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THE EFFECT OF FISCAL INDEPENDENCE, PRIVATE INVESTMENT, ZAKAT AND ECONOMIC GROWTH ON ISLAMIC HUMAN DEVELOPMENT INDEX (IHDI) IN JAMBI PROVINCE INDONESIA

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Abstract

Islamic Human Development Index (IHDI) indicator for countries with a majority Muslim population. Variables that affect IHDI include fiscal independence, private investment, zakat performance and economic growth. However, there is still not much literature on IHDI and its application in Indonesia, especially in Jambi Province. This study aims to analyse the partial and simultaneous effects of fiscal independence (FI), private investment (PI), zakat performance (ZP) and economic growth (EG) on IHDI in Jambi Province. The data used is panel data in the form of time series data for 5 years, namely 2017-2022 and cross section data on 11 regencies / cities in Jambi Province. The data analysis used is descriptive analysis and panel data regression analysis with an econometric model approach using the Eviews 8 programme. The results showed that simultaneously FI, PI, ZP and EG had a significant effect on IHDI with a calculated F-value greater than F-table (5.54 > 2.51) and significance Prob (F-statistic) 0.00 < 0.05. Partially, there is a significant effect of FI (Prob. 0.03<0.05), ZP (Prob. 0.02<0.05) and EG (Prob. 0.01<0.05) on IHDI. The integration of key factors, studies in the Islamic context, measurement of the impact on IHDI, the use of econometric models and contributions to public policy are novelty in this study.

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1. Introduction

The Human Development Index (HDI) was initiated by the UNDP (United Nation Development Programme) as a comprehensive tool for measuring the level of human development, but the HDI is not entirely appropriate or sufficient to measure human development in the context of Islamic countries. The basic concepts and theories in the development of HDI do not rely on the principles of maqasidh sharia (Anto, 2009; Rafsanjani, 2018). Thus, measuring the level of human development in countries with a majority Muslim population is more accurate when using the I-HDI (Islamic Human Development Index), which is based on theories and concepts that refer to the Islamic perspective. The I-HDI is calculated based on indicators that reflect the maintenance of the five dimensions of basic human needs, namely the maintenance of religion, soul, mind, offspring, and property (Rafsanjani, 2018; Rukiah et al., 2019; Hasbi et al., 2023). IHDI (Islamic Human Development Index) is a concept for measuring the level of human development in countries with a Muslim majority (Putri & Mintaroem, 2019; Nurhalim et al., 2022). IHDI is calculated based on indicators that reflect the maintenance of five dimensions of basic human needs, namely maintenance of religion, soul, mind, descendants, and property (Rafsanjani, 2018; Rukiah et al., 2019; Huda et al., 2020; Hasbi et al, 2023). In 2023, Jambi Province had a population that is predominantly Muslim, namely 95.08 % (Ministry of Religion, 2023) and continues to improve people's welfare through economic development. The economic development of a region can be seen through gross domestic regional income, which is the amount of added value or services provided to the community (Angela, 2021). IHDI in Jambi Provice fluctuated and decreased in 2020 due to the Covid-19 pandemic, but increased again the following year with an IHDI index of 0.442 in 2021 and 0.452 in 2022. These IHDI indexes are lower when compared to the Human Development Index (HDI) in general.

In line with the concept of IHDI, one of the factors that influence IHDI is economic growth (Mirakhor, 2007; Amir et al., 2022). Economic growth is used to measure the welfare of society. In line with the IHDI concept, one of the factors that influences IHDI is economic growth (Mirakhor, 2007; Amir et al., 2022). The economic growth of Jambi Province fluctuates and tends to decline with an average growth of 3.66 %. This decline occurred due to and the impact of Covid-19 which occurred in 2020 with a sharp decline to -0.51%, but in 2021 it began to increase again by 3.69%, and 5.13% in 2022 (BPS Jambi Province, 2024). One of the drivers of economic growth and development is investment (Khan et al., 2018; Susilo, 2018). Capital flows in investment stimulate economic growth and encourage the development of innovation, the procurement of new technologies, the implementation of specialised skills and scientific development (Abidillah et al., 2022). Investment is classified into two forms, namely domestic investment and foreign investment/ Foreign Direct Investment (FDI (Prakasa & Liana, 2022). FDI is recognized as an important source of financing for regions, which has a significant impact on development, both infrastructure and industry (Osano & Koine, 2016; Emako et al., 2023). Apart from investment, IHDI is also influenced by fiscal decentralization (Farida et al., 2021). Fiscal decentralization of Jambi Province is still highly dependent on transfer funds from the center. The Fiscal Independence Index (FII) of Jambi Province is at 16% to 19%, which means that local own-sourced revenue is only sufficient to cover financing of 16% to 19% of all regional spending needs, while the

rest still depends on central transfers (KFR, 2022). The results of Rukiah's (2020) research report that there is a causal relationship between fiscal policy and IHDI, the optimality of fiscal policy to improve public services in the fields of education and health can have an impact on the high value of IHDI in Indonesia.
Another variable that influences IHDI is zakat. Zakat is an alternative to overcoming inequality and poverty (Miftahussalam & Rofiuddin, 2021). The national zakat index of Jambi Province has fluctuated over the past six years with an average index of 0.59. Where the lowest index value in 2017, which was 0.43, continued to increase over the next two years, but this index decreased in 2020 to 0.59 when Covid-19 occurred. However, in 2021 and 2022 the index value increased again to 0.62 and 0.65 (Baznas, 2023). Zakat is able to drive economic growth due to higher consumption and the potential for increased investment by businesses (Hasbi, 2023). Previous studies on the Islamic Human Development Index (IHDI) in Indonesia remain limited, particularly at the regional level such as Jambi Province, despite its predominantly Muslim population and dynamic economic development. Most existing research has examined the partial effects of fiscal decentralization, investment, or zakat, but has not comprehensively analyzed their simultaneous impact on IHDI. This study provides novelty by integrating fiscal independence, private investment, zakat, and economic growth in one model using panel data econometrics. This contributes not only to the enrichment of IHDI literature from a maqashid sharia perspective but also to policy formulation for Islamic-based regional development strategies. This study aims to analyze the influence of fiscal decentralization, private investment, zakat, and economic growth on IHDI in Jambi Province.

2. Literature Review

Public Welfare Theory

Community welfare is a condition that shows the state of community life which can be seen from the community's standard of living. According to Todaro and Smith (2015), community welfare shows the results of community development in achieving a better life which includes (1) increasing the ability and equalizing the distribution of basic needs such as food, housing, health and protection, (2) increasing the level of life, income level, better education and increasing the antensi to culture and human values, (3) expanding the economic scale and availability of social choices from individuals and nations. In general, theories of welfare are classified into three, classical utilitarian, neoclassical welfare theory and new contractarian approach (Albert and Hahnel, 2005). Classical utilitarian focused that the satisfaction or pleasure of a person can be measured and and even grow. The level of satisfaction for each individual can be compared quantitatively. Neoclassical welfare supports Optimality Pareto principle, “the community Becomes better off if one individual non Becomes better off and worse off”. While new contractarian approach each individual has their concept of maximum freedom in his life. The third view emphasizes that the level of well-being depends on the level of satisfaction and pleasure that can be achieved in life. High level of welfare can be achieved when a behavior is able to maximize the level of satisfaction in accordance with available resources. Of the three levels of well-being published by Albert and Hahnel, the

condition is now more directed at new contractarian approach because everyone can reach the level of prosperity in accordance with its resources.

According to Aslamiyah (2024) the standard of living that showed the level of public welfare as measured by national income or Gross Domestic Product or Gross Domestic Product per capita (GDP per capita or GDP per capita) as an indicator reflecting the ability of the population in a particular region/country to generate income was criticized. The GDP per capita indicator shows that the greater the GDP per capita of a country, the more the welfare of the people in that country increases and the smaller the GDP per capita of a country, the more the welfare of the people in that country decreases. However, the level of per capita income does not fully reflect the level of welfare because of weaknesses stemming from imperfections in the calculation of national income and per capita income and weaknesses stemming from the fact that the level of community welfare is not only determined by the level of income but also by other factors (Priana, 2023). To overcome this weakness, Nordhaus and Tobin introduced Net Economic Welfare (NEW) in the calculation of national income (Arsyad, 2016). The NEW indicator refines the value of GDP as an indicator of public welfare in order to obtain a better economic indicator, namely by positive correction and negative correction. The United Nations Reseacrh Institute for Social Development compiled eighteen indicators that if used as indicators of public welfare, the difference in the level of development between developed and developing countries is not too large as illustrated by the level of per capita income of each country (Sukirno, 2012). Other ideas to improve the indicator of community welfare continued until the idea of using the Physical Quality of Life Index (PQLI) or the Basic Need Approach emerged. PQLI is an indicator of community welfare that considers the adequacy of clothing, food, and housing. In its development, the PQLI indicator of community welfare has not been satisfactory, because the level of income, adequacy of clothing, food, and housing cannot be used as an indicator of community welfare (Arsyad, 2016). To perfect the PQLI, which could not be used as an indicator of community welfare, the United Nations Development Program (UNDP) introduced the Human Development Index (HDI) formula or also known as the Human Development Index (HDI) in 1998.

Since 2014, Indonesia has experienced changes in the calculation of HDI (Human Development Index), but in general the method of calculating human development is the same as that used by UNDP, namely: (BPS, Human Development Index, 2014). HDI is calculated based on a combination of three dimensions, namely the age dimension, the educated human dimension, and the decent standard of living dimension. The lifespan dimension is measured by life expectancy, the educated human dimension is measured by adult literacy and years of schooling in primary, junior secondary and senior secondary schools, and the decent standard of living dimension is measured by purchasing power parity and adjusted real per capita expenditure.

Islamic Human Development Index (I-HDI)

I-HDI is a tool used to measure human development in an Islamic perspective. I-HDI measures the achievement of human welfare by fulfilling basic needs (Maslahah) so that humans can live happily in this world and the hereafter (Rukiah et al., 2019). According to Iman Al-Syatibi (1997) suggests that human benefits are divided into three important parts, namely *Dharuriyyat* (primary), *Hajiyyat* (Secondary) and *Tahsinat* (tertiary, Lux). Of these three needs that become maslahah or maqasid dharuriyyat for humans consists of five things, namely religion (*ad-dien*), soul (*an-nafs*), reason (*al-"aql*), offspring (*an-nasl*), and property (*al-maal*). These five things are basic human needs, namely needs that absolutely must be met so that humans can live happily in this world and the hereafter. Measurement of human development with Maqhasid sharia approach has been proposed by many Islamic thinkers such as Al-Ghazali (1937), Ibn Ashur (2001) Dusuki and Abozaid (2007) Al-Syatibi (2004), Alhabsi and Hassan (1996), Chapra (2008), and Choudhury (2015). Fulfillment of the five basic needs in maqashid shari'ah based on the views of Imam Al-Syatibi will be used as a theoretical basis for building the Islamic Human Development Index (I-HDI). With the measurement of Islamic human development (I-HDI) which is more holistic covering all aspects of human needs based on Maqhasid Sharia, it is hoped that it can contribute to the development of a more comprehensive concept of development patterns to be carried out, especially in Muslim-majority countries. The Islamic Human Development Index divides the need for human welfare into two charts, namely Material Welfare (MW) and Non-Material Welfare (NW).

The religion dimension in IHDI reflects spiritual well-being and moral stability within society. In recent studies, this dimension is operationalized using indicators such as the religion index, which may encapsulate rates of religious participation or adherence, and proxies for societal moral consistency like crime rates (Isa et al., 2023; Lasmiatun and Duku, 2025). Isa et al., (2023) use the religion index indicator as one of the main pillars of the IHDI to capture the extent to which religious values are preserved in human development. The dimension of hifdzu ad-dien in its measurement requires an index called the ad-dien index, which describes the dimension of religious protection. To measure the ad-dien index, data is used that comes from crime rates that reflect a person's obedience in carrying out the demands of their religion. In addition, another indicator that can be used to measure the dimension of hifdzu ad-dien is zakat.

The spiritual dimension emphasizes physical health, safety, and sustainability of life. The indicators used include life expectancy at birth, mortality rates, and other public health indicators. These indicators are used because they can describe how long a person will live and their health, as life expectancy shows the estimated age a person can reach. These indicators are in line with the I-HDI's goal of integrating non-material well-being into human development measurements (Rafsanjani, 2018; Rahim et al., 2022).

The dimension of thought relates to the importance of education, knowledge, and intellectual ability. Commonly used indicators are mean years of schooling, school participation rates, and the proportion of the budget allocated to education. These indicators emphasize the role of education in maintaining and developing human intellect (Rafsanjani, 2018; Rama and Yusuf, 2019; Rahim et al., 2022).

The dimension of offspring emphasizes generational continuity, family stability, and child protection. Measurement of the hifdzu an-nasl dimension uses an index called the an-nasl index, which uses data on the fertility index (total birth rate) and mortality index (infant mortality rate) (Rafsanjani, 2018; Vinta and Rosyidah, 2023).

The dimension of material wealth represents economic well-being and material prosperity. The indicators used include, in general, indicators used to measure the dimension of hifdzu al-maal are real per capita expenditure data adjusted to reflect individual asset ownership, Gini ratio data, and poverty depth index data are also used to reflect income distribution equity. These indicators are then combined with non-material dimensions to form the IHDI composite index (Rama and Yusuf, 2019; Isa et al., 2023).

The integration of the five dimensions included religion, soul, mind, offspring and property possessions creates a more holistic measure of human development, as it not only emphasizes economic growth, but also ensures the achievement of spiritual, moral, educational, and social balance.

The I-HDI measures human development which includes both material and non-material welfare with the five dimensions of maqashid sharia measured through the calculation of indexes representing the five dimensions. Index al-maal, representing the material dimension, is measured using adjusted real per capita expenditure data as a reflection of property ownership. Gini ratio data, and poverty depth index are also used as a reflection of equitable income distribution. Index ad-dien, representing the religious dimension, is measured using crime rate data (Rama & Yusuf, 2018). Index al-Aql, representing the knowledge dimension, is measured using data on literacy rates and average years of schooling. Index an- nafs, representing the health dimension, is measured using life expectancy data. Index an-nasl, representing the offspring dimension, is measured using data on the total birth rate.

Fiscal Decentralization

Decentralization is an instrument to achieve one of the goals of the state, namely primarily providing better public services and creating a more democratic public decision-making process.

Decentralization will be realized by giving authority to lower levels of government to make expenditures, the authority to collect taxes (taxing power), the formation of councils elected by the people, regional heads elected by the people, and assistance in the form of transfers from the central government (Martínez-Vázquez et al., 2017). Fiscal decentralization is the delegation of responsibilities and the distribution of power and authority for making decisions in the fiscal sector which includes aspects of revenue as well as aspects of expenditure (Rotulo et al., 2020). This fiscal decentralization is associated with the duties and functions of local governments in providing public goods and services. However, many experts provide a definition of fiscal decentralization. Fiscal decentralization described by

Bird and Villancourt (2001) includes three different degrees of independence in decision-making by the regions. First, decentralization means relinquishing responsibility within the central government to carry out certain functions on behalf of the government. Second, devolution (delegation) where it is not only implementation that is given to the regions, but also the authority to decide what needs to be done by the regional government (Dent et al., 2021).

According to Oates in Arends (2020), Fiscal Decentralization and Economic Development (FDED) conducted in 58 countries resulted in the fact that fiscal centralization is negatively and significantly related to an increase in per capita income. The same thing was also explained by Oates regarding FDED which was conducted in 48 countries in 1985. According to the sample of 18 industrialized countries which are the object of research, the results show that the central government contributes to the public expenditure budget with a percentage of 65% while the sample in 25 countries as the object of research shows that the central government contributes to the public expenditure budget on average exceeding 90%.

The relationship between fiscal policy and I-HDI is a measuring tool for making policies to improve the quality standards of human development (Sergi et al., 2019). I-HDI cannot be separated from fiscal policy. The role of state expenditure budget allocation in education and health, at both the central and regional levels, is very important for human development. Improving the quality of human development is inseparable from the role of fiscal policy (Nursini, 2017).

Investment

Investment is a major component in driving the economy. Investment can increase people's economic activity, increase national income and improve people's welfare. Investment made by the company will affect the expansion of employment opportunities (Kario *et al.* 2021). According to Wang *et al* (2018) and Kahn *et al* (2018), capital flows and investment are a stimulus for economic growth. In addition to bringing in capital flows, investment encourages the development of innovation, the procurement of new technologies, the implementation of specialized skills and scientific development. Investment plays a significant role in developing new industries, increasing employment opportunities, and indirectly increasing people's income and welfare.

Harrod-Domar in Sudana (2020) states the importance of investment in driving economic growth because investment contributes to an increase in capital goods, which in turn can increase production. Domestic funds to invest from a portion of national income savings. When capital formation in a certain period of time, then in the next period there will be an increase in capital stock for the future. Investments and savings are cointegrated It was discovered that there is a two-way link between savings and investments using the Granger causality test. Savings and direct investment were found to have a link, both short- and long-term, after the VECM test (Febriani et al., 2024).

The role of investment in economic growth according to Rostow and Musgrave in Mangkoesoebroto (2013) connects the development of government spending with the stages of economic development which are distinguished between the early, middle and advanced stages. The role of fiscal decentralization on economic growth is the early stage of economic development where the percentage of government investment to total investment is greater, considering that at this stage infrastructure development is needed until the middle stage is still needed to increase economic growth in order to take off. Although private investment at this stage is getting bigger, followed by market failures, so that the role of government is needed to provide public goods and services. The role of investment in economic growth is significant because of its visible impact. The contribution of investment to economic growth can be observed from two main perspectives: demand and supply. In terms of demand, an increase in investment will trigger economic growth by creating effective demand. Meanwhile, in terms of supply, increased investment will stimulate economic growth by creating more available capital, which will then evolve into increased production capacity.

Zakat

Zakat is one of the pillars in the pillars of Islam as a form of social action that must be carried out by every Muslim (Khasandy & Badrudin, 2019). Zakat sanctifies the soul from stinginess, greed, and selfishness; purify property from the rights of others; and have a positive impact on the economy of the community by reducing poverty, increasing economic growth, and increasing purchasing power parity (Rahim & Hanani, 2014; Syahrullah & Ulfah, 2016). Zakat is a form of social and economic value worship that can reduce economic inequality in society. With proper management of zakat, it is expected that evenly distributed income can be realized.

In Indonesia, zakat has the potential to play an important role in poverty alleviation and community welfare. According to a report by the National Amil Zakat Agency (Baznas), the potential of zakat collection in Indonesia is estimated to be around IDR 217 trillion (approximately USD 15 billion) per year (Mardiana, 2019). The National Amil Zakat Agency (BAZNAS) noted that zakat, infaq and alms (ZIS) funds and social religious funds (DSKL) reached IDR 22.43 trillion in 2022 (Pratiwi, 2023). Seeing the phenomenon and fakat zakat shows that zakat has a very important role and function that can be an instrument for economic development.

Naz'aina (2015) states that there is a positive relationship between human development and zakat. The distribution of zakat can improve human development by maximizing the distribution of zakat. Zakat is currently an alternative instrument in human development. Case studies conducted by Ali et al., (2014). The use of zakat is largely ignored by most development organizations, even though zakat has enormous potential to improve the quality of human resources. According to Ahmad et al., (2015), in the Islamic economic and social system, zakat plays a crucial role in establishing equity and ensuring that everyone's basic needs are met. Meanwhile, Islamic microfinance-based zakat models integrate charity with

microfinance, and may reduce inequality in income distribution and alleviate poverty in general (Saad et al., 2014).

The performance of zakat can be assessed from two main aspects, namely collection efficiency and distribution channel effectiveness. The efficiency of zakat collection is measured by the ratio of actual collection to potential zakat. The higher the ratio of actual collection to potential, the more efficient the performance of the zakat institution. Other indicators include the level of compliance of muzaki (zakat payers) and reporting transparency (Mardiana, 2019; Hasbi, 2023).

Zakat distribution is measured by the proportion of funds distributed to mustahik (zakat recipients) in accordance with the 8 asnaf (recipient groups) and targeting accuracy. Additionally, distribution innovations such as productive zakat, zakat-based microfinance, and synergies with government social programs are also considered (Saad et al., 2014; Ahmad et al., 2015). Distribution efficiency can be reflected in low operational costs compared to the funds that actually reach the community.

In theory, zakat plays a role in improving the Islamic Human Development Index (IHDI) through poverty reduction and funding for education and health. Zakat directly channels funds from the wealthy to the poor, thereby reducing income inequality. Through consumptive zakat, beneficiaries can meet their basic needs (food, housing, healthcare), while productive zakat enables beneficiaries to obtain small business capital. This enhances the wealth dimension (al-Māl) and contributes to poverty alleviation, which is an important component of the IHDI (Miftahussalam & Rofiuddin, 2021).

Zakat can also be allocated to fund education (al-‘Aql) and health (an-Nafs), such as scholarships for poor students or health service subsidies. Indirectly, this increases the average length of schooling and life expectancy, two key indicators in IHDI calculations. Thus, zakat functions as a redistribution instrument that not only reduces poverty but also improves human capital quality (Hasbi, 2023; Nurhalim et al., 2022).

Based on these explanations, the research hypothesis is arranged as follows:

H0 : Fiscal Independence, Investment, Zakat and economic growth partially and simultaneously have no significant effect on IHDI.

H1 : Fiscal Independence, Investment, Zakat and economic growth partially and simultaneously have a significant effect on IHDI.

3. Research Methods

Data Types and Sources

The data used in this study are secondary data in the form of panel data, namely time series and cross-sectional data (According to Wibisono, 2008). Time series data is annual data for 6 years in the period 2018-2022 and cross section data is the object of research as many as 11 regencies/cities in Jambi Province. The combination or pooling of data produces 72 observations. Data sources were obtained from the Central Bureau of Statistics of the Regency/City and Province, Local Development Planning Agency Regency/City and Province and other related agencies, Management Agency Regional Finance Revenue and Assets of Jambi Province, Regional Fiscal study of Jambi Province by Minister of Finance of Republic of Indonesia.

The use of the 2017–2022 time frame may introduce potential biases, such as high heterogeneity, which could affect the generalizability of the results. However, in this study, the use of a panel model (fixed effect or random effect) helps reduce biases due to heterogeneity between regions, as this model controls for fixed factors (unobserved heterogeneity). Additionally, a sensitivity test of the model was conducted by comparing the results before and after incorporating control variables, resulting in more consistent outcomes.

Data Collection Methods

Data were collected with the documentation method (Amir et al. (2009). The data used in this study are data on local own-sourced revenue and transfer income, domestic and foreign investment data, National Zakat Index data, Gross Regional Domestic Product (GRDP) and Islamic Human Development Index in 11 districts/cities and Jambi Province for 6 years from 2017 – 2022.

Data Analysis Methods

The data analysis method used in this study is descriptive analysis and panel data regression analysis with an econometric model approach (Sugiyono, 2008; Kuncoro, 2013). The data processing tool used in this study is the Eviews program. Some of the data analyses used include Regression Analysis with Panel Data, Panel Data Estimation Model Selection (Widarjono, 2013), Model Goodness of Fit Test (Widarjono, 2013), Classical Assumption Tests (Gujarati, 2006), Coefficient of Determination (R2) (Ghozali, 2005; Prianto, 2013), Statistical Tests (F-Test and t-Test) (Ghozali, 2011).

4. Results

Model Goodness of Fit Test

To choose the right model to use in managing panel data, there are several tests was carried out using the Chow test, Hausman test and Lagrange Multiplier test approaches (Table 1).

Table 1. Model Goodness of Fit Test

Model Goodness of Fit Test		**Prob.**
Chow Test Results 1	Cross-section F	0.0926
	Cross-section Chi-square	0.0339
Chow Test Results 2	Cross-section F	0.0 873
	Cross-section Chi-square	0.0422
Hausman Test Results 1	Random cross section	0.0001
Hausman Test Results 2	Random cross section	0.0053
Lagrange Multiplier Tests Model 1	Cross section	0.7044
Lagrange Multiplier Tests Model 2	Cross section	0.5019

Source: E-Views Output

Chow test show that the probability value of the F statistic is 0.0926 > 0.05, meaning that H0 is accepted and H1 is rejected, so the better panel data regression estimation model to use is Common Effect Model. The results of the Chow test 2 show that the probability value of the F statistic is 0.0873 > 0.05, meaning that H0 is accepted and H1 is rejected, so the better panel data regression estimation model to use is the Common Effect Model. The Hausman test is used to determine the most appropriate approach model to use between the two approaches, namely Common Effect
Model or Random Effect Model. The results of the Hausman Test show that the probability value of the random cross section is 0.0001, so the probability value is <0.05. So that H1 is accepted and H0 is rejected or the model chosen based on the results of the Hausman Test is Fixed Effect Model. The results of the Hausman Test model 2 show that the probability value of the random cross section is 0.0053, so the probability value is <0.05. So that H0 is accepted and H1 is rejected or the model chosen based on the results of the Hausman Test is Fixed Effect Model. It is concluded, from the results of the Chow Test and the Hausman Test that were carried out, the most appropriate approach model to use in this study is the Fixed Effect Model. Lagrange Multiplier test is used to determine the most appropriate approach model to use between the two approaches, namely Common Effect Model or Random Effect Model. The results of the Lagrange Multiplier Test show that the probability value of the random cross section is 0.7044, so the probability value is > 0.05. It can be said that H1 is accepted and H0 is rejected or the model selected based on the Lagrange Multiplier results is the Common Effect Model. The results of the Lagrange Multiplier Test for model 2 show that the probability value of the random cross section is 0.5019, so the probability value is > 0.05. So that H1 is accepted and H0 is rejected or the model chosen based on the Lagrange

Multiplier results is the Common Effect Model. So it can be concluded that from the results of the Chow Test, Hausman Test and Lagrange Multiplier Test, the most appropriate model to use in this study is the Common Effect Model (Table 1).

Classical Assumption Tests

The results of the Classical Assumption Tests includes normality test, multicollinearity test, heteroscedasticity test and autocorrelation test (Table 2).

Table 2. Results of Classical Assumption Tests

Classical Assumption Tests indicators	Test results	Decision
Normality test	p-value of 0.153442 > 0.05	Data is normally distributed
Multicollinearity test	FI of 0.312662 <0.90, PI of 0.641857 <0.90, ZP of 0.303722 <0.90 and EG 0.402762 <0.90	does not have multicollinearity
Heteroscedasticity test	Probability Obs* R-Squared 0.4108 > 0.05	does not have heteroscedasticity
Autocorrelation test	Probability Obs* R-Squared of 0.4205 > 0.05	no autocorrelation

The normality test show a probability value of 0.153442 > 0.05 so it can be concluded that the data is normally distributed. The results of the multicollinearity test show the coefficient correlation between the independent variables FI of 0.312662 <0.90, the PI variable of 0.641857 <0.90 and the PI variable of 0.303722 <0.90 and the EG variable of 0.402762 which means that this study does not have multicollinearity. The results of the heteroscedasticity test show the probability Obs* R-Squared 0.4108>0.05 which means that the Common Effect Model regression does not have heteroscedasticity. The results of the autocorrelation test above show the probability Obs* R-Squared of 0.4205 > 0.05 so that there is no autocorrelation problem in this study.

Panel Data Regression Analysis

Panel data regression analysis in this research uses the Common Effect Model method. The selection of the Common Effect method as a panel data analysis method in this study after being tested first through the chow test, hausman test and langrange multiplier test, which states that the Common Efeect Model (CEM) is the most appropriate for testing panel data in this study. Estimation results with the CEM approach as in the table 3.

Table 3. Results of Panel Data Regression Common Effect Model (CEM)
Dependent Variable: IHDI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.3771 6 6	1.725937	8.366387	0.0000
FI	0.289738	0.189263	2.919893	0.0359
PI	0.179927	2.153963	0.862568	0.1701
ZP	0.398729	0.037946	3.839378	0.0293
EG	0.373976	0.038976	3.673688	0.0173
R-squared	0.538296	Mean dependent var		3.598636
Adjusted R-squared	0.482218	SD dependent var		2.576557
SE of regression	3.529936	Akaike information criterion		4.542983
Sum squared residual	64.66286	Schwarz criterion		4.836639
Log likelihood	-323.2654	Hannan-Quinn critter.		4.723873
F-statistic	5.548937	Durbin-Watson stat		0.874434
Prob (F-statistic)	0.003924			

Source: E-Views Output

In the Common Effect Model above, it can be seen that the t-test stat contains one variable that looks insignificant, namely private investment (PI). Furthermore, the adjusted R^2 value is 0.538296. The probability value of the F stat of 0.003924 means that the model is significant and the Durbin-Watson stat value is 0.874434 which is not yet close to the range of number 2.
From the results above, a regression equation can be made as follows:

IHDI = 3,377 + 0,289 FI + 0,179 IPI + 0,398 ZP + 0,373 EG

Coefficient of Determination

Based on the estimation results in Table 3, the Adjusted R-squared is 0.482218. This result implies that the variation of the independent variable is able to explain the dependent variable by 48.22%, while the remaining 51.78% is explained by other variables that are not studied (outside the model).

Simultaneous Test (F Test)

Based on the results of the simultaneous test (F test), it can be seen the effect of Fiscal Independence, Private Investment, Zakat Performance and Economic Growth on IHDI with a calculated F-value greater than F-table (5.54 > 2.51) and significance Prob (F-statistic) 0.00 < 0.05. This proves that Fiscal Independence, Private Investment, Zakat Performance and Economic Growth have a significant effect on IHDI (H0 is rejected and H1 is accepted).

Partial Test (t-Test)

Based on the results of the t-test, it can be seen that the effect of fiscal independence on IHDI with a calculated t-value is greater than the t-table (2.9198 > 1.9965) and a significance value

of 0.03 < 0.05. This proves that fiscal independence has a significant effect on IHDI (H0 is rejected and H1 is accepted).
Based on the results of the t-test, it can be seen that the effect of Private Investment on IHDI with a calculated t-value is smaller than the t-table (0.8625 <1.9965) and a significance value of 0.17> 0.05. This proves that investment does not have a significant effect on IHDI (H0 is accepted and H1 is rejected).
Based on the results of the t-test, it can be seen that the effect of Zakat Performance on IHDI with a calculated t-value is greater than the t-table (3.8393 > 1.9965) and a significance value of 0.02 < 0.05. This proves that Zakat Performance has a significant effect on IHDI (H0 is rejected and H1 is accepted).
Based on the results of the t-test, it can be seen that the effect of economic growth on IHDI with a calculated t-value is greater than the t-table (3.6736 > 1.9965) and a significance value of 0.01 < 0.05. This proves that Economic Growth has a significant effect on IHDI (H0 is rejected and H1 is accepted).

The Impact of Fiscal Independence on the Islamic Human Development Index (IHDI)
This study proves that there is a positive and significant influence of fiscal independence on the Islamic human development index (IHDI). The influence of fiscal independence on the Human Development Index in an Islamic perspective (IHDI) is a complex but crucial aspect in analyzing social and economic progress in the context of countries with a Muslim majority population. In the context of countries with a Muslim majority population, fiscal independence can also have an impact on the ability to maintain and strengthen humanitarian values regulated by Islam, such as social justice, community empowerment, and protection of vulnerable groups. Research has shown that prudent fiscal policy can lead to a more equitable distribution of income and improve the quality of life for all citizens, in accordance with Islamic economic principles that emphasize justice and taking sides with the weak (Al-Awad, 2015). Rukiah's research (2019) concluded that the IHDI in all provinces in Indonesia is still low and there are still gaps. The role of the central and regional governments in improving fiscal policies in the fields of education and health needs to be pursued to improve the material welfare of society. Purbasari (2023) conducted a post-pandemic study on the IHDI and concluded that government spending on health and education had a significant influence on the IHDI.

The Impact of Private Investment on the Islamic Human Development Index (IHDI)
This study proves that investment has no effect on IHDI. Investment is an important factor in the economic development of a region, but its impact on the Human Development Index from an Islamic perspective (IHDI) tends to be complex and sometimes not direct or significant. The IHDI measures people's quality of life and access to education, health and a decent standard of living, and the impact of investment on these indicators can vary depending on each country's economic context, policies and social structure. Investments tend to focus on job creation and economic growth, which can essentially make a positive contribution to the economic development of a region. However, research shows that the impact of investment on aspects of human development such as education and health is not always parallel. According to research by Noman and Haider (2010), foreign direct investment (FDI) tends to have a more visible impact in expanding infrastructure and

increasing economic productivity than in improving people's access to health and education services. Mardianto's research, (2023) shows that FDI does not have a significant positive effect on IHDI in OIC countries. This happens because the large amount of capital received by a country is only budgeted for other public sectors that do not have an impact on human development so that many incoming investments do not provide a response to improving the quality of the human development index. However, it is important to note that the impact of investment on the IHDI is not always negative or insignificant. In some cases, investments can contribute positively to the development of social and economic infrastructure that supports a better quality of life for the wider community.

This study shows that private investment does not have a significant effect on IHDI. This condition indicates a disruption in the investment pathway through income, education, and health to the improvement of maqāṣid dimensions. Previous studies have also identified similar patterns in OIC countries, where FDI flows predominantly into the extractive sector, resulting in relatively limited contributions to human development (Mardianto, 2023; Emako et al., 2023). Short-term profit orientation and limited local linkages result in a very weak trickle-down effect to poor households (Osano & Koine, 2016; Noman & Haider, 2010). Additionally, the relatively short research period, interrupted by the Covid-19 pandemic, may hinder the realization of long-term investment benefits (Khan et al., 2018). This situation aligns with findings that investment-driven economic growth requires support from social, fiscal, and zakat-based distribution policies to genuinely enhance the indicators of maqāṣid al-sharīʿah in the IHDI (Hasbi, 2023; Farida et al., 2021; World Bank, 2018).

The Impact of Zakat Performance on the Islamic Human Development Index (IHDI)

This study proves that zakat performance has a positive effect on IHDI. Zakat plays a role in reducing social and economic inequality by providing direct assistance to those in need, such as the poor, widows, orphans, and the poor. By providing funds to these groups, zakat helps improve their access to health services, education, and the fulfillment of other basic needs. A study by Al-Awad (2015) shows that zakat can reduce poverty levels and improve social welfare in Muslim communities. In addition, zakat also plays a role in building social and economic capital in society. Zakat funds can be used to empower communities through skills education programs, providing capital for small businesses, or developing social infrastructure such as mosques, schools, and hospitals. Thus, zakat not only provides short-term assistance but also invests in the long-term potential of the community to be independent and develop (Sadeq, 2000). On the other hand, zakat also has the potential to improve public health by providing access to affordable health services. However, to achieve the full potential of zakat in improving IHDI effective and transparent implementation is necessary. Research by Hasbi et al, (2023) states that zakat is a distribution function to channel funds directly from the wealth of the rich to realize human development. Zakat as an Islamic financial system can be used for social financing. Effective zakat management can improve community welfare. Overall, zakat has great potential to contribute to Islamic human development by reducing poverty, increasing access to education and health, and building the economic capacity of the community.

The Impact of Economic Growth on the Islamic Human Development Index (IHDI)

This study proves that there is a positive and significant influence of economic growth on IHDI. Economic growth is a key factor in improving the Human Development Index from an Islamic perspective (IHDI), which reflects the quality of life of a society based on access to education, health, and a decent standard of living. Empirical studies show that inclusive economic growth can have a significant positive impact on the IHDI in various countries, including in countries with a Muslim majority. Khan and Hasan (2018) reported that sustainable and equitable economic growth can increase employment and per capita income, which in turn improves people's access to education and health services. Strong economic growth can also create greater fiscal resources for the government to allocate budgets to key sectors such as education and health. This is important because better access to these basic services can reduce disparities in the IHDI between different population groups (World Bank, 2018). The effects of economic growth on the IHDI are not always uniform or balanced across all levels of society. Sometimes, uneven economic growth can increase social and economic inequalities, where certain groups in society may benefit more while others are marginalized. According to research by Stewart (2018), the role of government in managing economic growth inclusively is very important to ensure that the benefits are evenly distributed across all levels of society. In some cases, economic growth does not always have a direct impact on increasing IHDI if it is not followed by appropriate public policies and investment in human resources. According to research by Al-Malki and Alharthi (2021), countries with high economic growth sometimes face challenges in improving the quality of education and health, which are important pillars in the IHDI.

In the context of Islamic economics, quality economic growth must also be supported by the principles of social justice and fair distribution. This is in line with Islamic teachings which emphasize the importance of justice and equality in the distribution of economic resources to improve general welfare (Siddiqi, 2008). Overall, it is important to understand that the relationship between economic growth and IHDI is complex and not always linear. Factors such as income distribution, quality of growth, public policies, and Islamic economic principles all play a role in determining the impact of economic growth on the IHDI in Muslim-majority countries.

5. Conclusion and Suggestion

Simultaneously the variables of fiscal independence, investment, zakat and economic growth have a positive and significant effect on the Islamic Human Development Index (IHDI). While partially, investment does not have a significant effect on IHDI, meaning that investment, especially Foreign Direct Investment (FDI) is often interested only in return on capital and profitability rather than on social impacts such as access to education and health and some cases in countries with fragile social structures and prone to corruption investment can lead to increased social inequality rather than reducing it. On the contrary, fiscal independence, zakat and economic growth have a positive and significant effect on IHDI. This means that the higher the level of fiscal independence of Jambi Province, the more the IHDI of Jambi Province increases, as well as zakat, the more the national zakat index of Jambi Province increases, the more the IHDI of Jambi Province increases, and finally the more economic growth increases, the more the IHDI of Jambi Province increases.

Recommendations for policy measures that can be implemented include the Jambi Provincial Government needing to enhance the optimization of Local Government Revenue (LGR), particularly from local taxes and fees, to expand fiscal space for funding education, health, and basic infrastructure. This policy can strengthen the dimensions of al-Aql (education) and an-Nafs (health) in IHDI. Additionally, the region can develop Public-Private Partnership (PPP) schemes to make public sector investments more effective. Since private investment has proven to be insignificant for IHDI, local governments need to provide fiscal and non-fiscal incentives for investors committed to creating local jobs, transferring technology, and investing in education, health, and SMEs. BAZNAS Jambi needs to improve the efficiency of zakat collection by utilizing digital zakat payments and expanding the base of zakat payers from among professionals and companies. Zakat distribution should not only be consumptive but also directed toward productive zakat programs. Synchronization of programs between local governments, the private sector, and zakat institutions is essential to make Islamic human development more inclusive. For instance, the local budget can be directed toward basic infrastructure, private investment toward job creation, and zakat toward empowering the poor. The synergy of these three instruments will accelerate improvements in IHDI indicators.

Future researchers are advised to expand the scope of the study. Researchers are advised to conduct studies in various regions with different economic and social characteristics. This will not only enrich the understanding of the influence of these variables, but also allow for more significant comparisons between locations. In addition, conducting cross-country comparisons, particularly among countries with varying levels of fiscal independence and investment patterns, may provide valuable insights into the different dynamics in different contexts.

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