

# THE EFFECT OF ZAKAT, INFAQ, SADAQAH (ZIS) POVERTY AND HUMAN CAPITAL INDEX (HCI) ON ISLAMIC HUMAN DEVELOPMENT INDEX (I-HDI) IN INDONESIA IN 2010-2023 IN THE PERSPECTIVE OF ISLAMIC ECONOMICS (ECM APPROACH: ERROR CORRECTION MODEL)

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## Abstract

*This study investigates the impact of Zakat, Infaq, and Sadaqah (ZIS), poverty, and Human Capital Index (HCI) on the Islamic Human Development Index (I-HDI) in Indonesia for the period 2010-2023 using the Error Correction Model (ECM) approach. This study aims to analyze the short-term and long-term effects of ZIS distribution, poverty rate, and HCI on I-HDI. Using quantitative data sourced from secondary socio-economic statistics, including reports from the Central Bureau of Statistics (BPS), the National Amil Zakat Agency (BAZNAS), and the World Bank, this study employs a time series methodology to assess the relationship between these variables. The main findings reveal that ZIS distribution has a significant effect on I-HDI, indicating that increased charitable contributions correlate with improved human development outcomes. In contrast, poverty showed a detrimental effect on I-HDI, highlighting the challenges faced by poor populations in achieving sustainable development. In addition, HCI is shown to contribute to I-HDI, emphasizing the importance of human capital investment in promoting overall development. The ECM analysis explains the short-run dynamics and long-run equilibrium relationship among these variables, providing valuable insights for policymakers in Indonesia. This research contributes to the discourse of Islamic economics, offering a framework for understanding the interaction between charitable practices and human development in a predominantly Muslim context.*

**Keywords:** *Error Correction Model, Human Capital Index, Islamic Human Development Index, Infaq, Poverty, Sadaqah, Zakat.*

## INTRODUCTION

Based on various fundamental aspects of life quality, the Development of Humans Concept is a concept used to measure the achievement of human development. As an income approach that represents the achievement of development for a decent life, this can be calculated using information that describes human conditions, such as components of life expectancy (to measure the health zone), literacy rates and average years of schooling (to measure development achievements in the learning zone), and the purchasing power of residents for several basic needs, which can be measured by the amount of per capita expenditure (Mardianto, 2023)

The Human Development Index introduced by the UNDP is one of the most recognized global measurement tools for ranking countries, recognized global measurement tool for ranking countries. However, from the perspective of Islamic economics, this measurement tool is still considered less comprehensive in measuring the welfare of a country, the indicators used are more focused on aspects of material and social welfare, focused on aspects of material and social welfare, Meanwhile, Islam as a perfect religion regulates all aspects of human life with guidelines aimed at achieving human welfare. of human life with guidelines that aim to achieve well-being, which is not only measured by worldly achievements, but also by social welfare . measured by worldly achievements, but also by welfare in the hereafter (Putri & Mintaroem, 2020).

**Table 1. Human Development Index (HDI) in provinces in Indonesia in 2023.**

No	Development Status	Criteria	Number of province	Names Of Provinces
01	$0 \leq \text{HDI} \leq 59,99$	Low	-	-
02	$60,00 \leq \text{HDI} \leq 69,99$	Medium	5	Nusa Tenggara Timur (NTT), Kalimantan Barat, Sulawesi Barat, Papua Barat, Papua
03	$70,00 \leq \text{HDI} \leq 79,99$	High	27	Aceh, Sumatera Utara, Sumatera Barat, Riau, Jambi, Sumatera Selatan, Bengkulu, Lampung, Kepulauan Bangka Belitung, Kepulauan Riau, Jawa Barat, Jawa Tengah, Jawa Timur, Banten, Bali, NTB, Kalimantan Tengah, Kalimantan Selatan, Kalimantan Timur, Kalimantan Utara, Sulawesi Utara, Sulawesi Tengah, Sulawesi Selatan, Sulawesi Tenggara, Gorontalo, Maluku, Maluku Utara.
04	$80 \leq \text{HDI} \leq 100$	Very High	2	Dki Jakarta dan DI Yogyakarta

Source: BPS Indonesia 2023 (Data processed)

As we can see above, 26 provinces meet the requirements of a large HDI, 5 provinces meet the criteria for a medium HDI, 0 provinces are in a low HDI position, and 2 provinces have a very large HDI. The HDI information above shows that the growth of human development indicators has increased from year to year, but there are still gaps in various regions of Indonesia, especially in eastern Indonesia. This shows that the distribution of the HDI or Human Development Index in Indonesia is still low.

The HDI which is in the middle rank is dominated by provinces in eastern Indonesia, while the HDI which is in the large and very large ranks is dominated by provinces in the western region, namely Java and Sumatra, parts of Sulawesi, and Kalimantan. In an effort to improve the standard of living in accordance with Islamic principles, the Islamic Human Development Index (I-HDI) is very relevant (Rukiah et al., 2019). Because Indonesia, the nation with the largest Muslim population in the world, has a great deal of potential to use Islamic economic and social principles to improve the welfare of its people, the Islamic Human Development Index (HDI) was developed as an alternative indicator that incorporates Islamic principles in evaluating quality of life. Islamic economic development must be just and take into account both material and immaterial human (Fadillah et al., 2022). The HDI takes into account factors related to Islamic principles, including wealth, health, and education such as wealth distribution through zakat, infaq, and sadaqah, and moral and ethical aspects in community development.

Allah Subhanahu wa Ta'ala says:

حُذِّ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ

“Take zakat from their wealth (in order) to purify<sup>332</sup>) and cleanse them, and pray for them for surely your prayers are a peace for them. Allah is All-Hearing, All-Knowing”.

In the Islamic economic system, zakat, infaq, and sedekah (ZIS) are important instruments to reduce social injustice and poverty. Infaq and sedekah which are forms of voluntary wealth, and zakat which is an obligation, are expected to provide significant donations to reduce poverty rates and improve living standards (Fauza, 2023). Every Muslim is required to pay zakat, It is among the fundamentals of Islam. The goal is only one, namely as a form of respect for Allah SWT.

One of the biggest problems experienced by Indonesia's national development is poverty, which is a long-term problem that can limit human progress in various regions of the country. Poverty is a condition in which people are unable to meet their own needs and also causes loss of welfare. Emphasized that poverty itself is a dimension of social and economic conditions used to evaluate regional development. One of the main components of the national economy is human energy sources, and the economy of a region can be improved by having large quality human energy sources (Kesuma & Astuti, 2021). The Human Energy Source Project was initiated by the World Bank in 2017. The goal of this initiative is to provide national leaders with the space they need to prioritize transformative human resource investments. Human resources, consist of people's skills, knowledge, and talents.

Economists often use the term "human capital" to refer to human health, learning and other skills that, if improved, can increase productivity. Two important development goals are health and learning. Learning is essential to leading a happy and meaningful life, and health is the foundation of well-being (Smith, 2006). Indonesia has seen an increase in HCI, rising from 0.50 in 2010 to 0.54 in 2020. This means that even with the best education and health, a child born in Indonesia can only reach 54% of their potential output. Even with this improvement, Indonesia still ranks below upper middle-income countries and other East Asia and Pacific countries.

Numerous studies on various topics have focused on the Islamic Human Development Index (IHDI). In addition to having a significant beneficial impact, the distribution of ZIS funds has a favorable but insignificant effect. for (Abidillah et al., 2022) The purpose of this study is to investigate the factors that affect Indonesia's Islamic Human Development Index (IHDI). The distribution of ZIS funds has a relatively significant positive effect (Zidny Nafi' Hasbi et al., 2023). The Islamic Human Development Index (IHDI) is negatively and significantly affected by poverty, according to Dalimunthe & Imsar (2023) that the level of poverty can have a bad influence on Indonesia's IHDI.

The distinguishes this research from other studies is the type of analysis method used, in previous studies using the Granger Cause-and-Effect Approach method, namely the Ordinary Least Square (OLS) analysis method. While in this research using the Error Correction Model (ECM) analysis method, the variable distribution of Zakat, Infaq, and Sadaqah (ZIS) funds has been tested differently in previous uniform studies, then the difference is also in the dependent variable tested, where in previous studies no one has tested the effect of ZIS fund distribution, poverty, and the Human Capital Index on the Islamic Human Development Index (IHDI), the year used in this study is also different from previous studies, namely from 2010 to 2023. Thus, this research is believed to be able to expand the scope of references for this research. Based on the background that has been presented, there is still uncertainty regarding poverty, the Human Capital Index (IHDI), and the allocation of zakat, infaq, and sadaqah (ZIS) in Indonesia. Therefore, the impact of these elements on the Islamic Human Development Index (IHDI) needs to be investigated. This research aims to provide a more thorough understanding of how these factors impact on Indonesia's overall human development and enhance human happiness from an Islamic perspective, both materially and spiritually.

## LITERATUE REVIEW

### Islamic Human Development Index (I-HDI)

A special Islamic HDI assessment technique is known as the I-HDI, or Human Development Index. The I-HDI is a framework for assessing human development from an Islamic viewpoint that incorporates a number of Maqhasid Syariah-based components an instrument for evaluating human development from an Islamic perspective is the I-HDI. It gauges the degree of human welfare attained by meeting fundamental necessities (maslahah) so that people might have happy lives both here on Earth and

in the afterlife. The Islamic Human Development Index (I-HDI) assesses the satisfaction of five lower needs: religion (ad-dien), soul (an-nafs), intelligence (al-aql), generation (an-nasl), and wealth (al-maal) in order to determine the degree of human welfare (Putri & Mintaroem, 2020). These requirements are predicated on the five maqashid sharia measures put out by Ash-Syatibi and Al-Ghazali.

The following formula is used to calculate the Islamic Development Index value:

$$I-HDI = 2/5 (ID) + 1/5 (INF + IA + INS + IM) \times 100$$

These dimensions include, among others:

1. The religious command known as Hifdzu Ad- Dien/ ID (Protection of Religion) requires people to prioritize faith in their individual and social lives.
2. Hifdzu an- Nafs/ INF (Soul Protection): Humans have a significant position in the progress of civilization during the development process. Therefore, the idea of maqashid sharia related to soul protection must be able to improve the quality of human life and guarantee the security of citizens in general.
3. The concept of faith requires humans to prioritize faith, both for themselves and their citizens. This is known as Hifdzu al-Aql/ Dia(Protecting ideas): Hifdzu Ad-Deen (Protecting Religion).
4. The purpose of Hifdz al- Nasl/ INS (Generation) is to protect and maintain the generation line. This is related to protecting legal family ties, namely ties created through marriage that is in accordance with sharia.
5. Hifdz al- Maal/IM (Protection of Property): This measure means to protect social stability and the morality of the people. This protection includes spiritual, social, economic, and educational aspects with the aim of ensuring the continuity of a high-quality generation line.

## Human Development

Human development is defined as the process of increasing individual preferences in Lind, N. (2023) These decisions, which cover three important areas enabling people to live long and healthy lives, to receive education, and to have access to the facilities needed to achieve a decent standard of living are flexible and can change over time (Fitriyah et al., 2021). The process of increasing people's options in the three important areas of life health, education, and a decent quality of life is called human development.

1. Because health issues can have a significant impact on the quality of human energy resources, health is a strategic consideration. Life expectancy (AHH) is a metric used to measure this aspect.
2. Learning The progress of a country is largely driven by its human resources. The increase in the quality of human resources largely depends on the learning process and accessibility. The learning component uses two metrics: Average Years of Schooling and Expected Years of Schooling.
3. Decent Quality of Life The welfare level of the citizens of a region is reflected in the decent quality of life. Improving the quality of life of citizens is a key component in designing regional development initiatives. Per capita expenditure of a region's population serves as a proxy for this measure.

The following formula is used to calculate the Development Index value:

$$HDI = 1/3 (Education + health + Income) \times 100$$

### **Distribution of Zakat, Infaq, Sadaqah (ZIS)**

In order to realize equality, Islamic principles such as zakat, infaq, shadaqah, waqf, inheritance, and others must be practiced. This means realizing the welfare of the community as part of the commitment of brotherhood and solidarity of the. So that income is not only collected by a small part of the community but continues to be distributed among the community, so that the distribution of ZIS funds is attempted by prioritizing the principle of justice (Di et al., 2024)

Eequality ensures the realization of prosperity or comprehensive welfare, which also results in a better and more prosperous life. In regional language, zakat is known as "a form of financial worship that has socio-economic aspects and benefits".

Zakat also shows development, reflects the values of justice and humanity, and shows that Muslims are united. Zakat also aims to narrow the gap between strong groups and weak groups and strengthen ties between the rich and the poor. Not only does it foster a sense of brotherhood and help distribute good fortune from Allah SWT, zakat also symbolizes a soul that is clean from sin and miserly character, and is related to the assets donated.

### **Poverty**

Poverty is one of the hardest issues in the world to address. As a developing nation, Indonesia obviously has to do more to eradicate poverty, even if the government has put in place a number of laws and programs to achieve so (Solomon, 2023) The inability to meet basic demands and other necessities for maintaining a quality of life is the universal definition of poverty. This includes a lack of physical security, poor health and education, limited access to clean water and sanitation, a lack of participation in decision-making, and limited possibilities to enhance living conditions. In contrast, persistent poverty, sometimes known as chronic poverty, is a condition in which the average or constant family income is below the poverty line. For the lower-needs system, poverty occurs when basic needs both food and non-food are met by financial expenditures, a person is considered poor if they are chronically malnourished, have poor health, have little or no education or are illiterate, live in an unsuitable area, lack political representation, and earn very low wages for example, by working in slums or on small farms.

There are 3 types of poverty: Cultural poverty, which occurs when groups or individuals are trapped in beliefs, behaviors, and attitudes that contribute to and sustain poverty. In this context, poverty is not just about material or financial deprivation; it is also about cultural and mental barriers that can prevent individuals or groups from escaping poverty. Natural poverty is a condition caused by natural events such as disease, disability, aging, and natural disasters, and structural poverty is a condition caused by poorly implemented poverty alleviation initiatives that lead to the growth of social and economic inequality.

### **Human Capital Index (HCI)**

The quality of human resources (HR) raised during the learning process is closely related to human capital. Increasing knowledge and skills through learning is very important for increasing productivity and driving economic development. If the quality of the workforce is poor, the workforce will be unproductive and unable to produce maximum output. Therefore, one of the key elements in increasing productivity and creating a workforce is human capital (Arifin, 2023)

The human capital model focuses on the accumulation of human capital, which includes efficient and physical labor, the workplace, and other elements. Three input aspects capital (K), labor (L), and technology (A) are used to produce outputs in the endogenous growth hypothesis, which focuses on human capital. Physical capital and acquired knowledge (H) constitute capital. For this theory, endogenous growth is driven by the variables of human capital (H), labor (L), physical capital (K), and efficient labor (A). Here, "human capital" refers to the unique skills, knowledge, and talents of each employee. For this approach, a worker's human capital increases with their level of education.

Economists frequently use the terms "human capital" or "human capital index" to describe learning, health, and other human abilities that, when improved, can boost productivity (Jojo et al., 2019). Learning and health are two crucial development objectives. Learning is essential to living a fulfilling and meaningful life, and wellbeing is based on good health. One of the factors that propels a nation's



economic development is its human capital. (Beckers, 1993) demonstrates how a nation with superior human capital may overcome its deficiency in natural resources and achieve development. The Human Capital Index value can be found using the following formula:

$$\text{IMM} = \text{Child survival} \times \text{Education} \times \text{Health}$$

## RESEARCH METHOD

Quantitative information in the form of numbers is the type of information used in this research (Wajdi et al., 2024) Quantitative information used in this research is secondary information sourced from socio-economic statistics in the form of published reports. The method of collecting information used is the time series method. The information used in this research is secondary information from Indonesia in 2010–2023.

Researchers are required to visit libraries, research centers, archive centers, or read electronic novels that discuss the research theme because the research information used in this research comes from secondary or indirect sources, including novels, notes, papers, and archives, both published and unpublished (Nur Fadilah Amin, Sabaruddin Garancang, 2023). Not only that, data is also obtained from reports on the websites of several government agencies, including the Central Statistics Agency. The sources of information for this research include annual information from the Central Statistics Agency (BPS) on the number of poor people in Indonesia in 2010–2023, statistical information from the National Zakat Collection Agency (BAZNAS) on the distribution of ZIS funds in Indonesia for the same period, and World Bank information on the value of the Human Capital Index in Indonesia for the same period.

The model for Error Correction (ECM) is the analysis technique employed in this study. This approach is used to identify issues that develop in non-stationary time series data (Purnomo, 2025) and to investigate how the Y/dependent variable and the X1, X2, and X3/independent variables correlate over the short and long terms.

### Stationarity Test (Unit Root Test)

Fuller (DF) unit base test created by Dickey-Fuller is used to identify whether the data in this study is stationary. Testing at the level level is the initial session in the stationarity test (also known as the Dickey-Fuller test). The data can be continued at different levels, namely the initial or second different levels, if it is not stagnant. Equating the absolute value of the ADF statistic with the Mackinnon critical value is one way to determine whether or not the data is stationary. If the ADF statistic's absolute value is greater than the critical value, the data under test is regarded as stationary.

### Cointegration Test

To verify whether the variables in the model have a long-run equilibrium relationship or not, the cointegration test is very helpful. To verify whether the regression model is cointegrated or has a long-run relationship that is, whether the residual value is stationary or the statistical value is greater than the critical value the test is attempted using the Engle-Granger (EG) test procedure, especially using the Augmented Dickey-Fuller test by estimating the regression model by calculating the residual value (Shantika Martha, 2019).

### Error Correction Model (ECM)

Estimated ECM is the next session after the cointegration test or the creation of long-term bonds. Estimated ECM requires cointegration between variables and information must be stationary at the same level but not at the same level. Here is the equation (Purnomo, 2025)

$$\Delta Y_t = \alpha_0 + \alpha_1 \Delta X_t + \alpha_2 ECT + \epsilon_t$$

The imbalance correction coefficient  $\alpha_2$  in absolute value can be used to describe how

quickly the equilibrium value is obtained. The following is the ECM equation used in this study:  

$$\Delta Y_t = \beta_0 + \beta_1 \Delta X_{1t} + \beta_2 \Delta X_{2t} + \beta_3 \Delta X_{3t} + \beta_4 ECT + \epsilon_t$$

## RESULTS AND DISCUSSION

### Stationarity Test (Unit Root Test)

The DICKEY-Fuller (DF) baseline test was used to determine whether or not the data was stationary, and the findings of the stationarity test at the first comparison level are as follows:

**Table 2: Dickey-Fuller Unit Root Test Results at Level 1 Distinction with Intercept**

Group unit root test: Summary

Series: IHDI, Zis Found Distribution , Poverty , HCI

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-4.08577	0.0000	4	47
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-2.48043	0.0066	4	47
ADF - Fisher Chi-square	29.9981	0.0002	4	47
PP - Fisher Chi-square	54.1628	0.0000	4	48

Table 2. Based on the probability value of all significant variables at  $\alpha = 5\%$  and the results of the stationarity test at the first difference level, it can be concluded that all variables are described as stationary. Given that all data is stationary at the level of the first difference,, the second session in the ECM model is thus completed.

### Cointegration Test

The cointegration test is attempted after all stationary variables are at the same level , or at the initial comparison level. This test, which uses the cointegration test with the Engel Granger method, is attempted to verify whether the information displays cointegration.

**Table 3: Dickey-Fuller at Level Unit Root Test Results .**

Variabel	Adj t-stat	NilaiKritis MacKinnon			Prob	Ket
		1%	5%	10%		
		-	-	-		
		4.121	3.144	2.713		
ECT	-4.398268	990	920	75 1	0.0064	Kointegrasi

From Table 3. The t-statistic value of the ADF residual variable is -4.398268, which is higher than the McKinnon critical value for the significance level  $\alpha = 1\%$ ,  $\alpha = 5\%$ , and  $\alpha = 10\%$ . This indicates that they are cointegrated or have a long-term association.

## Estimation of Long-Run Equation

**Table 4. Results of long-term estimation**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.186786	0.095373	1.958471	0.0818
Distribution of ZIS	-0.830146	0.313118	-2.651227	0.0264
Poverty	-1.05E-07	3.84E-08	-2.729552	0.0232
HCI	-0.250766	0.904861	-0.277132	0.7879
R-squared	0.610463			
F-statistic	4.701449			
Prob(F-statistic)	0.030657			

Based on the long-term predictions in table 4. The following is the long-term equation:

$$Y_t = +0.186786 - 0.830146 - 1.05E-07 - 0.250766 + e$$

According to the long-term estimate, the statistical likelihood value F is 0.0818, indicating that the Islamic Human Development Index is not impacted concurrently by poverty, the Human Capital Index (HDI), or the distribution of ZIS funds. The Islamic Human Development Index (I-HDI) variable is 61% covered by poverty, the Human Capital Index (HDI), and ZIS budget distribution, with the remaining 39% being impacted by factors not included in the model, according to the R square value of 0.610463.

## Error Correction Model

**Table 5. Estimated Error Correction Model (ECM) Outcome**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.176121	0.074577	2.361594	0.0458
Distribution of ZIS	-0.805867	0.244650	-3.293960	0.0110
Poverty	-8.73E-08	3.07E-08	-2.844492	0.0217
HCI	-0.202743	0.706727	-0.286875	0.7815
ECT(-1)	-0.556587	0.214011	-2.600742	0.0316
R-squared	0.788924			
F-statistic	7.475259			
Prob(F-statistic)	0.008249			

Matches Table 5. The following equation is obtained from the short-term estimated results, or ECM:

$$\Delta Y_t = +0.1761215 - 0.805867 \Delta X_{1t} - 8.73E-08 \Delta X_{2t} - 0.202743 \Delta X_{3t} - 0.556587 EC(-1) + et$$

The validity of the ECM specification model used in this study is shown in Table 4 which shows a probability value of ECT (- 1) of 0.0316 which is significant at  $\alpha = 5\%$ . Foreign exchange reserves with a value of - 0.556587 will face modifications within a period of 3 months, or the short-term model will be replaced to achieve long-term equilibrium, according to the coefficient value of ECT (- 1). The probability value of the result is 0.008249, This demonstrates how poverty, the human capital index (HDI), and the distribution of ZIS funding all have an impact on Indonesia's Islamic Human Development Index from 2010 to 2023. With an R-squared value of 0.788924, the variables of poverty, the Human Capital Index (HDI), and the allocation of ZIS funds account for 78% of the change in the Islamic Human Development Index, with factors not included in the model influencing the remaining 22%.



### **The Effect of ZIS Fund Distribution on Indonesia's 2010–2023 Islamic Human Development Index (I-HDI)**

One of the main causes of the distribution of ZIS funds has a significant negative effect is the occurrence of misappropriation and corruption in its management, several cases indicate the existence of corruption or the use of ZIS funds for personal gain by individuals in zakat management institutions, such as the misappropriation of ZIS funds by the Head of the Central Aceh District Financial Management Agency (BPKK) amounting to 20 billion (Setyadi, 2024) and other cases.

This result supports the results of research (Pamungkas, 2023) which shows that zakat has a negative and significant effect on HDI and HDI, which indicates that an increase in the distribution of ZIS funds does not directly correlate with an increase in HDI. On the contrary, if ZIS funds are distributed more widely with careful planning, then this can lead to maximum utilization of energy resources, which will improve HDI, while research by (Zidny Nafi' Hasbi et al, 2023) shows that zakat has a positive and significant effect on HDI. This shows that the distribution of zakat that is well pursued can help improve the welfare of society and reduce human development inequality.

### **The Effect of Poverty on Indonesia's Islamic Human Development Index (I-HDI) from 2010 to 2023**

The estimated ECM findings show a probability value of 0.0217 and a coefficient of  $-8.73\text{E-}08$ , but the long-term estimated results show a probability value of 0.0232 and a coefficient of  $-1.05\text{E-}07$ . As a result, the Islamic Human Development Index (I-HDI) in 2010–2023 is significantly and negatively affected by the poverty variable in both the short and long term. In the short term, every 1 percent increase decreases by  $8.73\text{E-}08$ , while in the long term, it decreases by  $1.05\text{E-}07$ .

This shows that the decrease in the I-HDI score is correlated with the increase in the poverty level. This shows that poverty has a negative impact on the quality of life of citizens as formalized by the HDI and every increase in one unit of poverty will cause a decrease in the HDI. The findings of this study are in accordance with research (Simarmata & Sinaga, 2023) which shows that the poverty variable has a negative and significant impact on human development, meaning that a decrease in the poverty rate will cause an increase in the Human Development Index, while the poverty variable has a negative and significant impact. A person is considered poor if his access to sufficient money, health care, and education is limited. As a result, reducing poverty rates can increase human development standards and improve the quality of life of citizens universally.

### **The Effect of Human Capital Index (HCI) on Indonesia's Islamic Human Development Index (I-HDI) from 2010 to 2023**

According to the long-term estimate, which shows a likelihood value of 0.7879 and a coefficient of  $-0.250766$ ; the short-term estimated value of the Human Capital Index, or ECM, shows a probability of 0.7815 and a coefficient of  $-0.202743$ , indicating that this variable has no discernible impact on the Indonesian Islamic Human Development Index either in the short or long term.

The Human Capital Index is known to be influenced by several sectors, including health and education, where government funding is very important for the development of these sectors. For the research of Governance et al. (nd), The HDI is not significantly impacted by government spending in the economic and health zones. This is not inconsistent with the research of (Aulia et al., 2023) which found that there was no significant impact on the HDI from government spending in the education and health zones.

A comparison is made between the components of the Islamic Human Development Index and the Human Capital Index. Whereas IHDI just concentrates on health and education, IHDI incorporates additional metrics pertinent to Islamic teachings, such as wealth creation, income disparity, and the

allocation of Zakat, Infaq, and Sedekah (ZIS). Indonesia is still working to raise the Human Capital Index's (HDI) value as a developing nation by raising the bar for government assistance programs, healthcare, and education. Social inequality and poor infrastructure, however, continue to be challenges.

## **The Zakat, Infaq, Sadaqah (ZIS), Poverty and Human Capital Index (HCI) in Indonesia from 2010 to 2023 from an Islamic economics perspective**

### **I. Zakat, Infaq, Sadaqah(ZIS) in Indonesia 2010-2023 in the perspective of Islamic Economics**

In Islamic economics, financial instruments known as zakat, infaq, and sadaqah (ZIS) play a significant role in reducing social disparities, reducing poverty, and improving the welfare of the people. While infaq and sadaqah are optional donations that can also be used to promote social development initiatives and the poor, zakat is a requirement for Muslims to donate a portion of their money to the right recipients (mustahik). Alms, infaq, and zakat all have the ability to significantly reduce poverty and improve communal welfare. Zakat, infaq, and sadaqah (ZIS) have the ability to significantly reduce poverty and improve communal welfare. According to the findings of the National Zakat Agency Report, the number of Muslims in Indonesia, which constitutes the majority of the country's population, has been growing every year. They realize the importance of paying zakat through amil institutions.

**Figure 1. Indonesia Zis Fund Distribution 2010-2023**



Funds (ZIS) have grown quite rapidly, in 2010 it had been distributed with a value of Rp30,010,628,410, and in 2023 it had collected Rp723,580,297,670.00. In Islamic economics, the financial mechanism known as zakat, infaq, and alms (ZIS) is very important for reducing poverty rates, encouraging social equality, and increasing people's welfare. Well-organized management of ZIS funds through amil institutions such as BAZNAS is believed to be able to help overcome poverty problems. In addition to the Quran, the hadith also highlights the importance of zakat. Although the term "zakat" appears 32 times in the Koran, its occurrence in the hadith is much greater. The Quran introduces several words that are often understood in relation to zakat. Because zakat is essentially handing over wealth for the good that has been approved by Allah SWT, zakat is sometimes also called infaq. Not only that, zakat can also be classified as alms because one of its goals is to get closer to Allah SWT.

Zakat is considered a right as Allah SWT has made it obvious that those who are eligible to receive it must do so. In this sense, Islam as a whole exhorts everyone to actively work toward raising their standard of living. (Munandar Elis et al., 2020)

### **II. Poverty in Indonesia from 2010 to 2023 from an Islamic economics perspective**

In the perspective of Islamic Economics, Poverty is considered as a form of injustice that must be addressed immediately. As the Word of ALLAH Swt in (Qur'an

Adz-Dzariyaat: 19).

وَفِي أَمْوَالِهِمْ حَقٌّ لِّلسَّائِلِ وَالْمَحْزُومِ

*"In their wealth there is a right for the poor who ask and those who do not ask".*

**Table 7. Indonesian Poverty from 2010 to 2023**

Year	Poverty
2010	28553.93
2011	28553.93
2012	29132.4
2013	28066.6
2014	28280.01
2015	2859279
2016	28005.39
2017	27771.22
2018	25949.8
2019	2514472
2020	26424.02
2021	27542.77
2022	26161.16
2023	25898.55

Source :Bps.go.id

The above verse shows that giving the poor access to wealth is one way to end poverty. The chart shows that poverty in Indonesia is shrinking, although initiatives to combat and reduce poverty rates such as providing social support and skills development training continue. Every religion in the world fights it with all its tools, and in Islam, the Zakat, Infaq, and Shadaqah instruments are one of the main tools used to try to improve people's welfare. Islam fights it, among other things, by requiring the payment of zakat, which is given to the poor. Moreover, it is considered a religious liar if someone claims to be a believer but fails to help the poor (Qs. al-Maun / 107: 3). This is in accordance with the study (Ramadhani & Dahliana, 2022) which shows that the simultaneous distribution of ZIS funds has a major impact on poverty.

### III. Human Capital Index (HCI) in Indonesia from 2010 to 2023 from an Islamic economics perspective

In the perspective of Islamic Economics, the development of human resources is very important in achieving the welfare of the ummah. Allah SWT says in (Qur'an At-tin: 4)

لَقَدْ خَلَقْنَا الْإِنْسَانَ فِي أَحْسَنِ تَقْوِيمٍ

Which means: *"Indeed, We have created man in the best possible form".*

As Allah SWT says in both the QS and Yaiu , On this earth, humans are caliphs who have the main task of upholding justice in all aspects of life; Therefore, a person must try his best for his studies and health so that he can become a good caliph on this earth. The benefit of creating a Human Capital Index or Human Capital is this. The following is the instruction to seek knowledge found in al-'Alaq's message (96): 1–5: "(1) Read with (mention) the name of your Lord who produced. (2) He created man from a blood clot. (3) Your Lord is Most Gracious if you read. (4) Who instructs (others) via you? (5) What he does not know, he imparts to man.

Indonesia's Human Capital Index is poor when compared to other nations. In 2010–2021, the index value was 0.5, rising to 0.7 in 2022, and then falling to 0.6 in 2023, according to the World Bank. The Indonesian government finds it challenging to raise the country's population' health, education, and skill levels as a result. The Human Capital Index is one indicator used to assess the caliber of human resources, particularly in the fields of education and health. Access to high-quality healthcare and education is still a major obstacle in Indonesia, especially in rural and impoverished areas, despite advancements in HCI. Investments in health and education must be given top priority as a means of developing human capital in Islamic economics in order to attain more complete social welfare.

## CONCLUSION AND SUGGESTIONS

### Conclusion

The Effect of ZIS Fund Distribution on Indonesia's 2010–2023 Islamic Human Development Index This shows that the distribution of zakat that is tried properly can help improve people's welfare and reduce inequality in human development. By allocating ZIS funds to the right recipients, such as poor families, orphans, and underprivileged citizens, In order to raise the value of the Islamic Human Development Index , ZIS is anticipated to expand their access to healthcare, education, and other necessities.

The Effect of Poverty on Indonesia's Islamic Human Development Index from 2010 to 2023 This shows that the decrease in the I-HDI score is correlated with the increase in the poverty level. The findings of this study are in accordance with research which shows that the poverty variable has a negative and significant impact on human development, meaning that a decrease in the poverty rate will cause an increase in the Human Development Index, while the poverty variable has a negative and significant impact.

The Effect of Human Capital Index on Indonesia's Islamic Human Development Index from 2010 to 2023 The Human Capital Index is known to be influenced by several sectors, including health and education, where government funding is very important for the development of these sectors. A comparison is made between the components of the Islamic Human Development Index and the Human Capital Index. In the perspective of Islamic Economics, the development of human resources is very important in achieving the welfare of the ummah. The benefit of creating a Human Capital Index or Human Capital is this. Indonesia's Human Capital Index is poor when compared to other nations. The Human Capital Index is one indicator used to assess the caliber of human resources, particularly in the fields of education and health.

### Suggetions:

1. The distribution of Dna ZIS is expected to carry out optimal distribution so that it is right on target and there is no overlap. targets and there is no overlap.

2. The government is expected to further develop policies to eradicate poverty which is a serious problem in Indonesian development.
3. The Human Capital Index in Indonesia must be further improved, this is a challenge for the Government of Indonesia, so that the quality of Human Resources has increased.
4. It is hoped that the next author can conduct an analysis by adding other variables and entering data with more data, other variables and entering data in more detail, to further sharpen and deepen the analysis, deepen the analysis and conduct research with different data analysis methods.

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