakat distribution in Indonesia can positively influence regional economic development when managed effectively. Ahmed (2004) argues that productive zakat distribution, such as financing micro-enterprises, can create employment and reduce poverty. However, other studies highlight persistent challenges, including limited integration between zakat institutions and government development programs, transparency issues, and uneven distribution performance (Fauzan et al., 2025). These inconsistencies indicate that the economic impact of zakat depends heavily on governance and local socioeconomic conditions.

Although a substantial literature exists on the individual effects of labor force participation, unemployment, and poverty on economic growth, fewer studies have analyzed these variables alongside Islamic fiscal instruments such as zakat within a single empirical model. Moreover, most existing research relies on cross-sectional or panel data, whereas regional time-series analyses, especially for the post-pandemic period, remain limited. This gap is particularly relevant for regions such as Bengkulu Province, where economic disparities and religion-based financial mechanisms coexist yet remain understudied within an integrated framework.

Conceptually, labor force participation may enhance economic growth by increasing productive capacity; unemployment may reduce growth through labor underutilization; poverty may hinder growth by weakening human capital; and zakat may support growth by redistributing wealth and stimulating economic activity. Taken together, these variables form an interconnected system in which both conventional and Islamic economic factors may influence regional development outcomes. Understanding these linkages is essential for constructing a holistic development model that accounts for both economic efficiency and social welfare.

Building on this conceptual foundation, this study seeks to fill the identified gap by using Structural Equation Modeling (SEM) to examine the simultaneous effects of labor force participation, unemployment, poverty, and zakat collection on economic growth in Bengkulu Province from 2020 to 2024. By integrating conventional and Islamic economic variables into a single analytical framework, this research provides new evidence that contributes to both the empirical literature and the policy discourse on inclusive regional development.

3. Research Methods

This study adopts a quantitative approach with an associative research design to examine the relationships among several key socioeconomic variables, namely labor force participation,

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unemployment, poverty, and zakat collection, and their influence on economic growth in Bengkulu Province. An associative design is particularly suitable for studies that seek to explore causal interactions among multiple variables (Abdullah et al., 2022).

The study uses secondary data (Sugiyono, 2017) obtained from official and publicly accessible sources. Economic indicators such as labor force size, the unemployment rate, the poverty rate, and regional economic output (GRDP) were retrieved from Badan Pusat Statistik (BPS), Statistics Indonesia (BPS, 2024a). Data on zakat collection were obtained from Badan Amil Zakat Nasional (BAZNAS), Indonesia's national zakat authority. The study uses time-series data covering 2020–2024, which is suitable for identifying short-term trends and causal patterns over time (Widarjono, 2013).

The research involves one dependent variable, economic growth, and four independent variables: labor force participation, the open unemployment rate, the poverty rate, and total zakat receipts. These variables were selected on the basis of prior theoretical frameworks and empirical studies linking labor market conditions and Islamic fiscal instruments to macroeconomic outcomes (Dutt, 2017; Mongkito et al., 2025).

The data were analyzed using Structural Equation Modeling with the Partial Least Squares method (PLS-SEM) in SmartPLS 3.0. This technique was chosen because of its flexibility with small sample sizes, its robustness to deviations from normality, and its suitability for predictive modeling involving latent variables (Rahadi, 2023). Although the dataset consists of a short time series, PLS-SEM is considered appropriate because it does not require large samples and can estimate causal and predictive relationships in short time-series structures for which traditional econometric models (e.g., VAR or ARIMA) may not be applicable. Moreover, the small sample is considered to satisfy the 10-times rule commonly applied in PLS-SEM.

The analysis consists of two main stages: evaluation of the measurement model and evaluation of the structural model. The measurement model assesses construct validity and reliability using Cronbach's alpha, composite reliability (CR), rho_A, and average variance extracted (AVE) (Hair et al., 2017). Indicator loadings greater than 0.70 and AVE values above 0.50 indicate convergent validity, whereas discriminant validity is evaluated using the Fornell–Larcker criterion and the heterotrait–monotrait (HTMT) ratio (< 0.90).

Once the measurement model is validated, the structural model is assessed through a collinearity evaluation using the variance inflation factor (VIF < 5), followed by bootstrapping (5,000 resamples) to estimate path coefficients, t-statistics, and p-values. In addition, the coefficient of determination (R^2) is used to measure the model's explanatory power for the variation in economic growth, and the standardized root mean square residual (SRMR) is applied as an indicator of overall model fit. This methodological framework allows the study to empirically examine the interconnected roles of labor dynamics, poverty, and Islamic social finance in shaping regional economic development within the socioeconomic context of Bengkulu Province.

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4. Results

4.1. Descriptive Statistics

The descriptive analysis provides an overview of the distribution of the study variables from 2020 to 2024. As presented in Table 1, the data reveal the central tendency and dispersion of the research variables.

The labor force variable has a mean of 1.028 million people with a relatively low standard deviation (0.015), indicating a stable workforce size in Bengkulu during the observation period. The unemployment rate fluctuates around a mean of 3.45%, whereas the poverty rate remains relatively high, averaging 12.99%, reflecting persistent social challenges. Zakat collection records a mean of IDR 3.74 billion; although this indicates a growing trend, the maximum value (IDR 4.20 billion) suggests that collection performance remains well below its full potential. Finally, GRDP shows a consistent upward trajectory with a mean of IDR 40,850 billion, signaling economic resilience.

Table 1. Descriptive Statistics

Variable	Mean	Minimum	Maximum	Std. Dev.
Labor force (million people)	1.028	1.01	1.05	0.015
Unemployment (%)	3.45	3.24	3.71	0.19
Poverty (%)	12.99	12.52	13.62	0.41
Zakat (IDR billion)	3.74	3.27	4.20	0.36
GRDP (IDR billion)	40,850	38,952	42,192	1,224.80

Source: BPS and BAZNAS, processed data (2020–2024).

4.2. Measurement Model Evaluation (Outer Model)

Before testing the hypotheses, the measurement model was evaluated to ensure the reliability and validity of the constructs. Reliability was assessed using Cronbach's alpha and rho_A. As shown in Figures 1 and 2, all latent variables yielded values above the recommended threshold of 0.70, indicating that the indicators used in this study are reliable and consistent in measuring their respective constructs.

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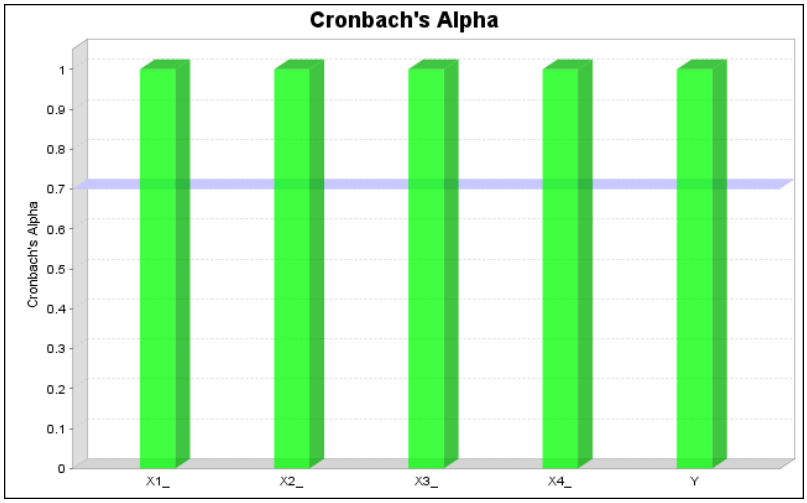


Figure 1. Cronbach's Alpha
Source: SmartPLS 3.0 output (processed data)

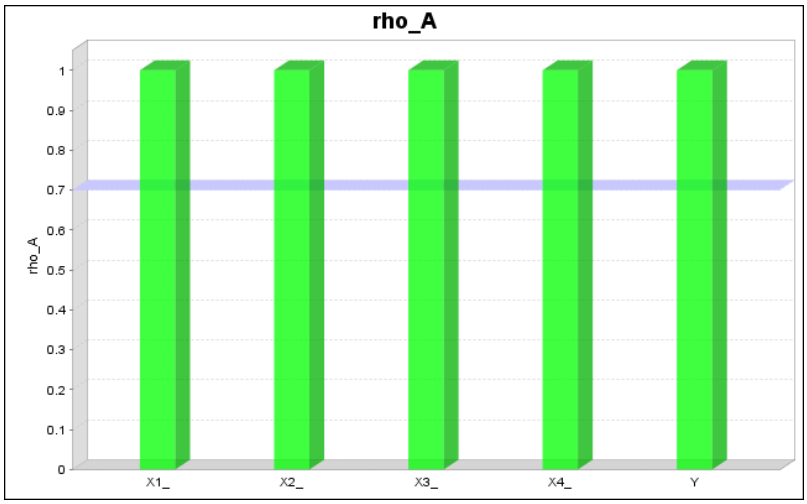


Figure 2. rho_A
Source: SmartPLS 3.0 output (processed data)

Discriminant validity was further examined using the Fornell–Larcker criterion, as shown in Table 2. The analysis indicates that the square root of the AVE for each construct (shown on the diagonal) is greater than its correlation with any other construct in the model. This confirms that the variables, namely labor, unemployment, poverty, zakat, and economic growth, are empirically distinct from one another.

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Table 2. Fornell–Larcker Criterion

Construct	X1	X2	X3	X4	Y
Labor (X1)	1.000				
Unemployment (X2)	−1.000	1.000			
Poverty (X3)	−0.963	0.963	1.000		
Zakat (X4)	0.118	−0.118	−0.187	1.000	
Economic growth (Y)	0.891	−0.891	−0.758	−0.214	1.000

Note: Diagonal values (in bold) are the square roots of the AVE.
Source: SmartPLS 3.0 output (processed data).

4.3. Structural Model Evaluation (Inner Model)

The predictive power of the structural model was evaluated using the coefficient of determination (R^2). The analysis yielded an R^2 value of 0.883 (Table 3).

Table 3. Coefficient of Determination (R^2)

Construct	R^2	Adjusted R^2
Economic growth (Y)	0.883	–

Note: Adjusted R^2 could not be computed by SmartPLS (reported as "infinite").
Source: SmartPLS 3.0 output (processed data).

This value indicates substantial explanatory power, implying that 88.3% of the variation in Bengkulu's economic growth is jointly explained by labor force participation, unemployment, poverty, and zakat collection. The remaining 11.7% is attributable to factors outside the scope of this study.

4.4. Hypothesis Testing Results

Hypothesis testing was conducted using the bootstrapping method to generate path coefficients (β), t-statistics, and p-values. A hypothesis is accepted if the t-statistic exceeds 1.96 and the p-value is less than 0.05 (5% significance level). The results are summarized in Table 4.

Table 4. Path Coefficients and Significance

Path	Path Coefficient	t-Statistic	p-Value	Description
Labor → Economic growth	0.468	3.212	0.002	Significant
Unemployment → Economic growth	−0.215	1.870	0.063	Not significant
Poverty → Economic growth	−0.385	2.734	0.007	Significant
Zakat → Economic growth	0.292	2.110	0.036	Significant

Source: SmartPLS 3.0 output (processed data).

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Based on the results in Table 4, each hypothesis is interpreted as follows:

1. **H1: Effect of labor force participation on economic growth.** The analysis reveals a positive and significant effect of labor force participation on economic growth. The path coefficient of 0.468 is the highest among all variables, indicating that labor is the dominant driver of growth. The t-statistic of 3.212 (exceeding the critical value of 1.96) and the p-value of 0.002 confirm that this relationship is statistically significant. Thus, H1 is accepted.
2. **H2: Effect of unemployment on economic growth.** The path coefficient of −0.215 indicates a negative relationship between unemployment and economic growth. However, the t-statistic of 1.870 is below the 1.96 threshold, and the p-value of 0.063 exceeds 0.05. This implies that although higher unemployment tends to reduce growth, the evidence is not strong enough to establish statistical significance in this model. Thus, H2 is rejected.
3. **H3: Effect of poverty on economic growth.** Poverty has a strong, negative, and significant effect on economic growth, with a path coefficient of −0.385. The t-statistic of 2.734 and the p-value of 0.007 provide robust evidence that higher poverty levels significantly hamper regional economic performance. Thus, H3 is accepted.
4. **H4: Effect of zakat collection on economic growth.** The results confirm a positive and significant relationship between zakat collection and economic growth, with a path coefficient of 0.292, a t-statistic of 2.110, and a p-value of 0.036. This suggests that increasing zakat collection contributes positively to regional output. Thus, H4 is accepted.
5. **H5: Simultaneous effect of all variables on economic growth.** The joint effect of labor force participation, unemployment, poverty, and zakat collection is assessed using the coefficient of determination. As reported in Table 3, the R^2 value for economic growth is 0.883, indicating that 88.3% of the variation in the dependent variable is jointly explained by the independent variables. Given this substantial explanatory power and the statistical significance of H1, H3, and H4, H5 is accepted.

4.5. Discussion

The results of this study provide valuable insights into the dynamics of regional economic development in Bengkulu Province. The finding that labor force participation has a significant positive effect on economic growth ($\beta = 0.468$) is consistent with Todaro and Smith (2020), who highlight labor as a core driver of production and output. This indicates that when a growing labor force is matched by adequate sectoral absorption capacity, it can contribute meaningfully to regional GDP expansion. These findings underscore the importance of strengthening inclusive labor policies and human capital development programs to accelerate growth in regions with limited industrial diversification, such as Bengkulu.

The negative but statistically insignificant effect of unemployment on economic growth ($\beta = -0.215$) appears to contradict Okun's Law, which generally posits an inverse and significant

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relationship between the two variables (Blanchard & Noelle, 2013). However, several contextual factors help explain this inconsistency. First, Bengkulu's unemployment rate is relatively low (3.24%), which reduces its variability within the model. Second, the dominance of the informal sector may obscure the true economic impact of unemployment, as many individuals classified as employed may in fact be underemployed or engaged in low-productivity activities. Third, the short five-year time-series window limits the ability to detect long-run unemployment effects, which are often cumulative rather than immediate. Taken together, these factors explain why unemployment, although theoretically relevant, did not yield statistically significant results, and they call for cautious interpretation of unemployment effects in regions with high informal employment and short observation periods.

The significant negative effect of poverty on economic growth ($\beta = -0.385$) is consistent with extensive empirical evidence (Ravallion, 2001; The World Bank, 2020). Poverty restricts access to education, productive employment, and capital, thereby lowering both productivity and aggregate demand. In Bengkulu, where poverty remains relatively high, it acts as a structural barrier that weakens economic performance. This reinforces the need for comprehensive poverty reduction strategies as part of regional development planning.

Zakat collection was found to have a significant positive effect on economic growth ($\beta = 0.292$), supporting the argument that Islamic fiscal instruments complement conventional economic policies. This result is in line with Yumanita and Ascarya (2018) and Ahmed (2004), who emphasize the transformative potential of zakat when it is effectively managed. Nevertheless, despite this positive effect, zakat remains underutilized because of institutional fragmentation, weak policy coordination, and low collection performance relative to its potential. These institutional constraints help explain why zakat's effect, although statistically significant, remains moderate rather than large. Strengthening collaboration among BAZNAS, local governments, and economic actors is therefore crucial to maximizing zakat's developmental role.

A notable theoretical contribution of this study is the integration of an Islamic fiscal variable, zakat, into a PLS-SEM model of regional economic growth. This integration offers a more holistic development paradigm by combining conventional macroeconomic indicators with Islamic financial mechanisms. However, the study acknowledges potential multicollinearity among the independent variables. Labor force participation, unemployment, and poverty are inherently interconnected, and the high correlation between labor and poverty may partially inflate or suppress the significance of certain predictors, such as unemployment. Although PLS-SEM is more robust to multicollinearity than covariance-based SEM, future studies should use VIF analysis or alternative modeling strategies to further assess and control for multicollinearity and its potential bias on coefficient estimates.

Despite these meaningful insights, this study has several limitations. The short time-series period (2020–2024) restricts the detection of long-term macroeconomic trends, and the use of Bengkulu Province as a single case limits generalizability to regions with different socioeconomic structures. Future research should expand temporal coverage, apply panel data across multiple provinces, and explore potential mediating or moderating variables, such

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as education, infrastructure, or financial inclusion, to better understand the mechanisms connecting Islamic fiscal instruments and economic growth.

Overall, this study contributes to both theoretical and practical discussions by demonstrating the importance of integrating Islamic social finance into conventional development planning. The empirical findings provide a foundation for designing more inclusive and culturally aligned economic policies, particularly in regions where poverty reduction, labor absorption, and Islamic fiscal instruments are central development priorities.

5. Conclusion and Suggestion

This study empirically examined the determinants of economic growth in Bengkulu Province (2020–2024) by integrating conventional macroeconomic variables and Islamic social finance. The PLS-SEM results show that the independent variables jointly and significantly influence economic growth ($R^2 = 0.883$), supporting the following conclusions:

1) Labor force participation is the strongest positive determinant of Bengkulu's economic growth ($\beta = 0.468$). This suggests that the provincial economy is currently volume-driven, relying heavily on the quantity of available labor rather than on capital or technology intensity.
2) Poverty has a significant negative effect ($\beta = -0.385$), confirming that social inequality in Bengkulu is not merely a welfare issue but also a structural economic impediment that suppresses aggregate productivity.
3) Zakat collection has a positive effect on economic growth ($\beta = 0.292$). This finding challenges the view that zakat is solely a charitable act and supports its role as a fiscal instrument for regional development. However, the magnitude of the effect is moderate, reflecting the gap between actual collection (mean: IDR 3.74 billion) and the region's considerable potential.
4) Unemployment has no statistically significant effect on growth ($p > 0.05$). This suggests that Bengkulu's labor market challenges relate less to the availability of jobs (open unemployment) than to their quality (disguised unemployment in the informal sector).

Based on these findings, policy interventions should be targeted to maximize the benefits of the labor force and optimize Islamic fiscal capacity. Policymakers should shift from general job creation strategies toward workforce formalization, focusing on incentives that convert disguised unemployment in sectors such as agriculture and trade into productive, recorded employment. To counter the strong negative effect of poverty, budget allocations should shift toward productive asset transfers rather than relying solely on consumption subsidies, thereby addressing the root cause of low productivity. Furthermore, to enhance the positive impact of zakat, the provincial government is urged to pursue regulatory integration (e.g., through a regional regulation, or *Perda*) of BAZNAS collection systems with regional payrolls and corporate social responsibility programs in order to close the substantial gap between actual and potential collection.

This research is constrained by a short time-series dataset (2020–2024) and a single-province scope, which limit the detection of long-term macroeconomic trends and the generalizability

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of the findings. Future research should therefore expand the temporal scope and employ panel data across multiple provinces in Sumatra to enable regional comparisons and enhance external validity. To provide a more holistic understanding of the Islamic economic ecosystem, subsequent studies should also incorporate other Islamic social finance instruments, such as *waqf* (endowment) and Islamic microfinance. Finally, researchers are encouraged to investigate the mediating role of zakat in the relationship between poverty and economic growth to clarify the transmission mechanisms and strengthen the empirical basis for policy intervention.

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