

ANALYSIS OF THE EFFECT OF MACROECONOMIC FACTORS AND ISLAMIC FINANCIAL DEVELOPMENT ON INCOME DISTRIBUTION OF ISLAMIC COUNTRIES

Dewi Rifa'atul Aisyah

Masters in Economics and Finance, Indonesian Islamic University, Yogyakarta

Abstract

Economic inequality between Islamic countries is very large, especially between Islamic countries which are categorized as high income groups and low income groups. Of the US \$ 5,994.34 billion value of all economic outputs (GDP) of Islamic countries, the proportion of economic output of high-income groups is compared to 24.45% with 3.86% of low-income groups reaching 6.3 times. Whereas the proportion of the low income group population is 7.8 times greater than the proportion of high income groups. The difference illustrates a very disproportionate size or very high inequality. The purpose of this study was to analyze the influence and relationship of macroeconomic factors and the development of Islamic finance on the inequality of income distribution in a number of Islamic countries using the cointegration panel test. The macroeconomic factors studied included GDP per capita, inflation, and international trade, while financial developments included Islamic finance and domestic loans. Nine Islamic countries with the most complete data on World Bank and IFSB data were used as subjects in this study. Data taken from 2000-2017. The results of the study explain that of the four variables, namely GDP per capita, inflation, international trade and sharia financing does not significantly influence the imbalance of income distribution, while domestic credit has a negative and significant influence on the inequality of income distribution.

Keywords : Inequality of Income Distribution, Per capita GDP, Inflation, International Trade, Sharia Financing, and Domestic Credit.