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CULTIVATING MIDDLE-CLASS PROSPERITY: EXPLORING THE SOCIOECONOMIC DRIVERS IN INDONESIA'S SHARIA ECONOMY

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ABSTRACT
This study aims to examine the key determinants driving the growth of the middle class in Indonesia through the lens of Islamic economics, with particular emphasis on education, Islamic capital market investment, and Islamic bank financing. Employing a quantitative approach, the research utilizes multiple linear regression analysis on time series data spanning from 2021 to 2024, processed using SPSS 25. The findings reveal that all three variables exert a statistically significant and positive impact on middle-class expansion. Education contributes to human capital development and employability; Islamic capital market investment fosters asset accumulation and equitable wealth distribution; and Islamic bank financing enhances access to productive capital, particularly for small-scale entrepreneurs and transitioning lower-income households. Collectively, these factors account for 87.4% of the variance in middle-class growth, underscoring their pivotal role in shaping the Islamic economic ecosystem. The results underscore the imperative to elevate financial literacy, broaden inclusive education, and improve the accessibility of Sharia-compliant financial instruments to accelerate and sustain middle-class advancement. Future research is encouraged to incorporate sociocultural and regional variables—such as urban-rural dynamics, religious practices, and digital financial behavior—to capture more nuanced influences and further validate the resilience of the Islamic economic model in fostering inclusive development.
Keywords: Middle-Class Growth, Investment, Islamic Financing, Inclusive Development

ABSTRAK
Penelitian ini bertujuan untuk menganalisis determinan yang mempengaruhi pertumbuhan kelas menengah di Indonesia dari perspektif ekonomi Syariah, dengan fokus khusus pada pendidikan, investasi pasar modal syariah, dan pembiayaan bank syariah. Menggunakan pendekatan kuantitatif, penelitian ini menggunakan analisis regresi linier berganda pada data deret waktu yang mencakup 2021–2024, diproses melalui SPSS 25. Hasil penelitian menunjukkan bahwa ketiga variabel tersebut memiliki efek positif dan signifikan secara statistik terhadap pertumbuhan kelas menengah. Pendidikan meningkatkan sumber daya manusia dan kemampuan kerja, dan investasi pasar modal syariah merangsang akumulasi aset dan distribusi kekayaan. Sebaliknya, pembiayaan bank syariah meningkatkan akses ke modal produktif, terutama bagi pengusaha skala kecil dan rumah tangga yang bertransisi ke segmen berpenghasilan menengah. Faktor-faktor ini menjelaskan 87,4% dari varians pertumbuhan kelas menengah, yang mencerminkan pengaruhnya yang substansial terhadap ekosistem ekonomi Syariah. Temuan menunjukkan bahwa meningkatkan literasi keuangan, memperluas pendidikan inklusif, dan memperkuat aksesibilitas instrumen keuangan yang sesuai dengan syariah sangat penting untuk mempercepat dan mempertahankan ekspansi kelas menengah. Untuk penelitian di masa depan, disarankan untuk mengintegrasikan variabel sosial budaya dan regional, seperti dinamika perkotaan-pedesaan, praktik keagamaan, dan perilaku keuangan digital, untuk menangkap pengaruh yang lebih bernuansa dan lebih memvalidasi ketahanan model ekonomi Syariah dalam mempromosikan pertumbuhan inklusif.
***Kata Kunci**: Pertumbuhan Kelas Menengah, Investasi, Pembiayaan Syariah, Pembangunan Inklusif*

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INTRODUCTION

Indonesia, the world's fourth most populous nation, has witnessed a remarkable expansion of its middle class over recent decades (Rimayanti, 2022). Yet, despite this demographic shift, the country remains ensnared within the middle-income trap—an economic condition marked by stagnating growth, entrenched income inequality, and the precarious status of the middle class (Badan Pusat Statistika, 2023).

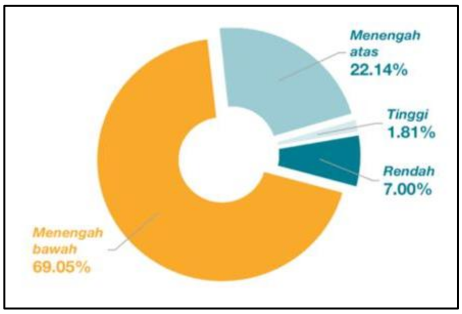


Figure 1: *Percentage of the Indonesian Middle Class*
Source: Susenas (2021)

According to the National Socioeconomic Survey (Susenas, 2021), 69.05% of Indonesia's middle class resides within the lower-middle-income bracket, rendering them acutely vulnerable to economic shocks and the risk of descending into poverty.

The persistence of this trap has generated substantial scholarly debate. Gill and Kharas (2007) attribute the phenomenon to a lack of innovation and industrial upgrading, whereas Doner and Schneider (2016) highlight the role of systemic social inequalities and fragile governance structures—especially in emerging economies such as Indonesia. These contrasting perspectives underscore the critical tension between economic diversification and the imperative to ensure social equity as a foundation for fortifying the middle class.

In parallel, the discourse surrounding remedial strategies reveals a theoretical divergence. On one side, economists like Piketty (2014) advocate redistributive policies—such as progressive taxation and expansive welfare programs—as essential to shielding the economically fragile lower middle class. On the other, scholars like Birdsall (2010) emphasize structural reforms aimed at enhancing labor market efficiency and productivity, which are posited as more sustainable mechanisms for long-term empowerment (Yasin, Rawi, & Nurminah, 2024). This dichotomy reflects a broader policy dilemma: whether to prioritize immediate social protections or to foster long-term economic transformation.

Beyond the structural challenge of inequality lies the stagnation in quality-of-life improvements among middle-class households. Hammell (2021) observes that many such households, while meeting basic subsistence, lack sufficient disposable income to achieve upward mobility—a condition exacerbated by low financial literacy and weak social safety nets. Enhancing access to quality education has been widely identified as a crucial lever for income mobility and inequality reduction. Wanti et al. (2023) demonstrate that higher educational attainment substantially increases the likelihood of securing higher-paying employment. Nevertheless, access to tertiary education in Indonesia remains uneven, primarily due to prohibitive costs.

While the economic benefits of education are well established, scholars such as Brown, Lauder, and Ashton (2010) warn that without complementary labor market reforms, even graduates may experience underemployment or skill mismatches. Psacharopoulos and Patrinos (2018) go further, arguing that vocational education may offer a more immediate and cost-effective pathway to employment than traditional university degrees.

Amid these structural considerations, Islamic banking has emerged as a promising instrument to bolster middle-class resilience. Arif (2024) notes that Islamic bank financing facilitates broader access to capital for small and medium enterprises (SMEs), thereby generating employment and stimulating income growth. However, access to Islamic financial services remains limited due to both low financial literacy and complex administrative barriers (Salim, 2024).

Proponents of Islamic finance, such as Mills and Presley (1999), argue that its ethical foundations and risk-sharing mechanisms render it inherently more inclusive for underserved populations. Conversely, critics like El-Gamal (2006) suggest that Islamic financial instruments often mimic conventional banking structures, thereby undermining their potential for transformative social impact.

Beyond banking, the capital market provides another potential avenue for wealth accumulation among the middle class. However, Paningrum (2022) cautions that without a robust foundation in financial literacy, middle-class investors remain highly susceptible to fraud and poor decision-making. Enhancing financial literacy is therefore essential for empowering this demographic to fully leverage capital market opportunities.

Table 1. *Trends in Middle-Class Growth, Higher Education, Investment, and Islamic Banking Financing (2021–2024)*

Year	Middle-Class Growth	College Education Level	Investment Growth	Sharia Bank Financing
2021	19.20%	11.24%	92.99%	13.08%
2022	19.04%	10.60%	37.68%	15.18%
2023	19.02%	10.51%	18.01%	15.72%
2024	18.88%	10.39%	19.47%	19.32%

Source: BPS, KSEI, OJK (2024)

Recent data from the National Statistics Agency (BPS), the Indonesian Central Securities Depository (KSEI), and the Financial Services Authority (OJK) reveal subtle but important shifts. Although the proportion of the middle class has marginally declined, Islamic banking financing has shown steady growth. Meanwhile, college enrollment rates have tapered, underscoring ongoing challenges in human capital development. Investment growth, in contrast, has fluctuated considerably, highlighting exposure to external economic shocks.

Some analysts, such as those at the World Bank (*Global Economic Prospects*, 2025), interpret these fluctuations as natural correction phases in post-pandemic recovery cycles. Others, including Stiglitz (2015), view them as manifestations of deeper structural deficiencies in education and financial systems, which if left unaddressed, could compromise long-term economic resilience.

The centrality of education to middle-class expansion is well established in empirical literature. Odondi (2024) finds that access to quality education strongly correlates with income stability and upward social mobility. Accordingly, targeted investment in education is imperative for strengthening Indonesia's middle class and promoting inclusive growth.

This study distinguishes itself from the more optimistic perspective of Bastomi and Nurhidayah (2023), who posit that Islamic capital market instruments alone can uplift the middle class despite prevailing financial illiteracy. In contrast, the present research contends that without simultaneous improvements in both financial capability and access to education, the transformative potential of Islamic finance and capital markets remains constrained. This argument aligns with critical perspectives that advocate deliberate policy intervention over market-centric approaches to promote equitable growth (Demirgüç-Kunt et al., 2020).

In light of the foregoing, this study is both timely and necessary. It seeks to explore the interrelationships between educational attainment, Islamic bank financing, and capital market participation in empowering Indonesia's middle class to serve as a cornerstone of national economic resilience.

THEORETICAL FRAMEWORK

The Growth of the Middle Class

The middle class constitutes a pivotal socio-economic stratum situated between the upper and lower echelons of society. This group is generally characterized by a stable income, access to quality education, healthcare, housing, and a broad array of goods and services that collectively enhance living standards. As Rizkianda and Wiguna (2022) note, government intervention plays a crucial role in mitigating inequality and fostering inclusive development through equitable economic policies.

Economic growth, however, does not inherently guarantee prosperity for all, particularly when it is decoupled from employment generation. The theory of trickle-down economics—suggesting that benefits afforded to the wealthy and large corporations will eventually permeate to lower income groups—has come under considerable scrutiny (Ozturk, 2016). While tax reductions or incentives for the affluent are often justified on the premise of reinvestment and job creation, empirical outcomes have frequently fallen short. As Daulay et al. (2023) argue, the upward concentration of wealth does not spontaneously catalyze equitable opportunities unless complemented by strategic job-creating policies. In this regard, Block (2023) underscores that the expansion of the middle class is contingent not merely on aggregate economic indicators but on structural reforms that foster broad-based participation in the economy.

Education Level

Andrew E. Sikula emphasizes that educational attainment encapsulates an individual's cognitive progression and the development of theoretical and managerial competencies over time. The quality and accessibility of education are not only personal assets but also societal imperatives shaped by prevailing economic, social, and cultural forces (Dewi, 2020). As Hasibuan et al. (2023) observe, the targeted allocation of educational funding—both formal and informal—can profoundly uplift human capital by nurturing skills, attitudes, and productive behaviors.

Despite its recognized potential, the role of education in catalyzing middle-class expansion in Indonesia remains under-realized. Hill (2021) observes that significant disparities in access to quality education continue to obstruct social mobility. While education holds transformative power, its impact is diluted if equitable access is not institutionally ensured (Tikly & Barrett, 2011). Thus, education must be conceptualized as both a personal enabler and a structural equalizer. To this end, synchronized policy efforts are required—integrating equitable education financing with quality assurance frameworks—to ensure that the benefits of education are truly inclusive and capable of supporting sustainable middle-class growth.

Sharia Capital Market Investment

The Sharia capital market operates within the framework of Islamic jurisprudence, eschewing financial practices deemed unethical, such as riba (interest), maysir (speculation), and gharar (excessive uncertainty). Its fundamental aim is to provide ethically compliant investment opportunities (Susanto et al., 2023). Despite its strong theoretical underpinnings and alignment with Islamic values, the Sharia capital market remains underutilized in Indonesia. Rokhimah et al. (2024) and Bastomi (2023) note that public engagement is minimal due to insufficient financial literacy and constrained income levels, which preclude long-term investment planning.

More critically, this limited engagement reflects structural issues beyond individual behavior. Parvin et al. (2024) argue that the persistent underrepresentation of Sharia investments is symptomatic of deeper income inequalities and an absence of inclusive financial education. Pollard and Samers (2007) add that the theoretical robustness of the Islamic financial system has yet to be matched by its integration into the lived realities of low- and middle-income communities. The dominance of subsistence-oriented consumption, especially among financially vulnerable populations, further restricts participation. To unlock the Sharia capital market's potential as a vehicle for inclusive economic growth, comprehensive strategies are necessary—ranging from micro-investment mechanisms to grassroots financial education that resonate with both economic aspirations and Islamic ethical norms (Hasbiah et al., 2024). This calls for a paradigm shift in development planning: one that not only builds markets but also cultivates the societal capacity to engage with them meaningfully.

Sharia Bank Financing

Islamic banking in Indonesia has demonstrated commendable growth, particularly in balancing fund mobilization with financing distribution, thereby reinforcing its intermediary role (Nurainun, 2022). The core objective of Sharia-compliant financing is to enhance socio-economic welfare by promoting entrepreneurship, especially in industrial, agricultural, and commercial sectors (Alya et al., 2024). As economic productivity increases, the demand for financing correspondingly expands—necessitating broader access to Sharia-compliant funding mechanisms (Sunardi, 2021).

Yet, access to financing remains unequally distributed. As Pida and Imsar (2022) observe, disparities in financial inclusion exacerbate income inequality and hinder entrepreneurial development. Therefore, fostering equitable growth requires an integrated approach—combining entrepreneurship training, formal education reform, and technological support—to elevate business capacities and drive inclusive economic participation (Ichsan et al., 2023). Islamic banking, in this context, is not merely a financial institution but a strategic platform for redistributive justice and community empowerment grounded in faith-based ethical principles.

RESEARCH METHODOLOGY

This study adopts a quantitative research paradigm, integrating both descriptive and inferential statistical techniques to investigate the determinants of middle-class expansion within the context of Sharia economics in Indonesia (Ash-Shiddiqy et al., 2023). The quantitative framework was purposefully selected to ensure objectivity in measuring causal relationships among variables and to enable generalizability of the findings through empirically grounded evidence.

The research draws upon monthly time-series secondary data spanning the period 2021 to 2024, sourced from authoritative institutional repositories. These include Bank Indonesia (https://www.bi.go.id), which offers a comprehensive suite of macroeconomic and Islamic finance indicators, and the Badan Pusat Statistik (BPS) of North Sumatra Province (https://www.bps.go.id), which provides demographic and socioeconomic datasets pertinent to the middle-class segment. A complementary literature review underpins the theoretical framework and substantiates the variable selection by aligning empirical indicators with conceptual constructs.

Employing a secondary data analysis design, the study centers on Indonesia's middle-class demographic as its primary unit of analysis. Key variables include educational attainment, participation in Islamic capital market instruments, and access to Sharia-compliant bank financing. Although the dataset is secondary in nature, a random sampling technique was applied to enhance demographic representativeness across variables such as region, education level, and employment sector. This sampling strategy reinforces the external validity of the study, allowing the conclusions to be extrapolated to broader national trends.

Data analysis was performed using IBM SPSS Statistics Version 25. Descriptive statistics—comprising measures such as mean, standard deviation, and range—were first employed to characterize the dataset. Thereafter, multiple linear regression and Pearson correlation analysis were utilized to explore the strength and directionality of relationships between independent variables (i.e., education, Islamic capital market investment, and Islamic bank financing) and the dependent variable (i.e., middle-class growth). To further assess statistical differences across subgroups, T-tests and one-way ANOVA were conducted, particularly to examine variations in middle-class dynamics based on educational strata and regional characteristics (Liu & Wang, 2021).

The integration of these analytical methods facilitates a multi-dimensional examination of how core variables rooted in Sharia economics influence the advancement of Indonesia's middle class. The methodological rigor of the study not only elucidates statistically significant determinants but also provides a robust foundation for evidence-based policy recommendations, particularly in the areas of financial inclusion, educational accessibility, and the proliferation of Sharia-compliant financial services (Darwin et al., 2024). The insights generated are anticipated to inform academics, policymakers, and practitioners committed to strengthening the infrastructure of Islamic economic development and fostering inclusive national growth.

RESULTS

a. Statistical test

Normality test

One-Sample Kolmogorov-Smirnov Test

		Pertumbuhan
N		48
Normal Parameters[a,b]	Mean	18.8527
	Std. Deviation	.54282
Most Extreme Differences	Absolute	.069
	Positive	.055
	Negative	-.069
Test Statistic		.069
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: SPSS 25 Processed Data

The normality test returned a significance level of 0.200, which exceeds the 0.05 threshold. This indicates that the dataset adheres to a normal distribution, thereby satisfying one of the fundamental assumptions for parametric analysis. As such, the data quality is sufficient, and the applied analytical model is deemed statistically valid for further interpretation.

Multicollinearity test

Coefficients[a]

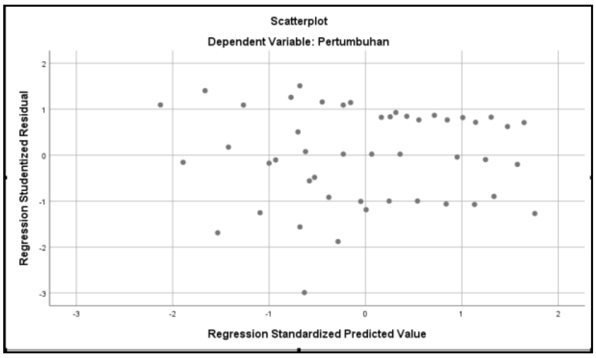
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-95.990	10.257		-9.358	.000		
	Tingkat Pendidikan	.548	.078	.411	6.987	.000	.773	1.294
	Investasi Pasar modal syariah	-.396	.140	-.190	-2.822	.007	.594	1.684
	Pembiayaan Bank Syariah	1.864	.115	1.169	16.183	.000	.514	1.947

a. Dependent Variable: Pertumbuhan

Source: SPSS 25 Processed Data

The multicollinearity diagnostics revealed that variable X1 demonstrated a tolerance value of 0.773 (> 0.10) and a Variance Inflation Factor (VIF) of 1.294 (< 10.00), indicating no significant multicollinearity issue. The same tolerance and VIF values were observed for variable X2. However, the model shows indications that variables X2 and X3 might exhibit signs of multicollinearity, thus requiring further scrutiny in subsequent modeling stages.

Heteroskedascicity test



Source: SPSS 25 Processed Data

The heteroscedasticity test, assessed via scatterplot visualization, suggests that residuals are randomly dispersed without forming any discernible pattern. This randomness affirms the absence of heteroscedasticity, thereby confirming the homogeneity of variance in the model's residuals.

Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.939[a]	.882	.874	.19261	.721

a. Predictors: (Constant), Pembiayaan Bank Syariah, Tingkat Pendidikan, Investasi Pasar
b. Dependent Variable: Pertumbuhan

Source: SPSS 25 Processed Data

The Durbin-Watson (D-W) statistic was calculated at 0.721. Although this value lies below the conventional benchmark of 2, it still falls within the acceptable range (typically between -2 and +2), suggesting no substantial autocorrelation among residual terms. Thus, the independence of error terms is upheld, supporting the reliability of the regression estimates.

Regression Equation Analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-95.990	10.257		-9.358	.000
	Tingkat Pendidikan	.548	.078	.411	6.987	.000
	Investasi Pasar	-.396	.140	-.190	-2.822	.007
	Pembiayaan Bank Syariah	1.864	.115	1.169	16.183	.000

a. Dependent Variable: Pertumbuhan

Source: SPSS 25 Processed Data

The derived multiple linear regression equation is:

$$Y = -95{,}99 + 0{,}548X_1 - 0{,}396X_2 + 1{,}864X_3 + e$$

a. The intercept value of -95.99 suggests that, in the absence of changes in the independent variables, the baseline value of the dependent variable (middle-class growth) would theoretically decrease by 95.99 units.
b. The coefficient for X1 (Inflation) is positive (0.548), implying that a one percent increase in inflation is associated with a 0.548 percent increase in middle-class growth, holding other variables constant.
c. The coefficient for X2 (Investment) is negative (-0.396), indicating that a one percent rise in capital market investment is correlated with a 0.396 percent decline in middle-class growth.
d. The coefficient for X3 (Previous Period Middle-Class Growth) is positive (1.864), meaning that a one percent increase in prior middle-class growth leads to an estimated 1.864 percent increase in the current period's middle-class growth.

T-Test (Partial Significance)

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-95.990	10.257		-9.358	.000
	Tingkat Pendidikan	.548	.078	.411	6.987	.000
	Investasi Pasar	-.396	.140	-.190	-2.822	.007
	Pembiayaan Bank Syariah	1.864	.115	1.169	16.183	.000

a. Dependent Variable: Pertumbuhan

Source: SPSS 25 Processed Data

The partial significance (t-test) results indicate the following p-values:

- X1 (Education Level): 0.000 < 0.05, statistically significant
- X2 (Capital Market Investment): 0.007 < 0.05, statistically significant
- X3 (Islamic Bank Financing): 0.000 < 0.05, statistically significant

These findings suggest that each independent variable has a statistically significant effect on middle-class growth when assessed individually.

F-Test (Joint Significance)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.216	3	4.072	109.763	.000[b]
	Residual	1.632	44	.037		
	Total	13.849	47			

a. Dependent Variable: Pertumbuhan
b. Predictors: (Constant), Pembiayaan Bank Syariah, Tingkat Pendidikan, Investasi Pasar

Source: SPSS 25 Processed Data

The F-test yielded a significance value of **0.000**, which is below the 0.05 threshold. This implies that, collectively, the independent variables—namely education level, Islamic capital market investment, and Islamic bank financing—have a statistically significant influence on the dependent variable, i.e., middle-class growth.

Coefficient of Determination (Adjusted R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939[a]	.882	.874	.19261

a. Predictors: (Constant), Pembiayaan Bank Syariah, Tingkat Pendidikan, Investasi Pasar
b. Dependent Variable: Pertumbuhan

Source: SPSS 25 Processed Data

The Adjusted R^2 value was calculated at **0.874**, indicating that approximately 87.4% of the variance in middle-class growth (Y) is explained by the combined influence of the independent variables (X1: Education Level, X2: Islamic Capital Market Investment, and X3: Islamic Bank Financing). The remaining 12.6% may be attributed to other variables not included in the model.

DISCUSSION

The Impact of Educational Attainment, Capital Market Investment, and Islamic Bank Financing on Middle-Class Expansion in Indonesia

The empirical findings of this study underscore the pivotal role of educational attainment in driving the expansion of the middle class. The regression analysis reveals a positive and statistically significant coefficient for the education level variable ($X_1 = 0.548$), suggesting that each incremental improvement in education correlates with a 0.548% increase in middle-class growth. This reinforces the proposition that higher educational qualifications enhance an individual's employability and access to well-remunerated occupations, thereby facilitating upward socio-economic mobility.

This outcome aligns with the principles of Human Capital Theory (Becker, 1964), which posits that education constitutes a critical investment in individual productivity and earnings capacity. The strength of this relationship is further confirmed by a highly significant t-test ($p < 0.001$), affirming the robustness of education as a determinant of middle-class expansion. Enhanced educational outcomes equip individuals with competitive skills necessary to navigate complex labor markets, thus reinforcing their economic standing. This conclusion is consistent with prior research by Wanti et al. (2023), who identified education as a cornerstone of socio-economic advancement. Likewise, Psacharopoulos and Patrinos (2018) have shown that returns on tertiary education contribute substantially to poverty alleviation and the fortification of the middle class in developing economies.

Conversely, the study uncovers a statistically significant negative association between capital market investment (X_2) and middle-class growth, as indicated by a regression coefficient of -0.396. This implies that a 1% increase in capital market activity may correspond with a 0.396% reduction in middle-class growth. While capital markets offer opportunities for long-term wealth accumulation, their inherent volatility introduces significant financial risk, particularly for middle-income households lacking diversified portfolios or sophisticated risk management. This finding is congruent with Mankiw's (2016) macroeconomic assertions that investment uncertainty can suppress consumer confidence and destabilize middle-class resilience. A t-test significance level of 0.007 corroborates the reliability of this relationship. Similarly, Badarinza, Balasubramaniam, and Ramadorai (2019) argue that wealth shocks in volatile financial environments can disproportionately impact middle-income populations, eroding their economic security and long-term sustainability.

In contrast, Islamic bank financing (X_3) demonstrates a strong and statistically significant positive impact on middle-class growth, with a regression coefficient of 1.864. This suggests that greater access to sharia-compliant financial services significantly fosters economic participation among middle-income groups—particularly through entrepreneurship, asset acquisition, and business expansion—without the burdens associated with conventional interest-bearing credit systems. The significance level ($p < 0.001$) reinforces this conclusion. These findings support the Financial Inclusion framework (Demirgüç-Kunt et al., 2020), which posits that equitable access to ethical financial services is vital for inclusive economic development. Corroborating this view, Abduh and Omar highlight that Islamic microfinance institutions contribute meaningfully to poverty reduction and the empowerment of lower-income and middle-income segments by offering interest-free, ethically grounded financial products.

Taken collectively, the results of this study illuminate the interdependent roles of education, investment dynamics, and Islamic finance in shaping Indonesia's middle class. While educational attainment and Islamic financing emerge as catalysts for inclusive growth, volatility in capital market engagement introduces structural vulnerabilities. These insights call for the formulation of integrated policy frameworks aimed at elevating educational quality, mitigating financial market risks, and expanding the reach of sharia-compliant financial products to safeguard the socio-economic integrity of the middle class in an evolving economic landscape.

CONCLUSION

This study concludes that the growth of Indonesia's middle class is significantly influenced by educational attainment, Islamic capital market investment, and Islamic bank financing. Elevated education levels enhance employment prospects and skill development, thereby serving as a critical driver of upward mobility and middle-class consolidation.

While investment in the Islamic capital market possesses long-term potential, its inherent volatility presents notable risks to financial stability, particularly for middle-income investors. These risks underscore the need for greater financial literacy and regulatory safeguards. In contrast, Islamic bank financing is shown to have a markedly positive influence, as it offers accessible and ethically aligned financial solutions that support entrepreneurship, homeownership, and small business growth without the encumbrance of interest-based debt.

Nevertheless, the study is not without limitations. It does not account for contextual variables such as regional policy interventions, cultural dynamics, or institutional capacities that may also affect middle-class trajectories. Future research should consider integrating qualitative methods—such as case studies or longitudinal panel analyses—to capture regional heterogeneity and temporal dynamics. Such extensions would enable a more nuanced understanding of the evolving nature of Indonesia's middle class and provide richer empirical foundations for crafting targeted, evidence-based policy interventions aimed at fostering inclusive and resilient socio-economic development.

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