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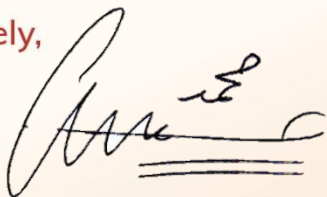
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Mainstreaming Zakat Instrument to Money Demand Function:
Evidence from Muzakki In Indonesia

Atika Rukminastiti Masrifah and Fajrin Intan Safitri
University of Darussalam Gontor

Paper to be presented at the 4th International Conference of Zakat (ICONZ)
7-8 October 2020, Surabaya, Indonesia

ABSTRACT

In the Islamic economic structure, zakat has been introduced as the main instrument. In the development of the Islamic monetary policy in particular with regard to the amount of money, zakat becomes necessary to investigate its impact. The study focuses in Java, using 200 Muzakki. Structural Equation Modelling (SEM) is adopted to examine the relationship among the seven constructs i.e., Social Values, The Rate of PLS, State, Regulation, Goods and Services, Consumption and Money Demand. While the reliability and validity were established, the structural relationship between the constructs reveals that the integrated money demand model has a strong relationship with the social value in many ways. In relation with goods and services, social value has its significant role to assist the amount of consumption to realize developed money demand model. Islamic social values significantly influence each of good and services as well as money demand model. People will increase the motive for holding money if he wishes to donate some for social purposes. In general, if the people are prosperous, the money demand will increase. Specifically, the result shows several constructs have significant impact in promoting money demand model in Islamic perspective. This suggests that the model as well as the instrument should be further implemented in Islamic money demand.

Keywords: Islamic Money Demand, Social Value, Zakat, Structural Equation Modelling

INTRODUCTION

Along with the shifting paradigm, money has been part of history for at least the last 3,000 years. Before that time, it was assumed that a bartering system was likely to be used. Long before the seventh century (before the time of Prophet Muhammad) the barter system was used. Moreover the simple way it still has many flaws, such as: the standards of living in the bartering system was been necessarily low (Meera, 2014). Humans are therefore creating and developing exchange as money, because one of the great achievements of money is increasing the speed of business and trade (Beattie, 2015).

Money plays an important role on an individual basis, but it also plays an important role in financial development.

Thus, McKinnon and Shaw's emphasis on the importance of financial conditions and money is the predominant repository of domestic savings in countries (Fry, 1980). A thorough understanding of money, the reasons for money, and the most important factors that influence stability will provide insight into whether money demands.

The real quantity of money demanded a function of population and the real capital income, as well as the interest rates, rate of change of prices, and the other variables (Friedman, 1966). The elasticity of demand for real money balances per capita with respect to the real capita income to be unity in order to divorce monetary analysis from the real sector in the sense under consideration.

Islam has a different outlook on the objective function of money with conventional wisdom, because Islam has a commitment to spiritual values, economic justice and humanity. Chapra said that, in order to reduce money demand for unproductive and speculative purposes, Islam is trying to minimize the holding of idle cash balances by the zakat (Chapra, 1996). This could induce savers to invest productively in order to save net wealth through zakat. Zakat is also one of the

instruments that uses the function and role of money in management.

The aim of this research is to know the instrument of social values as a function of the Islamic money demand, evidence from Muzakki in Indonesia. Similar to the case of social values, especially zakat in the form of organized social assistance programmed by the State, zakat can set up fair mechanisms for economic distribution. The following are the ZIS (Zakat, Infaq and Shadaqah) data collected by BAZNAS.

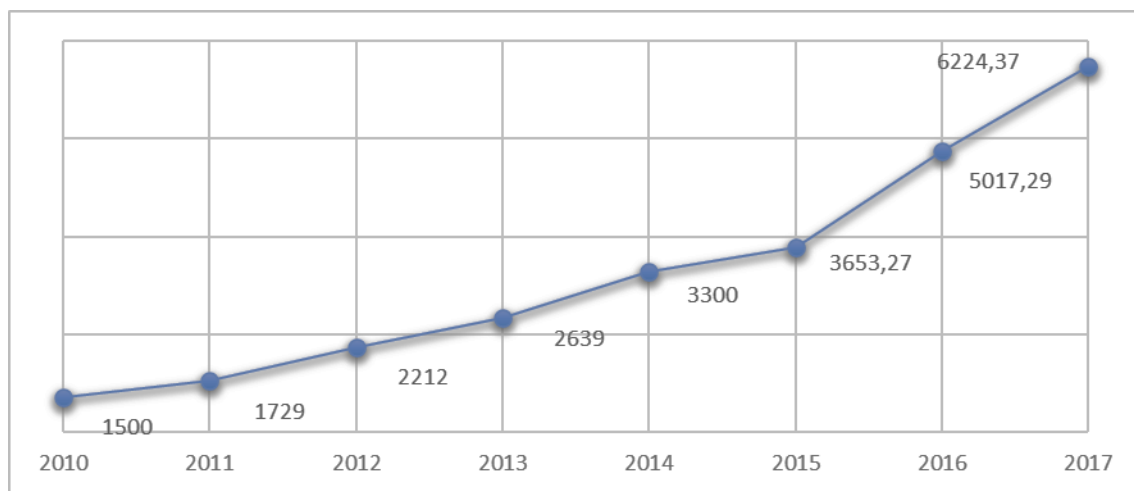


Figure 1. Total ZIS Collection (Billion Rupiah)

Source: Indonesia Zakat Outlook 2019 BAZNAS

From the above data, it can be explained that the collection of Zakat, Infaq and Shadaqah increased. ZIS can build a society based on a balanced distribution of wealth by putting material and spiritual values at the same level. In other words, ZIS can set up fair economic distribution mechanisms.

The authors divided the structure of the research into four sections. The first section gives an overview of the social values and Islamic money demand. The next section discussed the methodology, while third section explained the findings. The final section is the conclusion and the recommendation.

LITERATURE REVIEW

Money Demand Theory

The existence of money raises a variety of opinions from a wide range of economists on the theory of money, especially on the demand for money. There is a certain economic flow from the contemporary point of view. It's the classic economic flow and Keynes. Classic in Money Demand has two perspectives, the demand for money from Irving Fisher and Cambridge Theory. Some economists believe that the theory differs from one another, but also has a basic equation and is commonly referred to as the "Quantity Theory of Money" (Crouch, 2002).

The two perspectives of Classic's demand for money are: first, Fisher reveals that the demand for money will arise from the use of any money in the transaction process. Finally, the analysis is determined only by the level of national income and is not affected by other factors such as the interest rate (Boediono, 2016). Second, Cambridge 's theory of demand for money. Theory of Cambridge, not much different from the theory of Fisher and the other classical theory, because it has the same principle as the function of money as a general medium of exchange. In fact, however, there is also a disparity between Irving Fisher and the Cambridge theory. The most significant difference is in approach, Marshall claimed that the monetary analysis based on the notion of demand for money made it more practical than the alternative approach to transaction velocity (Whitaker, 1990).

The other theory of money demand from a contemporary perspective is Keynes, while Keynes 's theory has been developed by some economists who have developed his theory based on the demand for money distribution system, along with Baumol-Tobin developed Keynes 's theory of money demand for transactions, and Tobin developed Keynes 's theory of money demand for speculation (Boediono, 2016).

But the theory of money demand from an Islamic perspective was different from the conventional theory of money demand. In the economic thinking of Islam, Umer Chapra developed a model of demand for money. There are two components that consist of demand for money: firstly, demand-fulfilling consumption and productive investment, and secondly, conspicuous and wasteful consumption, unproductive investment and speculation (Chapra, 2000).

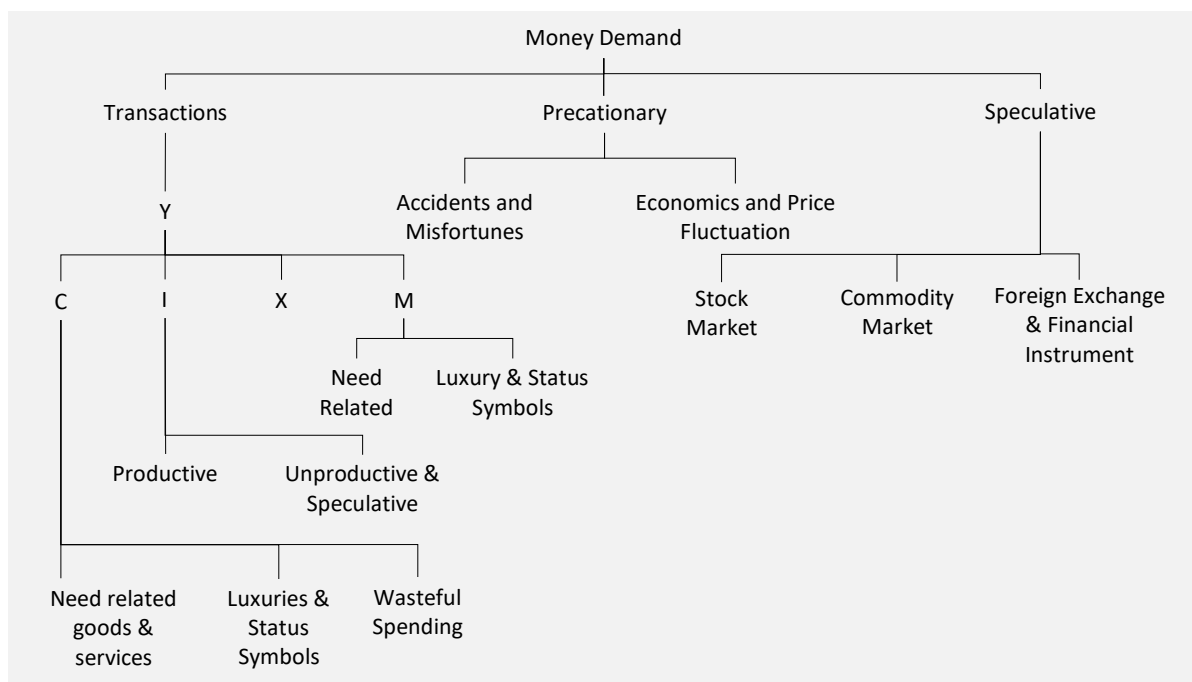


Figure 2. Chapra's Concept of Money Demand

Source: Chapra, 1996

The instrument of social values as a function of demand for money, derived from the theory of demand for money Umer Chapra. Thus, using Keynes's basic formula,

the version of Chapra on money in the Islamic economy may be represented by the following equation (Karim, 2015):

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

Where Y_s reflects goods and services that are connected to the fulfillment of needs and productive investment, conforming to the values of Islam; S reflects all moral and social values and institutions (including zakat) affecting the distribution and allocation of the resources, which may minimize M_d for conspicuous consumption and unproductive investment, as well as for precautionary and speculative purposes; and π is the profit or loss rate within a system which does not allow financial intermediation to use interest.

This realization may induce economists to identify and, at the very least,

imply key values and institution that affect resource allocation to develop techniques of measuring. It can also lead to the identification of noncoercive ways of updating these values and making them more effective in curbing the inessential and unproductive part of M_d . The economist would then be concerned not only with the explanation of what exists, but also with what needs to be done to realize of *Maqasid Sharia*.

Thus, the concept of money demand in conventional economists and Muslims can be concluded mathematically as follows:

Table 1. The Concept of Money Demand

No.	The Theory of Money Demand		The Concept of Money Demand
1.	Islam	Chapra	$M_d = f(Y_s, S, \pi)$
2.	Conventional	Irving Fisher	$M_d = \frac{1}{V \cdot T} P \cdot T$
3.		Marshall-Pigou	$M_d = k \cdot Y$
4.		Keynes	$M_d = L(Y, r)$
5.		Baumol	$\frac{M_d}{p} = \sqrt{\frac{YF}{2i}} = L(i, Y, F)$

Source: Boediono, 2016; Friedman, 1996; Smith, 1986; Karim, 2015; Choudhury, 2005; Chapra, 1996, collected by authors

Social Values on Islamic Money Demand

Islamic demand for money contradicted the theory of money demand in conventional economics. Humans are social creatures that cannot live on their own or depend on other human beings. The form of interaction to create a system is a social system, on a socio-cultural level it can link between two "actors" and more. The actor is either a concentrated human individual (person) or the plurality of which is a member. The process of social interaction is when the "behavior" of the social system affects the state of the system and the state of each relationship (Smelser, 2005).

One of the most important

objectives of Islam is to achieve greater justice in human society. One of the basic requirements for this is that all aspects of human life, social, economic, political and international, should be subject to moral values. It will help to limit greed and avarice, as the greatest indicator of human achievement, which has maximized wealth and wants fulfilment (Chapra, 2011).

Chapra (1979) argued that, in order to reduce money demand for unproductive transactions and speculative purposes, Islam is trying to minimize the holding of idle assets by the zakat. This condition tends to induce savers to engage in productive transactions and to invest in

order to save their net wealth from being eroded by zakat.

As need-based consumption and productive investment tend to be more stable than visible consumption and speculative investment, the demand for money in the Islamic economy can tend to be more stable. In order to minimizing the instability of aggregate demand for money, the various elements of the Islamic economy may also influence the different components of monetary demand in a way that promotes increased efficiency and equity in money use. Relatively higher demand stability in the Islamic economy may also lead to more stable money circulation (Chapra, 1996).

Previous Studies

Setiadi (2012) analysed the factor that influence the demand for money in Indonesia. The result of this research showed that inflation in the short and long term had a positive and significant impact on demand for money in Indonesia, and interest rates in the short term had a negative and non-significant relationship, whereas in the long run they had a negative impact on demand for money in Indonesia, and in the short term they had a positive impact on product gross domestic product (GDP).

Widodo (2015) on macroeconomic factors that affecting money demand in Indonesia showed that long-term demand for money (M1) in Indonesia was positively and significantly influenced by the variables Gross Domestic Product (GDP) and price levels. While exchange rate variable interest had a negative effect on demand for money.

Chapra (1996) on monetary management in an Islamic economy concluded that if we reduce the conspicuous consumption (excessive consumption and speculation) it will produce efficiency and balance in the economy, coupled with the moral values of

all applications, including ZISWAF (Zakat, Infaq, Shadaqah and Waqf).

Gustiani and Effendi (2010) analysed the influence of social values against the amount money of Islam in Indonesia. By using VAR and VECM showed that GDP (Gross Domestic Product) has a significant influence on the money demand (except giro wadi'ah) for both the Islamic and conventional systems, if the society more prosperous then assuming the money demand will be increase.

Ascarya, *et al.* (2008) analysed money demand behaviour in dual monetary system in Indonesia. Using VAR and VECM showed that the return on income (Mudharabah) had a negative effect on the demand component of Islamic money (fiat money, Wadi'ah current account, savings and Mudharabah deposits). In conventional money demand, interest rates have a large impact on currency demand (20 – 29 per cent), while in Islamic money demand, returns in Mudharabah have almost no impact on Islamic money demand behavior. It can be shown that Islamic money demand more stable than conventional money demand to respond the shocks from other variables.

There are a lot of studies focusing on demand for money, as well as on demand for Islamic money. However, there are no studies focusing on demand for Islamic money from a micro-point of view. By using Muzakki data, this study would analyse the determinant of Islamic money demand. Muzakki have a great potential, because Muzakki paid zakat as the social values in Islam. So, zakat can be considered as a function of demand for Islamic money. In addition, Social Values, The Rate of PLS, State, Regulation were the exogenous variables, while the endogenous variables were Goods and Services, Consumption and Islamic Money Demand.

Research Framework

The researchers shall construct the following conceptual and empirical structure on the basis of the above-mentioned literature reviews. The three latent endogenous variables, namely Goods and Services, Consumption and Islamic Money Demand, are shown as described in Figure 1. Researchers also include Social Values, PLS Rate, State, Regulation, latent exogenous variables.

The alternative goals on proxies for the Islamic money demand are to increase Islamic motive of holding money, Islamic motive of holding money for business capital, Islamic motive for increasing business income and profit. In this context, researchers are developing, evaluating and validating our empirical model. The results of the estimation and the assessment will be used to draw conclusions. The outcome is expected to lead to a number of policy suggestions on how to generate Islamic money demand in the integration model.

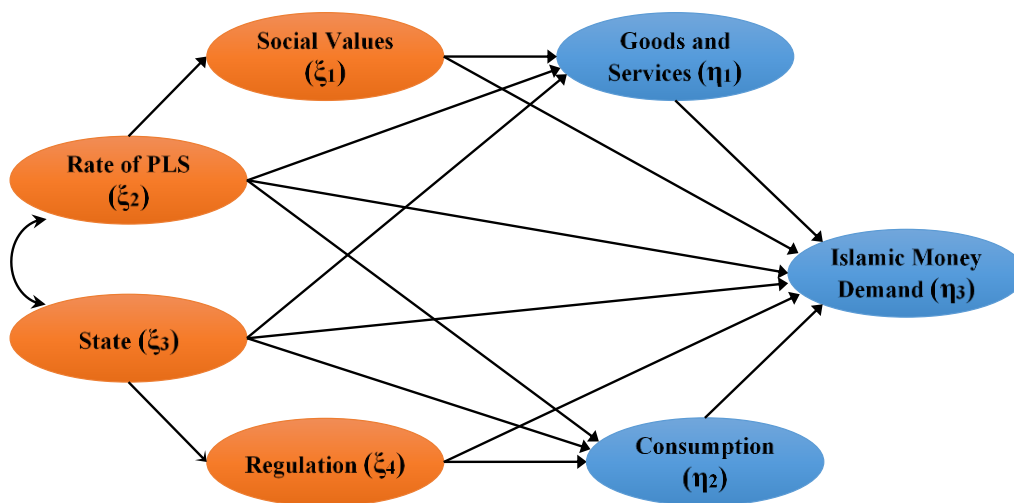


Figure 3. Conceptual Framework of Islamic Money Demand Evidence from Muzakki in Indonesia

METHODOLOGY

Data

A quantitative approach to hypotheses testing is adopted by a survey conducted by the Zakat Institution in Java. The survey respondents in this study are assatidz or teacher, musyrif, musyrifah, who have income and give part of their income to pay zakat. On average, a sample size of between 200 and 400 is considered sufficient for good results (Hair, et al., 2010). It is also suggested that a minimum of 200 is also useful for each statistical analysis (Hoe, 2008).

Some people tend to put the sample by the amount of parameter or items in the

analysis. In others studies using the Structural Equation Model (SEM), a sample size of at least 100 is required (Wijayanto, 2015). Bagozzi and Yi (2012) also share his view that SEM sample sizes should exceed 100 participants. The original sampling size was specified by 200 organizational representatives, assatidz or teachers, musyrif, musyrifah, or persons who have income and share of their income to pay zakat. These opinions are based on this study (Wijayanto, 2015; Bagozzi and Yi, 2012).

Model Development

The new model that integrates the social values motive and money demand function to increase Islamic motive for holding

money effectively was suggested in this section. The suggested integrated social value motive and money demand model, composed of seven important parts, led in twelve hypotheses to be tested. The prospective connections between the variables are the basis for these hypotheses.

SEM model of this study comprises of latent exogenous variables, namely Social Values (ξ_1), PLS Rate (ξ_2), State (ξ_3)

and Regulation (ξ_4) as well as four latent endogenous variables, namely Goods and Services (η_1), Consumption (η_2), and Islamic Money Demand (η_3). Table below shows the latent variable's comprehensive indicators. The comprehensive empiric SEM model of this study is shown in table below, which provides social values that can integrate Islamic money demand into the micro-economic model.

Table 2. Exogenous and Endogenous Latent Variables

Exogenous Latent Variables	
Social Values	The amount of money allocated for charity and other social values activities (Chapra, 1996); (Gustiani & Effendi, 2010)
PLS Rate	The amount of money allocated for business (Chapra, 1996); (Chapra, 2000)
State	The amount of money allocated for pay the obligation from the government Authors Modification
Regulation	Regulations that may change the motive for holding money Authors Modification
Endogenous Latent Variables	
Goods and Services	The amount of money allocated to meet the needs of goods and services of muzakki within a month (Chapra, 1996); (Chapra, 2000)
Consumption	The amount of money allocated to the transaction for consumption (Chapra, 1996)
Islamic Md	The motives for holding money that are appropriate for Muslim are the motive for the transaction and the precautionary motive. However, the motive for speculation or trading is strictly prohibited, as this activity can be categorized as hoarding, which is prohibited in Islam. (Chapra, 1996); (Gustiani & Effendi, 2010); (Fahmi, 2018)

Method

In combination with the Keesling (1973) and Wiley (1973) model, Karl Jöreskog (1973) developed the Structural Equation Model (Winarsih, *et al.*, 2019). It is known as the 'Structural Linear Relation' or LISREL. The most important reason of the spread of this statistical technique is that the direct and also indirect relationships between among causal variables can be measured with some single model (Civelek, 2018). The research was also performed using the SEM program, Lisrel 8.70, to provide a fitness indice and to determine how well the data match the recommended model.

SEM is frequently used in various behavioral studies. The CFA and Structural Model are integrated in a systematic statistical framework in an integrated statistical test (Winarsih, *et al.*, 2019). It is a valuable way in which inferential knowledge is evaluated and checked. One advantage of SEM is that many variables and their connections are simultaneously calculated. It also makes multiple dependent ties between variables (Wijayanto, 2015).

Prior to SEM, the latent structures were examined, so that the results were tested and the structures in the suggested model were estimated. As a result, seven

structures or components of an integrated Islamic value were entered into the SEM as unobserved variables in terms of the holding money model: (i) Social Values, (ii) PLS Rate, (iii) Economy, (iv) Goods and Services, (v) Consumption and (vii) Islamic Money Demand.

This allowed researchers to apply this multivariate technique to validate the relationship between unobserved variables (Hair, et al., 2010). Islamic money demand, for example, is one part or the other of the variables derived from the factors observed, such as the expansion of the Islamic motive for holding money, the Islamic motive for commercial capital, the Islamic motive for increasing business income and profit, and others.

Measurement and Structural Model

A combination of factor analysis and path analysis was the two main components of the SEM model, that is, the measuring model and the structural pattern. The measurement model is a model that explores the relation of the latent and its indicators. The model refers to the relationship of latent variables. The measuring model shows that a latent variable has a relationship with its indicators. The causal relationship may

include several calculated indicators in the estimation of the latent variable value.

Structural Equation Modelling (SEM) has two types of latent variables, namely exogenous on all equations in the model. Notation of exogenous latent variables is ξ (ksi) and endogenous latent variables are marked with η (eta) (Ascarya and Masrifah, 2016). The structural model is a relationship that exists between latent variables. This relationship is generally linear, although it is possible that SEM has a non-linear relationship. The relationship between latent variables is similar to a linear regression equation between latent variables.

Parameters that shows regression of endogenous latent variables on exogenous variables are labeled as γ (gamma), while for regression endogenous latent variable in endogenous latent variables are labeled as β (beta). The latent exogenous (X_n) indicators, with causal dependence labeled as λX_n "lambda X_n " and δ_n 'delta' is referred to measurement error for latent exogenous. Meanwhile, the latent endogenous (Y_n) indicator, with causal dependence labeled as λY_n "lambda Y_n " and ϵ_n 'epsilon' is referred to measurement error for latent endogenous.

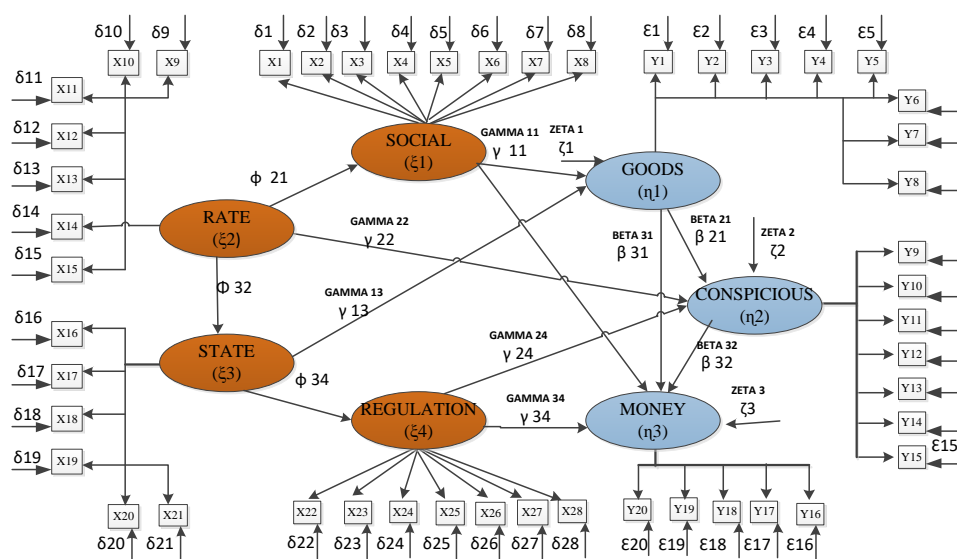


Figure 4. Measurement Model of SEM

Figure 4 shows the measurement model examples. In the following equations, these measurement models can also be reinterpreted.

$$\text{Latent exogenous } \xi_1 : \\ X_1 = \lambda_{x1} \xi_1 + \delta_1 \dots X_8 = \lambda_{x8} \xi_1 + \delta_8 \quad (1)$$

$$\text{Latent exogenous } \xi_2 : \\ X_9 = \lambda_{x9} \xi_2 + \delta_9 \dots X_{15} = \lambda_{x15} \xi_2 + \delta_{15} \quad (2)$$

$$\text{Latent exogenous } \xi_3 : \\ X_{16} = \lambda_{x16} \xi_3 + \delta_{16} \dots X_{21} = \lambda_{x21} \xi_3 + \delta_{21} \quad (3)$$

$$\text{Latent exogenous } \xi_4 :$$

$$X_{22} = \lambda_{x22} \xi_{22} + \delta_{22} \dots X_{28} = \lambda_{x28} \xi_{24} + \delta_{28} \quad (4)$$

$$\text{Latent endogenous } \eta_1 : \\ Y_1 = \lambda_{y1} \eta_1 + \epsilon_1 \dots Y_8 = \lambda_{y8} \eta_1 + \epsilon_8 \quad (5)$$

$$\text{Latent endogenous } \eta_2 : \\ Y_9 = \lambda_{y9} \eta_2 + \epsilon_9 \dots Y_{15} = \lambda_{y15} \eta_2 + \epsilon_{15} \quad (6)$$

$$\text{Latent endogenous } \eta_3 : \\ Y_{16} = \lambda_{y16} \eta_3 + \epsilon_{16} \dots Y_{20} = \lambda_{y20} \eta_3 + \epsilon_{20} \quad (7)$$

The structural model refers in the meantime to the direct relationship between latent variables. However, the endogenous variables can be mediating or strictly dependent, but they are not initially causal.

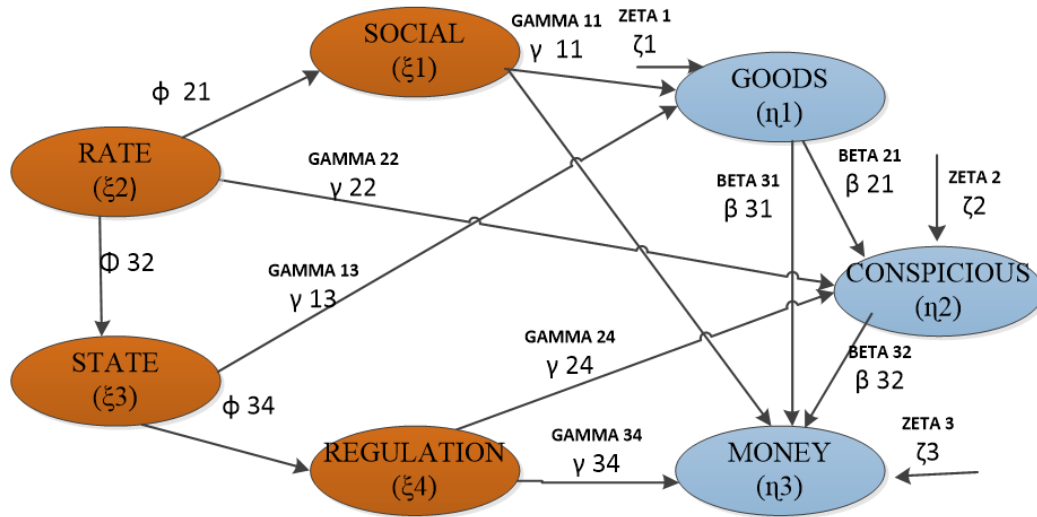


Figure 5. Structural Model of SEM

The above figure shows the structural model examples. In the following equations, these structural models can also be reinterpreted.

$$\eta_1 = \gamma_{11} \xi_1 + \gamma_{13} \xi_3 + \zeta_1 \quad (8)$$

$$\eta_2 = \gamma_{22} \xi_2 + \gamma_{24} \xi_4 + \beta_{21} \eta_1 + \zeta_2 \quad (9)$$

$$\eta_3 = \gamma_{34} \xi_4 + \beta_{31} \eta_1 + \beta_{32} \eta_2 + \zeta_3 \quad (10)$$

SEM was estimate the hypothesized model. First, a confirmatory factor analysis (CFA) was conducted to determine whether the observed measures loaded on the latent constructs as hypothesized. The first model estimated only a direct path from social values to money demand. The second

model retained the direct path from the baseline model and added the indirect influence of social values on money demand (Cleveland, et al, 2005).

SEM consists of five phases: 1) Specification; 2) Identification; 3) Estimation; 4) Goodness of Fit Test; and 5) Respecification (Winarsih, *et al.*, 2019). The model specification consists of the translation in a series of equations previously seen as a path diagram of the verbal hypotheses. Figure 5 shows a route chart suggested in the quest for integration of the social value and money demand function.

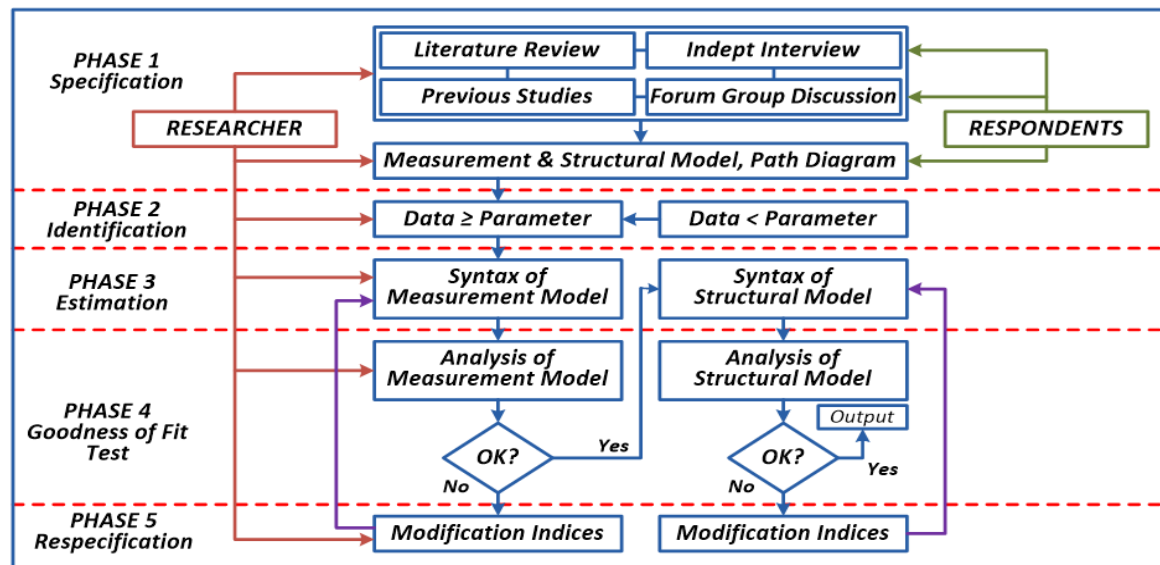


Figure 6. Stage of Research

Source: Winarsih, *et al.* (2019)

In this second step all observed variables indicated in the model are collected to extract the model parameter from an observable collection of variance and covariance. The third step estimates the value of the parameter, like the standardized path coefficients. There is a wide array of literature, resulting in a collection of measurement technologies, such as Maximum Likelihood (ML), Generally Weighted Least Square (WLS), Unweighted Leas Square (ULS), Generalized Least Square (GLS). The most commonly used is ML (Browne, 1984).

The next phase is the statistical process to evaluate whether this model is compatible with the information. This is achieved through a goodness of fit test. Because of their complexity, models are generally dismissed by the goodness of fit test, so that the model requires to be changed to enhance its fit or simplicity at this last phase. The SEM stage summary is illustrated in the above figure.

The routes of regression are indicated in SEM by unidirectional arrows. In the Islamic Money Demand, for example, the unidirectional arrow in the integrated Islamic social values in the money demand points to the endogenous factor, Islamic

money demand, assumes that exogenous factor namely Social Values, PLS Rate, State, Regulation cause Islamic money demand (see in Figure 3). Islamic money demand is identified in the integrated Islamic social values in the money demand model as the dependent variable.

RESULT AND ANALYSIS

The results of seven measurement models will be discussed, consisting of four latent exogenous variables and three latent endogenous variables.

Table 3 demonstrates appropriate indices for a model of measurement designed to test Islamic money demand model. The LISREL modifying index was analyzed to decide if the hypothesized model needed addition or reduction of indicators. When evaluating measurement models, our reliability to a number of tests, as well as to other biases, did not rely on measured chi-square measures to determine general fit. The seven suggested measuring models best match the data among the alternative measuring models based on the selected fit indices.

Table 3. Fit Indices for Measurement Models

Fit Index	Latent Exogenous				Latent Endogenous		
	SV	PLS	ST	RG	GS	CONS	ISMD
χ^2	41.11	9.36	6.49	21.96	28.14	24.34	14.40
df	9	9	8	10	13	11	8
χ^2/df	2.164*	1.04*	0.811*	2.196*	2.165*	1.195*	1.800*
RMSEA	0.076*	0.014*	0.000*	0.078*	0.076*	0.078*	0.060*
M-Model	Close Fit	Close Fit	Close Fit	Close Fit	Close Fit	Close Fit	Close Fit

Note:
SV (Social Values); PLS (Rate of profit loss sharing); ST (State); RG (Regulation); GS (Good and Service); CONS (Consumption); ISMD (Islamic Money Demand);
 χ^2 = chi square, minimum fit function test ($\chi^2/df \leq 3.0$); RMSEA = root mean square error of approximation (≤ 0.08).

Source: data processed by the authors

RMSEA values (all below 0.08) suggest that the seven measuring models developed adequate measuring models. Overall, the results indicated that the seven

measurement models for the constructs of the integrated Islamic social values and money demand function of Muzakki fitted the data moderately.

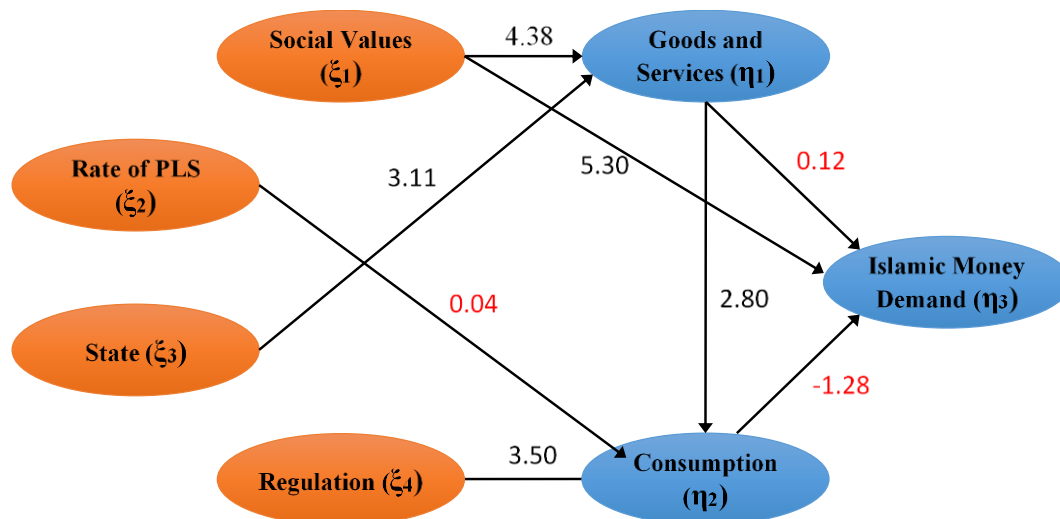


Figure 7. Structural Result of Islamic Money Demand

Source: data processed by the authors

The following figure provides fitting indexes for the structural model to determine Islamic money demand. The results show that the proposed structural models better match the data from the statistical point of view between alternative structural models based on the selected fit indices ($\chi^2 = 2541.65$; $df = 1041$; $p = 0.000$) or a practical perspectives (RMSEA = 0.078, and RMR = 0.064; GFI = 0.663, AGFI = 0.619, NNFI = 0.899; CFI = 0.907).

The RMSEA values (less than 0.08) suggested that the structural models were constructing suitable structural models. The goodness-of-fit index (GFI) has also risen to 0.80, showing that more than 60 percent of item variances and covariances may be clarified by the proposed variables. All in all, the results showed that the model was reasonably suited by a structural model for the Islamic money demand.

The instrument of Islamic economic system may not only help minimize the instability in the aggregate of money demand but also influence the different components of the money demand in a different way that would promote greater efficiency and equity in the use of money. The results are different, based on research on the integration of social values and the demand for money in the micro-behaviour model. Some of them are in line with the first hypothesis, but the rest of them are not.

Islamic social values are significant affect the money demand ($5.30 > 1.96$). The above result has shown that there is a relationship between social values and money demand. Social values also have a relationship or have been influenced by different components of demand for money. The above result has shown that there is a relationship between social values and goods and services ($4.38 > 1.96$).

Table 4. Result for Islamic Money Demand Models

Path	T-Value	Conclusion
<i>Social Value</i> → <i>Good & Service</i>	4.38	Significant
<i>Social Value</i> → <i>Is. Money Demand</i>	5.30	Significant
<i>PLS Rate</i> → <i>Consumption</i>	0.04	Not Significant
<i>State</i> → <i>Good & Service</i>	3.11	Significant
<i>Regulation</i> → <i>Consumption</i>	3.50	Significant
<i>Good & Service</i> → <i>Consumption</i>	2.80	Significant
<i>Good & Service</i> → <i>Is. Money Demand</i>	0.12	Not Significant
<i>Consumption</i> → <i>Is. Money Demand</i>	-1.28	Not Significant

We can see the relations between Islamic social value and money demand. Islamic social values significantly influence each of good and services as well as money demand model. People will increase the motive for holding money if he wishes to donate some for social purposes. In general, if the people are prosperous, the money demand will increase.

CONCLUSION AND RECOMMENDATION

The result shows the first overview of Islamic money demand 's behavior. In certain models, the return of the Sharia is contrary to the consumption hypothesis, because conventional systems dominate the economic system. The impact of the social value variable on the demand for money evidence from Java's Muzakki actually appeared for this study.

Due to the behavior that determines the demand for Islamic money in Indonesia,

it can be suggested that we need more research into social values, particularly their variables. In order to prove it truly as a monetary tool in the Islamic monetary system, we need more data on social value. In order to reevaluate its influence on monetary policy as authority in the Islamic bank and economy system, the Bank of Indonesia should reconsider social value variable.

For the next studies, the money demand should be observed by varying the indicators; re-decrease the social values variable for all social activities with more complex primary data, Islamic and conventional motives must be differentiated. We think the results of this analysis will be better.

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