

## Economic-Political Orientations and Perceptions of The Riau Community: Social Embeddedness, Political Efficacy, and Islamic Financial Inclusion

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### ABSTRACT

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Civic engagement and political efficacy as non-economic factors do have significant impact on sharia economy inclusion agenda in Riau Province. Existing literatures found that Islamic economic principles have significant impact on banking and finance sectors which have been felt by us nowadays along with its impact on investment and capital markets, labor market, taxation system, and economic behavior. But it is still underdiscussed when it comes to some inquiries on to what extent non-economic factors contribute to this agenda. Drawing from our public survey data on 911 respondents which is distributed proportionally in each district in Riau Province, we found that besides education level in term of modernization theory, religiosity, civic engagement, and political efficacy have significant effects on sharia economic and finance inclusion. Using multiple regression and ANOVA technique, our study shows that political attitudes and voting for Islamic parties also determine the rate of sharia economy index in Riau context. Regarding these political factors, we also found that criticism of people's views on government's works and programs could positively drive the participation and literacy on sharia economy and finance.

**Keywords:** Sharia Economy; Sharia Finance Inclusion; Riau; Religiosity; Civic Engagement; Political Efficacy

## **INTRODUCTION**

This article is founded on the central premise that the implementation of Islamic financial systems in Riau Province plays a pivotal role in realizing inclusive and sustainable economic development. This proposition is grounded on several key considerations.

First, the alignment with local Malay and Islamic values. As most of the Riau's population is Muslim, the application of Islamic principles such as the prohibition of *riba* (usury), speculative transactions, and the emphasis on justice-oriented economic systems resonates strongly with the cultural and religious character of Riau's society.

Second, community economic empowerment. Islamic finance promotes economic inclusivity by prioritizing grassroots empowerment. Financing contracts such as *mudharabah* (profit-sharing) and *musyarakah* (partnership) foster collaborative entrepreneurship and support the long-term development of local economies.

Third, the advancement of micro, small, and medium enterprises (MSMEs). Islamic finance is inherently supportive of MSMEs through equitable and accessible financial instruments. This is particularly relevant in Riau Province, where MSMEs represent a vital economic pillar and a means to improve welfare and reduce income disparities.

Fourth, sustainable investment. Islamic finance encourages investments that are not only financially viable but also socially responsible and environmentally conscious. The emphasis on ethical and impact-based investing is in harmony with Riau's commitment to environmental preservation and local wisdom.

Fifth, financial and banking stability. Islamic finance tends to exhibit greater resilience as it avoids high-risk speculative practices prohibited in Islam. The presence of Islamic financial institutions in Riau could enhance the region's capacity to mitigate financial risks that may affect economic stability.

Sixth, the development of halal tourism. Islamic finance also contributes to the growth of halal tourism. With its rich cultural and natural assets, Riau has significant tourism potential. The availability of sharia-compliant financial services can attract Muslim tourists seeking travel experiences aligned with Islamic principles.

Seventh, poverty alleviation and the enhancement of social welfare. Islamic finance incorporates integrated mechanisms of *zakat*, *infaq*, and *sadaqah*, which can be mobilized for poverty reduction and community empowerment. This is particularly urgent in Riau, where economic and social disparities remain a pressing challenge.

These seven considerations signal the need for multi-sectoral and multi-stakeholder efforts to advance Islamic financial inclusion in Riau Province. Such efforts would enable broader societal access to, utilization of, and participation in regional economic development through Islamic financial channels. Ultimately, Islamic finance serves as a critical instrument for fostering an inclusive, sustainable economy that remains rooted in the cultural and religious identity of the region.

Previous scholarly investigations have consistently demonstrated that Islamic economics and/or Islamic finance can significantly contribute to economic development. (Tabash, 2014), in a cross-country study, found a statistically significant and positive correlation between Islamic bank financing and economic growth in Bahrain, Qatar, and the United Arab Emirates. In a similar vein, Islamic financial intermediation could be further enhanced by strengthening the role of Islamic banks in the Sukuk market, thereby increasing the availability of capital for economic development while simultaneously addressing systemic issues such as poverty and unemployment. (Iqbal, 2013) provided a comprehensive analysis of Islamic perspectives on financial inclusion, social safety

nets, and capital markets, asserting that the foundational principles of Islam place a strong emphasis on distributive justice, social inclusion, and equitable resource allocation between the wealthy and the economically disadvantaged. (Daly, 2016), found that the expansion of non-interest-based banks, including Islamic banks, contributes positively to economic growth and that the strategic collaboration between Islamic and conventional financing models may result in more robust macroeconomic outcomes. Collectively, these studies affirm the centrality of Islamic finance as a development tool, especially in Muslim-majority countries.

In the post-COVID-19 era, economic recovery requires not only institutional resilience but also creativity, innovation, and reliance on local wisdom. Within Islamic economic theory, zakat is recognized as a cornerstone of the Islamic financial system. (Metwally, 1997) emphasized that zakat represents a foundational element in the structure of Islamic finance. Building upon Keynesian economic theory, (Choudhury, 2016) formulated a national income model that incorporates zakat (Z) as an endogenous variable influencing national income. This formulation illustrates that economic stimulation can occur through the redistribution of wealth, whereby affluent individuals contribute 2.5% of their income in zakat, which is then channeled to eight categories of eligible recipients foremost among them the poor and the needy. This redistribution leads to increased consumption, which in turn stimulates production and perpetuates economic circulation.

Despite its potential, a significant gap persists between zakat's estimated potential and actual collection. In 2019, Indonesia's zakat potential was projected at IDR 233.8 trillion, equivalent to 1.57% of Indonesia's 2018 GDP, while actual collection reached only IDR 4.5 trillion (National Zakat Report, 2020). This shortfall limits zakat's macroeconomic contribution. Factors influencing individual compliance with zakat obligations include religiosity defined by faith and understanding of religious doctrine as well as perceived reward, social awareness, self-satisfaction, and the institutional credibility of zakat-managing organizations. Therefore, further empirical investigation is warranted to identify the root causes behind the underperformance of ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) collections relative to their estimated potential. Considerations may include public awareness, religious literacy, government support, institutional performance, and socio-economic dynamics.

One of the fundamental dimensions of Islamic financial inclusion lies in its potential to promote socioeconomic empowerment through broader and more equitable access to Shariah-compliant financial services. In the case of Riau Province, where segments of the population have been severely affected by the economic downturn resulting from the COVID-19 pandemic, Islamic financial solutions such as microfinance, mudharabah (profit-sharing), and musharakah (joint venture) offer contextually appropriate alternatives. These instruments align with Islamic ethical principles while promoting local economic resilience and empowerment. In this regard, Islamic financial inclusion serves not only as a tool for individual welfare but also as a means to reduce economic inequality and expand livelihood opportunities for the wider community.

Beyond these functional advantages, Islamic financial inclusion is also positioned to address structural challenges faced by communities in post-pandemic Riau. By offering ethical financial alternatives that prohibit *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation/gambling), Islamic finance provides a sustainable and socially responsible financial system. This framework offers a practical solution to the rising debt burdens and financial vulnerabilities that have been exacerbated by economic shocks and uncertainties in the post-COVID-19 era.

Furthermore, Islamic financial inclusion may contribute to a more holistic model of economic recovery, given its foundational emphasis on sustainability, distributive justice, and social responsibility. In the aftermath of the pandemic, these values are increasingly relevant for rebuilding more resilient economic systems and socially cohesive societies. By integrating the principles of *maqāsid al-sharī'ah* which promote equity, inclusion, and communal welfare Riau's adoption of Islamic financial systems can strengthen its economic foundations and support the development of an inclusive, sustainable growth model for the future.

Nevertheless, developing an inclusive Islamic financial ecosystem entails complex socio-legal and political implications. Prior literature has highlighted that the advancement of Islamic economics is strongly influenced by the presence of enabling political and regulatory frameworks. (Fariana, 2021) emphasized the critical role of legal-political arrangements in shaping the institutionalization of Islamic economic law in Indonesia, facilitating the expansion of Shariah-based sectors. (Mukharom, 2020) suggested that Islamic economics offers a viable pathway to poverty alleviation, while the continuous growth of the Islamic financial industry necessitates the development of highly skilled human resources. (Alam, 2022) found that the implementation of Islamic economic models has a significant and positive impact on rural economic development, especially in underprivileged areas. Historical contribution of Islamic economics in fostering both economic development and social justice. Collectively, these studies confirm the critical interlinkages between Islamic economic systems and political structures, although the causal mechanisms underpinning this relationship remain understudied and warrant further empirical investigation.

Against this backdrop, a central question arises: What is the outlook for Islamic financial inclusion in Riau Province amidst the evolving economic and political landscape? This article aims to explore and interpret the economic and political orientations of Riau's population with regard to Islamic financial inclusion by examining three interrelated dimensions: social embeddedness, political efficacy, and participation in Shariah-based financial practices.

First, the article presents empirical insights into public perceptions of current economic-political policies. Second, it investigates the extent to which social embeddedness shapes political attitudes and influences engagement in Islamic economic practices. Third, the study examines political efficacy as a determinant of individuals' willingness to participate in Islamic financial systems. Finally, the article identifies key enabling and constraining factors that influence the trajectory of Islamic financial inclusion in Riau Province. These findings are intended to inform policymakers and stakeholders seeking to promote inclusive and sustainable development through Islamic financial models

## **LITERATURE REVIEW**

Islamic financial inclusion the equitable access to and use of Sharia-compliant financial services has become a central policy and research concern in Indonesia and other Muslim-majority contexts. Despite Indonesia's status as the world's largest Muslim-majority country, Islamic financial inclusion remains uneven, with significant disparities across provinces and population segments (Ali, Sakti, & Devi, 2019; Baeshen, Girardone, & Sarkisyan, 2023; Ramaian et al., 2023). While economic factors such as income and infrastructure are important, a growing body of research highlights the critical role of non-economic determinants: religiosity, social embeddedness, social capital, civic engagement, political efficacy, political trust, political attitudes, and Islamic-party voting.

Islamic financial inclusion in Indonesia is shaped by a complex interplay of economic and non-economic factors, with significant regional disparities. Human capital and financial literacy are as critical as infrastructure and regulatory support (Abbas, Triani, Rayyani, & Muchran, 2023; Ali, Devi, & Bustomi, 2020). Religiosity is a multifaceted driver of Islamic financial inclusion, operating directly and through mediators such as trust, social norms, and attitudes. Its effects are amplified in digital contexts and among younger, digitally literate cohorts (Athief et al., 2026; Junaidi, 2021; Suratno, Marzal, & Oktavia, 2026). Social embeddedness and social capital are critical for Islamic financial inclusion, especially among MSMEs and in rural areas. Mosques and civic institutions can be leveraged as hubs for literacy and inclusion, but require targeted support and digital integration (Al-Hakim et al., 2025; Marla et al., 2023; Sukmana & Trianto, 2025). Political factors shape Islamic financial inclusion indirectly, primarily through trust, reputation, and attitudes. Declining support for Islamic parties and the rise of secular political preferences suggest that sociopolitical identity is a complex, mediated determinant of inclusion (Fathoni et al., 2025; Razak et al., 2024; Utami, Ikhsan, Dartanto, & Mallarangeng, 2024).

While Islamic financial inclusion in Indonesia and other Muslim-majority contexts is influenced by a suite of non-economic determinants including religiosity, social embeddedness, social capital, and political dynamics significant disparities exist regionally. Empirical evidence shows that both demand-side factors (such as financial literacy, religious commitment, and socio-cultural norms) and supply-side factors (including infrastructure and regulatory frameworks) are crucial. Recent trends highlight an increased role for digital financial services that integrate religious values to enhance user adoption. However, integrating sociopolitical identity remains underexplored, providing a novel opportunity for targeted survey studies in regions like Riau (Ali, Devi, Furqani, & Hamzah, 2020; Athief et al., 2026; Marla et al., 2023).

Islamic financial inclusion in Indonesia and other Muslim-majority contexts is shaped by a network of non-economic determinants religiosity, social embeddedness, social capital, civic engagement, political efficacy, trust, attitudes, and voting behavior. While economic factors remain foundational, the interplay of religious commitment, local cultural dynamics, and digitization is critical for enhancing inclusion, especially in diverse and underserved provinces like Riau. The integration of sociopolitical identity and digital innovation into inclusion models remains a significant research gap and a novel opportunity for future studies.

The literature reveals significant gaps in integrating sociopolitical identity, digital innovation, and community diversity into Islamic financial inclusion models. The interplay of non-economic determinants is complex and context-dependent, requiring multidimensional, localized frameworks (Ali, Devi, Furqani, et al., 2020; Fathoni et al., 2025). Existing studies have made important contributions to understanding Islamic financial inclusion, particularly by examining Islamic banking, zakat, waqf, Islamic microfinance, financial literacy, institutional trust, religiosity, fintech adoption, and regulatory support. However, there are three gaps remaining. First, much of the literature treats Islamic financial inclusion primarily as a financial, institutional, or religious-literacy problem. Less attention is given to the political conditions under which citizens become willing to participate in Islamic economic practices. Second, studies on Islamic finance often acknowledge the role of government and regulation, but they rarely examine citizens' political efficacy, civic engagement, government approval, or political-party preference as individual-level determinants of Islamic financial inclusion. Third, the Indonesian literature has discussed Islamic economics, Islamic political movements, and Islamic financial development, but there is still limited survey-based evidence connecting Islamic financial inclusion with political attitudes and social embeddedness at the provincial level.

This study addresses these gaps by analyzing public survey data from Riau Province and examining how religiosity, social embeddedness, political efficacy, political attitudes, and Islamic-party voting shape Islamic financial literacy and participation. The novelty of the study lies in its political-economy approach: it conceptualizes Islamic financial inclusion not only as a matter of access to sharia-compliant products, but as a form of economic behavior embedded in religious identity, social networks, civic capacity, and perceptions of political authority.

The contribution of this article is threefold. First, it extends the Islamic financial inclusion literature by incorporating political efficacy and civic engagement as explanatory variables, thereby moving beyond conventional determinants such as literacy, income, access, and religiosity. Second, it advances a social embeddedness perspective by showing that Islamic financial inclusion is shaped by individuals' location within religious and civic networks. Third, it contributes to the political economy of Islamic finance in Indonesia by demonstrating that Islamic financial participation is associated not only with religious commitment but also with political attitudes, Islamic-party preference, and perceptions of government performance.

## RESEARCH METHOD

Study 1 was conducted across twelve regencies and municipalities within Riau Province, utilizing data from a public opinion survey carried out by INDECS Indonesia in February 2023. The sample was selected using a multistage random sampling technique to ensure representativeness across diverse demographic and geographic strata. A total of 909 respondents participated in the survey; this number was subsequently rounded to 900 for analytical consistency, following the sampling estimation method formulated by the National Democratic Institute (NDI). The sample size determination adhered to the guidelines provided by (Estok et al., 2002), which outline rigorous procedures for statistically reliable public opinion research in democratic contexts

$$n = \frac{Z^2[p(1-p)]N}{Z^2[p(1-p)] + (N-1)e^2}$$

$$n = \frac{1.96^2[0.2(1-0.2)]4,031,809}{1.96^2[0.2(1-0.2)] + (717,296-1)0.026^2} = 909$$

Explanation.

*n*: Sample size

*N*: Population Size

*E*: Margin of Error

*Z*: Level of Confidence 95%, *Z* = 1.96

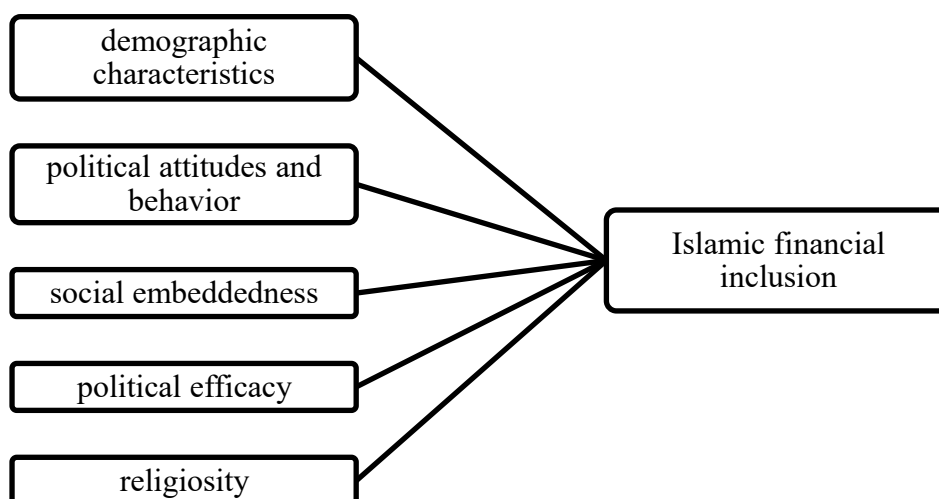
*P*: Population variability index. homogeneous ← 0 s.d. 0.5 → Heterogeneous

The present study employed a multistage random sampling technique across twelve administrative regions—regencies and municipalities—in Riau Province. The sample size was calculated using the standard formula provided by the National Democratic Institute (NDI), incorporating the following parameters: a margin of error (*E*) of 2.6%, a confidence level (*Z*) of 95% (*Z* = 1.96), and a population variability coefficient (*P*) of 0.2, reflecting a relatively homogeneous population. Based on these specifications, the final sample consisted of 909 respondents, which was then rounded to 900 for analytical uniformity. Respondents were proportionally distributed across all administrative regions in the province, ensuring representativeness at the local level. All interviews were conducted in person using a structured questionnaire administered by professionally trained enumerators.

In terms of research design and building upon the theoretical foundation and analytical framework discussed in previous sections, this study identified three core clusters of variables. The first cluster encompasses socio-demographic characteristics, political efficacy, gubernatorial approval rating, and social embeddedness—conceptualized collectively as political orientations. These variables are derived from the modernization theory and models of political attitude formation, with theoretical adaptations from Burhanuddin (Muhtadi, 2019) and (Mujani, 2003). The second cluster is religiosity, operationalized using the Religious Commitment Inventory-10 (RCI-10) developed by (Worthington Jr. et al., 2003). In this study, religiosity is measured through respondents' involvement with religious organizations and communities, as well as the influence of religious values in shaping their electoral preferences. The third cluster pertains to Islamic financial inclusion, assessed through a Knowledge, Attitude, and Practice (KAP) survey adapted from the instrument developed by (De Pretto et al., 2015). The KAP instrument was modified to capture respondents' level of knowledge, concern, and behavioral engagement with Islamic finance in the context of Riau.

Together, these three clusters provide a comprehensive lens through which to examine the sociopolitical and religious dimensions that influence the adoption of Shariah-compliant financial practices. The complete configuration of variables and the analytical framework used in this study are illustrated in the following model.

Diagram 1. Variable Configuration and Analytical Model



The configuration of variables in this study is designed to examine the relationship between factors that potentially influence Islamic financial inclusion in a specific region. The independent variables include demographic characteristics, political attitudes and behaviour, social embeddedness, political efficacy, and religiosity. These are hypothesized to have an impact on the dependent variable, namely Islamic financial inclusion.

#### 1. Demographic Characteristics.

This variable includes key sociodemographic indicators such as age, gender, ethnicity, religion, educational attainment, and occupation. The underlying hypothesis is that individual demographic profiles influence their level of participation in Islamic finance. For example, individuals with higher levels of education may have a greater understanding of Shariah-compliant financial concepts, which could increase the likelihood of adoption.

2. Political Attitudes and Behaviour.  
This construct captures individuals' political orientations, levels of participation in electoral processes, and political behaviours such as support for policies promoting Islamic financial inclusion. The hypothesis suggests that political attitudes and behaviours may shape individuals' preferences toward adopting Islamic financial products.
3. Social Embeddedness.  
This variable refers to individuals' integration into social networks and community involvement. Strong social ties can facilitate access to information about Islamic financial products and increase susceptibility to peer influence, thereby shaping financial behaviours in Favor of Shariah-compliant alternatives.
4. Political Efficacy.  
Political efficacy reflects individuals' belief in their ability to influence political processes and policies relevant to Islamic finance. A higher sense of political efficacy may correlate with a stronger inclination to engage with financial instruments that align with Islamic values, particularly in societies where faith and governance intersect.
5. Religiosity.  
Religiosity captures the degree to which individuals observe Islamic teachings in their daily lives. This variable is considered a critical determinant of decisions related to Islamic finance, as higher levels of religious commitment are expected to increase the likelihood of adopting financial products that adhere to Shariah principles.
6. Islamic Financial Inclusion.  
Islamic financial inclusion refers to efforts aimed at expanding access to, and active participation in, financial services and products that comply with Islamic law. These services explicitly prohibit practices such as *riba* (interest) and *gharar* (speculation), while promoting principles of justice, risk-sharing, and sustainability. In the context of Riau Province, Islamic financial inclusion goes beyond mere usage of Islamic financial products; it encompasses broader goals such as sustainable economic development, community empowerment, and the integration of religious values into financial and investment practices. These aims align with the overarching objective of fostering inclusive economic growth rooted in Islamic ethics.

This narrative seeks to investigate how the interplay of these variables influences Islamic financial inclusion at the regional level. In Riau Province a Muslim-majority region demographic factors and religiosity are expected to play a particularly influential role in shaping inclusive financial behaviours. Simultaneously, political attitudes and behaviours may reflect public support for regulatory and institutional initiatives aimed at promoting the Islamic financial sector. Social embeddedness and political efficacy, on the other hand, may determine the extent to which information on Islamic financial products disseminates and is accepted within communities. This study aims to offer a more nuanced understanding of the key drivers of Islamic financial inclusion in Riau, thereby providing evidence-based recommendations for policymakers and financial institutions in designing more effective strategies to advance inclusive, Shariah-aligned financial ecosystems in the region.

## RESULTS

The findings of this study indicate that the determinants influencing the degree of Islamic financial inclusion or broader engagement with Islamic economics among communities in Riau Province are highly diverse. As outlined in the research design section, in addition to basic demographic characteristics, a range of social, economic, and political factors

were found to exert significant influence on Islamic financial inclusion, which serves as the dependent variable in this study.

This section is structured into four parts. First, we present a descriptive overview of the respondents' socio-demographic profiles. Second, we elaborate on the measurement framework and report on the prevalence of Islamic financial inclusion across regencies and municipalities within Riau Province. Third, we provide an analysis of the regional social, economic, and political contexts that may shape or constrain inclusion outcomes. Finally, in the fourth subsection, we assess the relationship between these contextual factors and Islamic financial inclusion, offering a comprehensive interpretation of their explanatory power in the Riau context.

A total of 911 respondents participated in this study, selected through proportional sampling across all regencies and municipalities in Riau Province. The distribution of respondents reflects the demographic concentration in urban and semi-urban centers. The highest number of participants was recorded in Pekanbaru City (13.17%), followed by Kampar (12.08%) and Indragiri Hilir (12.08%), indicating these areas as key hubs for Islamic financial literacy and potential market penetration. Conversely, the lowest proportion of respondents came from Kepulauan Meranti, accounting for only 3.29% of the total sample. This variation in geographic representation provides a balanced overview of regional differences in attitudes toward Islamic finance.

Gender distribution within the sample was relatively even, with 51.26% male and 48.74% female respondents. The age of participants ranged from 17 years and above, including individuals who were married at a younger age. The largest age groups were those between 31–40 years (29.64%) and 41–55 years (33.81%), suggesting that the majority of respondents are within the economically productive age range. In terms of education, the majority of respondents reported senior high school (SMA) as their highest level of education, representing 39.19% of the total sample.

Ethnically, the sample was predominantly composed of Malay respondents (45.66%), followed by Javanese (36.11%). The remainder consisted of individuals from diverse ethnic backgrounds, including Minangkabau (6.92%), Batak (3.40%), Bugis, Banjar, Nias, Sunda, and Chinese- Indonesian communities. This diverse ethnic composition reflects the multicultural reality of Riau Province and allows for a nuanced exploration of how ethnic identity may intersect with religious values and financial preferences. Furthermore, 97.15% of all respondents identified as Muslim, affirming the relevance of Islamic finance as a normative economic framework in the region.

Occupationally, respondents were engaged in a variety of employment sectors. The largest occupational groups included farmers, livestock breeders, and fishers (26.67%), household managers (24.81%), and traders/entrepreneurs (18.44%). Other categories included blue-collar workers such as drivers and construction laborers (9.99%), private sector employees (4.94%), teachers, students, civil servants, and others. These employment patterns are particularly relevant, as farmers and small entrepreneurs represent high-potential groups for the adoption of inclusive financial products, including Islamic microfinance, profit-sharing schemes, and other Shariah-compliant financial instruments. Their economic activities are typically informal and asset-based, making them ideal targets for financial empowerment through Islamic financial inclusion programs.

Given this socio-demographic and occupational profile, the study's sample is well-suited to analyze not only political and social attitudes but also the extent of exposure to, and engagement with, Islamic financial and economic practices. Understanding how these

groups interact with Islamic financial services will be crucial in formulating strategies to strengthen Islamic financial inclusion and economic empowerment in Riau Province

## **DISCUSSION**

### **Prevalence of Islamic Financial Inclusion in Riau Province**

To measure the extent of Islamic financial inclusion, literacy, and public acceptance of the Islamic economy in Riau Province, this study employed a set of structured survey questions. The initial question posed to respondents was whether they had ever heard of or understood the term "Islamic economy" or "Islamic economics." The survey revealed that 51.7% of respondents acknowledged familiarity with the term, while 48.3% reported a lack of awareness. On a district-level breakdown, Pelalawan recorded the highest level of Islamic economic literacy, while Kepulauan Meranti, Kampar, Dumai, and Rokan Hulu ranked at the lowest. Interestingly, even Pekanbaru, the provincial capital, recorded only 58.3% of respondents who claimed to know about Islamic economics.

This disparity suggests the need for more strategic educational interventions in areas with low literacy rates. The finding emphasizes the necessity of targeted public engagement through awareness campaigns, seminars, and hands-on training to enhance understanding and appreciation of the principles of Islamic economics. These efforts are crucial to supporting the broader goals of Islamic financial inclusion and promoting a faith-aligned economic development agenda across Riau Province.

The second part of the survey examined respondents' awareness and engagement with core Islamic economic concepts, including (1) Islamic contracts, (2) Islamic business ethics, (3) Islamic microfinance institutions such as cooperatives and BMTs, (4) riba avoidance, (5) Islamic banking, (6) waqf, and (7) zakat. The results indicated strong awareness levels, particularly for riba (87.82%), Islamic banking (66.74%), waqf (90.12%), and zakat (91.88%). These figures are based on aggregated responses encompassing those who had heard of, were familiar with, supported, or actively practiced these concepts. However, when examining the proportion of those who actively participated in or practiced these concepts, figures dropped significantly, with less than 50% claiming regular engagement with zakat. This suggests that while literacy is relatively high for certain topics, participation remains a challenge.

The implications are twofold: first, there is a clear need to broaden the discourse beyond zakat to include other Islamic financial practices. Second, practical education must be designed to help individuals implement these values in their daily lives. Enhanced public education could catalyzed behavioural shifts that further support the adoption of Islamic economic practices and strengthen sustainable development aligned with Islamic principles.

Respondents were also asked about their familiarity with various Islamic financial institutions. Takaful (Islamic insurance) topped the list at 84.74%, followed by BMTs (49.51%), sharia cooperatives (48.41%), and Islamic banks (46.32%). More complex institutions such as Islamic rural banks (BPRS), Islamic leasing companies, and the Islamic capital market were much less known, with awareness levels hovering in the 30% range.

These results point to significant obstacles in disseminating information about more sophisticated Islamic financial instruments. Thus, it is imperative to strengthen financial literacy, particularly regarding newer or less familiar products. Public understanding of the accessibility and benefits of sharia-compliant financial services must be improved. Concurrently, Islamic financial institutions must expand their outreach and play an active

role in increasing community engagement, ultimately facilitating a deeper and more widespread integration of Islamic finance in Riau's socio-economic fabric.

In the context of capital market participation, the increasing literacy among Indonesia's middle class presents a valuable opportunity for the Islamic capital market to offer an ethical alternative. For Muslim-majority regions like Riau, this represents a significant growth area. However, several structural issues hinder wider participation.

First, the complexity of products such as sharia-compliant equities and sukuk may discourage potential investors who lack the requisite knowledge of how returns are generated or how sharia principles manage risks. Second, limited access to formal education and training materials on Islamic finance exacerbates this knowledge gap. Third, public awareness remains low in several areas, often due to inadequate campaigns or outreach programs. Fourth, ambiguous or unsupportive regulatory frameworks may dissuade public participation due to legal uncertainty. Lastly, perceived risks associated with Islamic investment instruments can lead to hesitation, particularly among those unfamiliar with Islamic risk management.

When respondents were asked specifically about their views on riba, findings were in line with the early critiques of the Islamic economic movement in Indonesia initiated by A.M. Saefuddin in the late 1970s. Consistent with previous findings by (Al Banna Choiruzzad & Nugroho, 2013), riba remains the most widely understood concept in Islamic economics. Survey data shows that 81.1% of respondents reject riba, while only 0.3% considered it permissible.

To synthesize these insights, the study developed a composite Islamic Economics Literacy and Participation Index. This index aggregates four key survey items and provides a numeric representation of sharia economic engagement. The average score for Riau Province stood at 0.347 on a scale from 0 to 1, equivalent to 34.7 out of 100. This indicates that overall literacy and participation remain below the mid-level benchmark of 50.

Among all districts, Pelalawan achieved the highest score at 0.551, reflecting both higher knowledge and active engagement in Islamic economic practices. Other areas, such as Kampar and Siak, recorded substantially lower index scores, revealing geographic disparities in access to and engagement with Islamic economic systems.

In conclusion, the data reflect a growing but uneven embrace of Islamic economic principles in Riau Province. While foundational awareness, particularly regarding zakat and riba, is well-established, more advanced knowledge and active participation remain limited. Efforts to improve sharia financial literacy, foster institutional engagement, and promote inclusive regulatory frameworks are essential in actualizing the full potential of Islamic economics in the region.

### **Social, Economic, And Political Context of The Riau Community In Relation to Islamic Financial Inclusion**

According to reviews from Bank Indonesia and the Ministry of Finance, along with other credible sources, Riau's Gross Regional Domestic Product (GRDP) was projected to grow by 5.2% in 2023, slightly higher than the 5% growth in 2022. This growth is driven by the expansion of the manufacturing sector, the continued development of the mining sector, and increased revenue from tourism. Inflation was projected at 3% in 2023, within Bank Indonesia's target range of 2-4%, largely due to a 3.5% increase in food prices. Unemployment was expected to decline slightly from 4.5% in 2022 to 4.3% in 2023, reflecting job creation in the manufacturing and construction sectors. Foreign Direct

Investment (FDI) inflows into Riau were forecasted to reach USD 1.5 billion in 2023, up by 15% from 2022, primarily driven by investments in manufacturing and mining. Given these various findings regarding Islamic financial literacy and participation in Riau's districts and cities, it is essential to explore further how the community perceives the broader social, economic, and political context. Understanding these perceptions is vital to gauging whether they can serve as a precursor to actionable engagement in Islamic financial inclusion agendas.

In the era of the Fourth Industrial Revolution, which emphasizes developments in information and communication technologies, factors such as convenience, user attitudes, and perceived benefits shape public perceptions of Islamic fintech service adoption (Yuspita, Pebruary, & Kamala, 2019). Financial technologies have penetrated Islamic finance models, including mobile banking applications that enhance user interface and user experience to attract and retain clients of Islamic banks. (Pratama, 2020) found that perceived ease of use, perceived usefulness, and user attitude significantly influence public preference for Islamic financial technology services. (Alimusa, 2019) emphasized that the profit-sharing system is a decisive factor for customers when choosing Islamic banking finance products. (Grassa, 2014) argued that legal origin affects the development of Islamic finance, highlighting that countries adopting Sharia law have more developed Islamic financial systems. Meanwhile, those with mixed legal systems combining Common Law and Sharia—are more flexible in adapting regulations in response to socio-economic changes, supporting Islamic financial industry growth.

### **Public Perceptions of Riau's Social, Economic, And Political Conditions**

Bank Indonesia's regional economic release for Riau showed a positive but decelerating growth in Q4 2022. The provincial economy grew 4.10% year-on-year, down from 4.58% in the previous quarter. This deceleration was attributed primarily to a decline in Gross Fixed Capital Formation (GFCF) and household consumption (Bank Indonesia, 2023).

The decline in GFCF was mainly observed in construction investment, aligning with the limited infrastructure projects at the end of 2022, as indicated by decreased cement procurement. Meanwhile, slowing Fresh Fruit Bunch (FFB) price growth affected consumer purchasing power, thereby suppressing household consumption. Nevertheless, foreign exports and government consumption remained robust, keeping economic performance above the historical average.

From a business field perspective, the slowdown was linked to weaker performance in the construction and mining sectors. The reduction in construction investment mirrored the deceleration in infrastructure projects, while constrained oil and gas production and declining global prices of key commodities such as crude oil and coal adversely affected the mining and quarrying sector. These slowdowns were partially offset by gains in agriculture, forestry, fisheries, and the manufacturing sector.

Survey findings from February 2023 indicate that rising prices of necessities and the difficulty of finding employment are the most pressing issues for the people of Riau. When asked to choose which issue was more urgent and feared, 63% of respondents selected rising prices, citing inflation instability and its persistent upward trend. These concerns align with other national and regional survey findings. Furthermore, most respondents reported their household economic conditions as either worsening (29.418%) or unchanged (45.664%).

These findings point to foundational problems strongly linked to other social issues. In the context of human development, economic well-being significantly affects public access to education and health services. High and unstable inflation and limited employment opportunities hinder these aspirations.

The critical follow-up question is whether Islamic economics can serve as a viable solution to these fundamental challenges. More specifically, can Islamic economics address inflation? Can it serve as an alternative model for regional and national development? The study posits the following theoretical propositions:

1. Principles of Islamic Economics: Grounded in Islamic values, these include social justice, equitable wealth distribution, prohibition of riba (usury) and speculation, and the promotion of philanthropy and zakat. These principles offer theoretical solutions to socio-economic inequality.
2. Wealth Redistribution: One core aim of Islamic economics is to prevent wealth concentration among a few individuals or groups. This is realized through zakat (mandatory alms) and infaq (voluntary charity), which are redistributed to the underprivileged.
3. Prohibition of Riba: By prohibiting interest and speculative transactions, Islamic economics helps alleviate the debt burden on individuals subjected to high-interest loans.
4. Entrepreneurship and Cooperatives: Islamic economics promotes sustainable and ethical entrepreneurship. Sharia-compliant loans and investments support the development of small-medium enterprises and cooperatives that generate employment.
5. Islamic Economic Education: Strengthening public understanding of Islamic economic principles empowers individuals to make wiser, more ethical financial decisions.

In ideal conditions, these five approaches are considered capable of improving the community's socio-economic landscape. Several best practice models have been extensively discussed. (Shaikh, 2010) highlighted that instrument like Ijara, Murabaha, Musharakah, Mudarabah, salam, and istisna in Islamic banking enhance financial governance efficiency. (Iqbal & Llewellyn, 2002) emphasized the significant benefits of profit-sharing mechanisms in ensuring financial stability across industrial sectors and macro-financial management.

Nevertheless, theory does not always align with practice (Siddiqi, 2006). The success of Islamic economics as a remedy for economic and social challenges hinges on various factors, including government support, public awareness, and the integrity of Islamic financial institutions. These complex issues demand a holistic, multi-sectoral approach involving economic, educational, and social policy domains. In the context of Riau or other regions, implementing Islamic economic systems may serve as a key component of the solution but must be integrated with broader frameworks to achieve sustainable socio-economic welfare.

To what extent is government support required? Public policy plays a pivotal role in advancing Islamic finance. (Israhadi, 2020) asserts that Indonesia must strengthen regulations to ensure Sharia compliance in economic legal practices. (Mohieldin, 2011) suggests that Islamic finance can enhance financial inclusion by promoting risk-sharing contracts and redistributive instruments. (Naufal, 2020) explores how the Islamic capital market could fund government infrastructure projects and recommends involving clerics, preachers, and religious leaders in promoting the Islamic capital market to the public. (Trimulato, 2022) underscores the role of Islamic fintech in supporting the Sustainable Development Goals (SDGs). Government policies can propel Islamic finance by reinforcing legal frameworks, advocating for risk-sharing and redistributive tools, and fostering Islamic capital market and fintech development.

Beyond institutional support, public perception of government performance is also critical. This study posits that no government agenda including Islamic economic inclusion—can succeed without adequate public approval.

According to our findings, public criticism of the Riau provincial government remains significant. Respondents noted unresolved issues such as employment, basic goods prices, infrastructure development, environmental concerns, and law enforcement. These observations corroborate earlier findings and raise an essential question: Can Islamic financial inclusion and mainstreaming Islamic economics provide viable alternatives for regional problem-solving? The answer, we argue, is affirmative at least conceptually and with reference to global best practices. Islamic economic principles could serve as a foundational optimism among stakeholders in driving not just growth, but sustainable and equitable development.

In the next section, we will further explore the aggregate scale derived from 15 approval-rating indicators concerning Riau's provincial government, which will be analysed as one of the determinants of public literacy and participation in the Islamic financial inclusion agenda across Riau.

### **Determinants of Islamic Financial Inclusion: An Exploration of Covariates and Idiosyncratic Factors**

Based on the previous survey findings, this study proceeds to explore in greater depth the covariates and idiosyncratic factors that influence Islamic financial inclusion among the Riau community. We investigate three principal independent variables that are considered to significantly correlate with Islamic economic inclusion. This study contributes to the literature in both Islamic economics and political science, emphasizing that socio-political factors can shape and drive individuals' economic behaviours. The variable configuration is expressed in the following analytical model equation:

$$ILPEs_i = \beta_0 + \beta_1relijiusitas_i + \beta_2keterikatan\ sosial_i + \beta_3efikasi\ politik + \gamma X_i + \alpha_i + u_i$$

Here,  $i$  denotes the respondent or individual in the survey sample. ILPEs represents the Islamic Literacy and Participation Index. The three main independent variables are: (1) religiosity, (2) social ties, and (3) political efficacy. The term  $\gamma X_i$  refers to a vector of control variables, including (i) demographic characteristics, (ii) Islamic party electability, (iii) trust in political institutions, (iv) economic issue preferences, and (v) approval rate of the regional government.  $\alpha_i$  represents unobserved characteristics whose effects depend on R-squared, while  $u_i$  indicates idiosyncratic factors such as coastal vs. inland residency and urban residence.

Religiosity is measured by a series of questions on how much religion serves as the basis for respondents' political preferences. Statements include: (i) "The candidate should be of the same religion as me," (ii) "The candidate should practice religion well," and (iii) "The candidate should come from a religious background." A response of "no" or "don't know" is scored 0; "yes" is scored 1. The average score across these three statements yields a religiosity score ranging from 0 to 1.

For social ties, respondents were asked about their involvement and emotional attachment to well-known social organizations in Riau. Responses were scored on a Likert scale: 0 for no knowledge/no answer, 1 for heard of, 2 for sympathizer/supporter, 3 for member, and 4 for leader.

Political efficacy was assessed through two internal efficacy items: "People like me cannot influence government decisions," and "In general, political issues are too complex for people like me to understand," along with one external efficacy item: "People like me are not heard by politicians or political leaders."

Control variables included Islamic party electability, scored 1 for parties such as PKS, PKB, PBB, PPP, PAN, and Partai Ummat, and 0 otherwise. Political trust was assessed on a scale from 1 (least trust) to 5 (most trust). Economic issue preference was measured as discussed previously. The approval rate reflects respondents' agreement with how well the government addresses key local issues. In addition, satisfaction rate measures general contentment with the Riau governor's performance.

Three regression models were used to analyse determinants of Islamic financial inclusion. In Model 1 ( $R^2 = 0.147$ ), variables include religiosity, social ties, political efficacy, and demographics (gender, age group, education level). Previous studies suggest that demographics strongly influence economic behaviour, with higher education associated with openness to economic change (Andrea, 2023; Hebbelstrup et al., 2021; McCannon & Peterson, 2013), and age affecting saving and investment behaviour (Lim & Yu, 2015; Mohr et al., 2010; Ye & Post, 2020). Results show that education ( $B = .028$ ,  $p < 0.01$ ), religiosity ( $B = .086$ ,  $p < 0.01$ ), social ties ( $B = .134$ ,  $p < 0.01$ ), and political efficacy ( $B = .013$ ,  $p < 0.01$ ) significantly predict ILPEs.

Model 2 ( $R^2 = 0.161$ ) adds political behaviour variables. In addition to the significant variables from Model 1, electing an Islamic party ( $B = .039$ ,  $p < 0.01$ ), disapproval of government performance (approval rate,  $B = -.022$ ,  $p < 0.05$ ), and satisfaction with the governor ( $B = .008$ ,  $p < 0.1$ ) also significantly affect ILPEs. Respondents supporting Islamic parties tend to score higher on ILPEs, confirming the ideological alignment of economic and political behaviour.

Furthermore, those dissatisfied with government performance exhibit higher ILPEs, suggesting a search for economic "safe havens" such as Islamic cooperatives or ethical investments. Interestingly, satisfaction with the governor also correlates positively with ILPEs, suggesting that approval of leadership increases openness to Islamic economic initiatives promoted by the local government.

Model 3 incorporates idiosyncratic variables such as coastal vs. inland and urban vs. rural residence. These show no significant influence, suggesting that Islamic economic inclusion can be promoted across different geographic and economic settings. Similarly, preferences between unemployment and inflation issues do not significantly impact ILPEs.

Model 4 applies robust standard errors, confirming the stability of previous findings. Demographics (except gender and age), political attitudes, and idiosyncratic factors continue to significantly affect ILPEs.

Lastly, an ANOVA test was conducted to examine differences in ILPEs across occupational groups. Results show that job type significantly affects ILPEs ( $F(8, 902) = 6.846$ ,  $p < .001$ ). Islamic economic literacy is notably high among teachers and civil servants, but also relatively high among private employees, students, and homemakers. Lower inclusion was found among labourer's, traders, and agricultural workers. These groups should be prioritized in outreach and education campaigns. Overall, this highlights the untapped potential of Islamic economic development across diverse occupations in Riau

## **CONCLUSION**

This study demonstrates that Islamic financial inclusion in Riau Province is significantly influenced by religiosity, social embeddedness, and political efficacy. These socio-political factors shape not only awareness but also actual participation in Shariah-compliant financial practices. Support for Islamic political parties and satisfaction with regional leadership positively correlate with higher inclusion, while dissatisfaction with government performance appears to drive communities toward Islamic economic alternatives as a form of ethical refuge.

The analysis also reveals that Islamic financial inclusion is not constrained by geography or specific macroeconomic concerns, suggesting its broad applicability across diverse demographic and occupational groups. However, participation remains uneven higher among civil servants and educators, and lower among informal workers, traders, and farmers indicating the need for targeted outreach and financial literacy programs.

In conclusion, advancing Islamic financial inclusion in Riau requires a multi-faceted approach that integrates religious values, community engagement, and public trust. Strategic efforts by policymakers, financial institutions, and religious leaders will be essential in unlocking the inclusive, ethical, and developmental potential of Islamic finance across the province.

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## **DECLARATION OF CONFLICTING INTERESTS**

The authors have declared no potential conflicts of interest concerning the study, authorship, and/or publication of this article.

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