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The Influence of the Distribution of ZIS Funds and Government Expenditures on Income Inequality and the Human Development Index in Indonesia from 2018 - 2022.

Lia Annisa Rohmawati[1], Erika Amelia[2], Diamantin Rohadatul Aisy[3]
[1]State Islamic University Syarif Hidayatullah Jakarta
[2]State Islamic University Syarif Hidayatullah Jakarta
[3]State Islamic University Syarif Hidayatullah Jakarta

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ABSTRACT

The rise in Indonesia's GDP suggests economic growth, but the unequal distribution of income within communities indicates persisting inequality. This imbalance implies that the development in the region is not equally distributed. Measuring community welfare comprehensively requires socio-economic indicators to capture the whole picture. Thus, investigating community welfare by linking socio-economic indicators is imperative. This study analyzes the direct and indirect impact that ZIS fund distribution and government spending have on income inequality and the Human Development Index (HDI) in Indonesia. Through path analysis, the relationship between ZIS variables, government spending, income inequality, and HDI is examined. The findings reveal that ZIS directly and indirectly affects HDI by increasing income inequality as a mediating factor. Government spending has a negative indirect impact on the Human Development Index due to a positive direct impact on income inequality, as revealed by Path Analysis.

Keywords: *Path Analysis, Human Development, Inequality, ZIS, Government Expenditure*

INTRODUCTION

Community welfare is reflected by an increase in income, which serves as an indicator of successful economic development. However, achieving equality in welfare is often hindered by various internal factors, including disparities between individuals, regions, and economic aspects, as well as external factors like inter-regional competition on both regional and national scales. (Wahyuni et al., 2014). Increased income resulting from increased public consumption, as typically measured by GDP per capita, is an inadequate welfare indicator because social indicators reflecting an accurate economic picture are missing (Goswami et al., 2021). Bourguignon & Morrisson dalam Goswami et al., (2021) stating that income is not the sole determinant of welfare, it is advisable to incorporate socio-economic dimensions when assessing welfare. These may include indicators for inequality, religion, caste, gender gaps, the ratio of women's to men's education, climate change, among others..

Income inequality remains a significant issue in Indonesia, as indicated in the World Inequality Report (WIR) 2022. The country's high per capita income largely belongs to the wealthy population, who consistently contribute 46.86% to the country's GDP since 2018. In contrast, the lowest economic group only contributes 12.45% to the GDP. This indicates that poverty and inequality in Indonesia remain high, demonstrated by elevated poverty rates and income

inequality (measured by the Gini ratio), which have not markedly improved despite robust GDP growth.

Reporting from Badan Pusat Statistik (BPS), the measurement of inequality represented by the gini ratio obtained 0.381 in September 2022. There was no meaningful difference observed between the gini ratio in September 2021, which also registered 0.381. Economic growth without economic equality may widen social and economic disparities among segments of society. This could lead to an unequal increase or decrease in the standard of living, also known as human development. Low or high levels of human development have significant implications for population productivity. When human development, as measured by the Human Development Index (HDI), is low, population productivity tends to decline, resulting in lower incomes. Conversely, a high level of HDI correlates with an increase in population productivity, which in turn leads to higher income levels (Clara, 2022). This statement is supported by research conducted by Wackernagel, M., Lin et al. (2019) which suggests that income inequality has an impact on a country's Human Development Index (HDI), along with previous studies indicating a positive relationship between HDI and GDP. This argument has been a focus of researchers since the 1990s, leading to numerous efforts to synthesize various aspects of the Human Development Index (HDI) into a composite index that can provide a broader perspective on HDI than just per capita income alone (Goswami et al., 2021).

The success of economic development is closely related to the reduction of income inequality in a country. Unequal distribution of social expenditure can lead to inequality in the country or region, where the benefits of economic development are enjoyed more by the middle to upper economic groups or the wealthier individuals (Afini, 2019). Therefore, ensuring income distribution equality is a primary concern for the government when designing development policies to achieve national economic success.

On the other hand, the government is striving to achieve development goals and support the improvement of human resources quality by enhancing public services in the education and healthcare sectors and reducing poverty. These efforts are implemented through budget allocation from revenue and regional expenditure in various regions, which is consistent with the findings revealed by studies Nugroho (2016), the statement suggests that government spending through the implementation of the regional budget has a positive impact on economic growth and contributes significantly to the improvement of the Human Development Index (HDI).

Just as with government spending, Zakat, Infaq, and Sadaqah (ZIS) play a role as an Islamic fiscal instrument (Aini, 2021), Therefore, zakat, as an Islamic fiscal instrument, also serves as a means of income redistribution. The effective implementation of zakat plays a significant role in addressing various economic challenges, such as poverty, income inequality, and unemployment. Through the use of zakat instruments, an equitable distribution of income can be achieved, which in turn will enhance the purchasing power of the society (Fajrina et al., 2020).

Based on the facts presented, it is evident that the variables of Zakat, Infak, Sedekah (ZIS) Fund Distribution and Government Spending are significant factors influencing Income Inequality and the Human Development Index. The author will utilize path analysis with panel data to observe direct and indirect effects, and find different research outcomes with Income Inequality as an intervening variable. Therefore, Income Inequality and ZIS Fund Allocation will be evaluated. The study will examine the relationship between government spending and the Human Development Index in Indonesia,

specifically exploring the "Impact of the distribution of Zakat, Infaq, and Sadaqah funds and government spending on income inequality and human development index in Indonesia from 2018 to 2022".

LITERATURE REVIEW

Human Development

According to the Badan Pusat Statistik (BPS), the Human Development Index (HDI) is a measure of a population's ability to access development outcomes such as income, health, education, and others. The HDI is composed of several components including life expectancy, knowledge which incorporates expected years of schooling and mean years of schooling, and a decent standard of living reflected in Gross National Income per capita. However, the Human Development Index (HDI) is limited in its ability to address issues of inequality, poverty, security, environment, and other related concerns (UNDP, 2019).

Human development is a pivotal social factor in economic growth. Human development serves as a crucial indicator for long-term economic growth, such that improvements in the quality of life and human potential have a positive impact on sustainable economic progress (Widiastuti et al., 2022). The purpose of the Human Development Index is to shift the focus in economic development away from merely calculating national income and towards policies that prioritize human well-being (Arabi & Abdalla, 2013).

Income Inequality

Income distribution inequality is generally measured using the Gini coefficient. The Gini ratio is a tool used to assess the level of inequality in the distribution of income or wealth in a given area.

High income inequality can disrupt social and political stability, ultimately leading to negative effects on government governance, potentially triggering crises. These various disruptions can put pressure on the job market, causing income declines and exacerbating inequality (T. Wibowo, 2017).

The theory of income distribution inequality proposed by Simon Kuznets (Kuznets, 1955) Reducing income inequality is possible through proper economic development and policy interventions, such as providing access to education and healthcare services for the community. Unequal income distribution hinders people's access to such services and affects the health and education of the lower and middle-income groups, slowing down human development progress. Therefore, this underscores the importance of education and skills in addressing income inequality and improving the quality of human resources.

Zakat, Infaq, and Sadaqa

Zakat has two dimensions: it is performed as an act of worship to seek the pleasure of Allah SWT, and it is also a social act. In the context of Islamic history, zakat has often been used for social purposes such as empowering communities, providing social security, advancing education, improving healthcare services, addressing inequality and uneven income distribution, and fulfilling other social needs. Therefore, zakat serves as an important instrument in meeting social needs and contributing to the overall increase in community welfare (Al Arif, 2013). Zakat, which has been one of the fiscal instruments in the economy since the time of the Prophet Muhammad, has contributed significantly to income distribution. Therefore, professional and trustworthy management of zakat can minimize economic crises and potentially improve the welfare of society. Therefore, professional and trustworthy management of zakat can minimize economic crises and potentially improve the welfare of society. Therefore, professional and trustworthy management of zakat can minimize economic crises and potentially improve the welfare of society (Abbas, 2017).

According to the mandate of Law Number 38 of 1999, professional, transparent, and responsible management of zakat is required to improve the overall welfare of society. Other fiscal instruments of Islamic social finance, such as infak and sedekah, are also inclusive. Prior research indicates that zakat, infak, and sedekah (ZIS) are effective tools in addressing social issues within communities (Aghustin & Cahyono, 2020) Serves as a source of revenue for the government in addition to tax revenue that can be used to stimulate the economy and address social inequality (RatnaSari & Firdayetti, 2019).

The theory supporting zakat's contribution and role as an income distribution instrument is a viewpoint Metwally (1995), If the management of zakat is carried out effectively, transparently, and responsibly, then the allocation of funds will be done efficiently and wisely. As a result, zakat, infak, and sedekah funds will be distributed evenly, improving accessibility of education, economic opportunities, healthcare services, and other resources for the public, ultimately leading to increased productivity.

Government Expenditure

Government spending refers to the funds utilized by the government to fulfill diverse societal requirements. It showcases the execution of policies formulated by the government Mangkoesoebroto dalam (Ningrum et al., 2020). According to Fithrian et al., (2015) In reducing income inequality, government expenditure plays a significant role in increasing public income. However, if government spending is not evenly distributed and fails to reach all layers of society, it can actually exacerbate income inequality (Danawati et al., 2016). To maintain economic stability and regulate the inflow and outflow of funds, a tool utilized is the National Revenue and Expenditure Budget (NREB). The NREB plays crucial roles in fiscal policy planning (Priyono, 2016).

In the context of human development, regarding government spending by Adolf Wagner, increased government expenditures can have a positive impact if allocated properly to sectors that support human development, such as education and healthcare. Strategic government spending can improve access to quality education, healthcare services, and economic opportunities, ultimately leading to an increased human development index. However, the impact depends on the efficiency and effectiveness of public fund utilization as well as proper allocation. If government spending is inefficient or misdirected, its positive impact on human development becomes limited (Mangkoesoebroto, 2016).

Interrelationships between Variables

This research is rooted in the idea that Zakat plays a fiscal role in Islam and contributes to the equitable distribution of resources. The use of Zakat, Infak, and Sedekah instruments is necessary to efficiently channel funds towards wealth redistribution and to achieve optimal human development (Karuni, 2020). To encourage analysis of the influence between the distribution of ZIS funds and government spending as a state fiscal instrument for achieving broader social and economic development goals, it is necessary to remove subjective evaluations unless explicitly labeled as such. To ensure clarity and objectivity, use concise language, logical structure with causal connections between statements, and technical terminology with consistent usage of abbreviations. Follow conventional section formats, adhere to style guides for formatting, and maintain formal register with balanced language and precise vocabulary. Previous studies indicate a positive association between zakat and government spending with human development and income inequality. Thus, the research hypothesis is:

Distribution of ZIS Funds on HDI

A study by Imsar et al., (2023) indicates that an increased distribution of zakat funds will result in a positive impact on the Human Development Index (HDI). Similarly, Suprayitno et al. (2017) found that zakat had a positive effect on human development in five states in Malaysia, making it an effective fiscal instrument for stimulating long-term economic development in these regions. Suprayitno et al., (2017) Therefore, it is effective as a fiscal tool in that state to stimulate long-term economic development Anindya & Pimada, (2023) Stating that zakat has a long-term influence on human development in Indonesia.

Distribution of ZIS Funds on Income Inequality

Muttaqin & Safitri, (2020) study found that both partial and simultaneous zakat and infak have a positive and significant impact on the Gini ratio in Indonesia. This is consistent with Ayuniyyah et al., (2018) statement that zakat distribution programs play a role in alleviating poverty and reducing income inequality among the recipients. This claim is supported by (Rini et al., 2017) with the same argument, that effective and targeted distribution of zakat can reduce poverty inequality..

Government Expenditure on Human Development Index

Government expenditures in the areas of education and healthcare, as represented by local government spending, have a positive influence on the Human Development Index in the Province of Jambi (Maisaroh, 2023). Additionally, local government revenue, which serves as another source of government income, has a significant impact on the Human Development Index and can support the development process (Sofyan, 2020).

Government Expenditure on Income Inequality

Wulandari & Rahmawati, (2022) argue that government spending increases income inequality among citizens. This finding aligns with a study by Wahyuni et al., (2014) indicating that government spending has a positive impact on the income gap in society..

Income Inequality on Human Development Index

Agus & Utama, (2022) research reveals that income inequality, as measured by the Gini ratio, has a significant negative impact on the Human Development Index.

DATA AND METHODOLOGY

Research Approach

This study employs a quantitative approach and utilizes panel data consisting of a combination of time series data from 2018-2022 and cross-sectional data covering 34 provinces in Indonesia.

Analysis Method

This study utilized the path analysis method with panel data. Path analysis is a statistical technique used to test and understand causal relationships between various variables in a statistical model. It is an extension of multiple linear regression but offers the advantage of enabling more complex analyses related to the relationships between variables. Path analysis is utilized to analyze causal relationships between independent and dependent variables in multiple regression, where the independent variable impacts the dependent variable not only directly but also indirectly (Supriadi et al., 2023).

Research Sampling

The sample data used for this study consists of annual data on the disbursement of ZIS funds, government spending, income inequality, and HDI. The research period covers 2018-2022 and includes 170 data points from 34 provinces in Indonesia.

Method of Data Collection

The data utilized in this study is secondary data, which is obtained through intermediary media, recording, or documentation provided by other entities with indirect characteristics (Sugiyono, 2013).

Operational Definition of Variable

The dependent variable is the Human Development Index (HDI), with income inequality as the mediating variable and the distribution of zakat, or Islamic alms, and government expenditure as the independent variables. The definition of each variable can be seen in table 1.

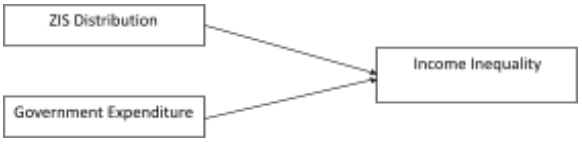
Table 1. Variable Operational Definition

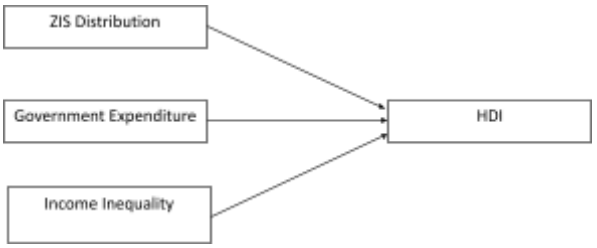
Variable	Definition	Unit	Dat Form	Source
ZIS Distribution	Total amount of funds gathered from zakat, infak, sedekah, and DSKL and distributed in all 34 provinces of Indonesia.	Nominal	Annual	PPID BAZNAS
Government Expenditure	Realized APBD funds allocated by function	Nominal	Annual	DJPK Kementerian Keuangan
Human Development Index	An index that measures human developmet nt in Indonesia	Rasio	Annual	Badan Pusat Statistik
Income Inequality	Ratio to measure the level of income inequality among people	Rasio	Tahunan	Badan Pusat Statistik

Source: Researcher, 2023

RESULT AND DISCUSSION

The results of the test conducted through path analysis are as follows:





Source: Eviews 12 (*data processed*)

After testing the regression model estimation on panel data for structural I, the Eviews 12 output showed that the best model was the Random Effect Model. This was based on the Lagrange Multiplier test results with a Breusch-Pagan value of 0.000, which is smaller than the alpha value of 0.05 used in this study. This means that the best estimated model selected for structure I is the Random Effect Model (REM). Next, in Structure II, the chosen model is the Fixed Effect Model based on the Hausman Test with a probability value of 0.0111, indicating that the value is smaller than the alpha of 0.05. This means that the best estimation model selected in Structure II is the Fixed Effect Model (FEM).

After determining the best model from each structure. Next, in order to obtain a Best Linear Unbiased Estimator (BLUE) regression model, classical assumption tests are conducted on each structure. Both model structures were found to be free from multicollinearity, autocorrelation, and heteroscedasticity. Therefore, the study can proceed to hypothesis testing.

Hypothesis Testing

t-test

The t-test was conducted to determine the partial effects of each independent variable on the dependent variable by comparing t-count and t-table (Sarwono, 2012) with a significance value (α) of 0.05. Table 1 displays the results of the t-test structure I:

Table 2. t-test Structure I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.047116	0.165227	-0.285161	0.7759
ZIS Distribution	-0.002419	0.001110	-2.179056	0.0307
Government Expenditure	0.015345	0.005826	2.633817	0.0092

Source: Output Eviews 12 (*data processed*)

Basing on the findings from the analysis of the output table 1 above, the partial effect of each independent variable can be explained as follows:

1. Effect of ZIS Fund Distribution on Income Inequality
   According to Table 1, the probability value for the Penyaluran ZIS variable is 0.0307 < 0.05, and the calculated t-value is -2.179056 with a t-table value of 1.65408. 65408, therefore, the obtained t-value is greater than the table t-value, and it can be concluded that ZIS Distribution has a significant negative impact on Income Inequality. Thus, the hypothesis and research variable of ZIS Fund Distribution can be well explained.
2. Effect of Government Expenditure on Income Inequality
   The ZIS Distribution variable has a probability value of 0.0092 <0.05, with a t-count value of 2.633817 and a t-table value of 1.65408. As the t-count value exceeds the t-table value, it can be inferred that the Government Expenditure variable significantly and positively influences Income Inequality. The hypothesis and research variables associated with Government Expenditure are capable of providing a good explanation. Then proceed with testing the t-test hypothesis in Section II, as shown in the results of Table 2 in the analysis output:

Table 3. t-test Structure II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	57.81342	15.55961	3.715608	0.0003
ZIS Distribution	0.174826	0.078429	2.229095	0.0275
Government Expenditure	0.627841	0.545681	1.150564	0.2520
Income Inequality	-26.96040	5.836252	-4.619471	0.0000

Source: Output Eviews 12 (*data processed*)

Based on the output analysis of Table 1, the partial effect of Structure II for each independent variable can be elucidated as follows:

1. Effect of ZIS Fund Distribution on Human Development Index
   According to the obtained results, with a probability value of 0.0275 < alpha 0.05, and a calculated t-value of 2.229095 and a t-table value of 1.65408, it can be concluded that the distribution of ZIS has a positive and significant effect on the Human Development Index. Therefore, the hypothesis and variable of the ZIS fund distribution can be well-explained.
2. Effect of Government Expenditure on Human Development Index
   It should be noted that the probability value for the Government Spending variable is 0.2520 > 0.05, and the t-value is 1.150564 with a t-table value of 1.65408. Thus, the calculated t-value is smaller than the t-table value, leading to the conclusion that the Government Spending variable has a positive but insignificant influence on the Human Development Index. Hypothesis and research variable, Government Expenditure, fail to provide a clear explanation, indicating that the variable Government Expenditure does not

have a partial effect on the Human Development Index.

3. Effect of Income Inequality on Human Development Index
   It is evident that the probability value for the Income Inequality variable is 0.0000 < 0.05 and that the calculated t-value is -4.619471, whereas the t-table value is 1.65408. Consequently, the calculated t-value is greater than the t-table value, and it can be concluded that Government Spending has a negative and significant impact on the Human Development Index. Therefore, the hypothesis and research variable of Government Spending can adequately explain this outcome.

F-test

The F-test is used to determine the collective impact (simultaneous) of all independent variables on the dependent variable in a regression model equation. The F-test is conducted by comparing the calculated F-value with the F-table value at a significance level (α) of 0.05. (Ghozali, 2016). To determine whether the independent variables have a joint effect on the dependent variable, refer to the following Structural F tests I and II:

Table 4. F test Structure I

F-statistic	4,460129
Prob(F-statistic)	0,012970

Source: Output Eviews 12 (*data processed*)

Based on Table 3 above, it is evident that the computed F-value for Structure I is 4.460129, whereas the critical value of F is 3.05, at a significance level of 5% with df1 = 2 and df2 = 170-2 = 168. The obtained F-value is 3.05, and the probability value (p-value) is 0.012970. Therefore, it can be inferred that both the Distribution of Zakat, Infaq, and Shadaqah (ZIS) and Government Expenditure simultaneously influence Income Inequality.

Table 5. F test Structure II

F-statistic	160,4193
Prob(F-statistic)	0,000000

Source: Output Eviews 12 (*data processed*)

Based on Table 4 above, it can be determined that the calculated F-value for Structure II is 160.4193, with a critical value of 3.05 at a significance level of 5% for df1 = 3 and df2 = 170 - 3 = 168, and a obtained critical value of 2.66 as well as a probability value (p-value) of 0.000000. Thus, the variables of ZIS Distribution, Government Expenditure, and Income Inequality have a simultaneous effect on the Human Development Index.

Coefficient of Determination

According to Sugiyono (2013), koefisien determinasi (R^2) is a metric used to evaluate the extent to which the variation in the dependent variable can be explained by one or more independent variables in a regression model.

Table 6. Coefficient of Determination Structure I

R-squared	0.050706
Adjusted R-squared	0,039337

Source: Output Eviews 12 (*data processed*)

Table 5 shows that the Adjusted R-squared result is 0.039337 or 3.9337%. This indicates that the variation in Income Inequality changes is influenced by the independent variables (Zakat distribution and Government expenditures) by 3.9337% and the remaining 96.0663% is affected by other variables not included in the model.

Table 7. Coefficient of Determination Structure II

R-squared	0.977489
Adjusted R-squared	0,971395

Source: Output Eviews 12 (*data processed*)

The test results indicate an Adjusted R-squared value of 0.971395 or 97.1395%, demonstrating that the variability in the Human Development Index changes is influenced by the independent variables (Zakat Distribution, Government Expenditure, and Income Inequality) at a rate of 97.1395%, with the remaining 2.8605% being influenced by other excluded variables in the model.

Testing the Mediation Hypothesis.

The Sobel test is utilized to assess the strength or magnitude of the indirect influence of the independent variable on the dependent variable through a mediating variable, using the following formula (Ghozali, 2018)

$$Sab = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$

Alternative:

a = Regression coefficient of the relationship between X and Z

Sa = Standard error coefficient regression a

b = Regression coefficient (unstandardized) of the relationship between Z and Y

Sb = Standard error coefficient regression b

Table 8. Mediation Hypothesis Testing Results (Sobel Test)

Variable		Coeffi cient (a)	Std. Error (Sa)	a^2	Sa^2	ab	Sab (Sobel Test)	t-hitu ng
	ZIS Distri butio n	-0.002 419	0.001 110	0.000 00585 1561	0.00 0001 2321	0.06 5217 8123 5	0.0011 37	1.958 266
	Gove rnme nt Expe nditu re	0.015 346	0.005 826	0.000 23549 9716	0.00 0033 9422 76	-0.4 1373 8134 9	0.0338 50	-2.28 9297
Variable		Coeffi cient (b)	Std. Error (Sb)	b^2	Sb^2			
b	Gini Ratio	-26.96 065	5.836 278	726.8 76648 4225	34.0 6214 0893 284			

Source: Output Eviews 12 (*data processed*)

The Sobel Test was employed to assess the mediating hypotheses in Table 7. The indirect effects of variables were determined as follows:

a. The allocation of funds for Zakat, Infaq, and Shadaqah (ZIS) has a calculated t-score of 1.958266, surpassing the t-value of 1.65408. Thus, the indirect impact of ZIS allocation has a positive and significant influence on the Human Development Index through income inequality.
b. Government expenditure has a t-value of -2.289297 > t-table value of 1.65408, indicating that it indirectly has a significant negative influence through Income Inequality on the Human Development Index..

Direct Effect of ZIS Fund Distribution and Government Expenditure on Income Inequality

Based on the results of the panel data regression model equations, it can be inferred that the distribution of zakat, infak, and sedekah (ZIS) funds has a significant negative effect on income inequality. This finding aligns with previous research Ayuniyyah et al., (2018) The existence of a zakat distribution program results in a decrease in income inequality among zakat recipients. Additionally, this study indicates that income inequality levels among zakat recipients can be improved one year after the implementation of zakat distribution programs, both in urban and rural areas.

The study Muttaqin & Safitri (2020) Zakat and infaq funds have a negative relationship with the level of the Gini ratio, which means that the distribution of zakat and infaq funds can reduce the level of income inequality.

Government spending has a significant and positive impact on income inequality. This aligns with previous research Wulandari & Rahmawati (2022) There is evidence of a positive and significant effect on the variable of government spending towards income inequality in Indonesia from 2004 to 2020. This means that an increase in government spending can raise the level of income inequality in Indonesia. This condition arises due to differences in resources and lifestyles in each region, which then results in a gap in income received by each group of society. This is supported by research conducted by Anugra et al., (2016) The findings indicate a significant and positive association between government expenditure and income inequality due to the government's tendency to allocate funds primarily to already developed regions, leading to disparities in income distribution among different areas.

Direct Effect of ZIS Fund Distribution and Government Expenditure on Human Development Index

Based on the output of the panel data regression model equation structure II, it can be seen that the distribution of zakat, infaq, and alms (ZIS) funds has a positive and significant effect on the Human Development Index. In line with research Karuni (2020) that the amount of zakat funds has a positive and significant relationship to the Human Development Index (HDI) which indicates that the greater the zakat funds distributed by zakat institutions, the higher the ability of zakat mustahik to access the results of economic development. This is due to the increasingly massive training and capacity building programs held by BAZNAS and LAZ to strengthen mustahik's awareness of proper education, as well as in supporting mustahik's welfare, as quoted from Puskas BAZNAS, the fund distribution program is also carried out as an investment in productive capital so that mustahik can meet their basic needs and increase their capability to manage resources (puskazbaznas.com).

However, these findings differ from a study by F. E. Wibowo & Gunaepi, (2021) The study indicates that zakat, infak, and sedekah have no significant impact on the Human Development Index in nine cities in the West Java province from 2016-2019. This can be attributed to other factors, such as uneven distribution of funds collected through zakat, infak, and sedekah over the years, varying according to geographical regions.

Meanwhile, government spending has a positive yet insignificant impact on the Human Development Index (HDI), in line with study Ningrum et al., (2020) Government spending has a positive but insignificant effect on the Human Development Index (HDI), since overall government spending has not yet reached important sectors of human development, such as education and healthcare.

Indirect Effect of ZIS Fund Distribution and Government Expenditure through Income Inequality on Human Development Index

According to the regression analysis results for structure II, it is known that income inequality has a significant and negative impact on the Human Development Index (HDI). This finding is consistent with previous research Agus & Utama (2022), the Gini coefficient indicates a significant negative impact of income inequality on the human development index. Such inequality exists within a given region and results in widening income gaps between the rich and the poor. This, in turn, allows individuals with higher incomes to have easier access to healthcare and education services. Meanwhile, individuals living in

poverty are more likely to have stagnant incomes, which means their ability to access education and healthcare will be limited.

Based on the Sobel test analysis, it is revealed that the indirect effect of ZIS fund distribution has a positive impact on IPM through income inequality reduction. This implies that the significant distribution of ZIS funds has a positive effect on IPM by decreasing income inequality, as evidenced by the negative relationship between ZIS distribution and income inequality in the structural regression analysis.

Furthermore, indirect government spending has a negative impact on HDI. This is due to the fact that an increase in government spending will also increase income inequality, which is marked by a significant positive relationship between government spending and income inequality in structural regression analysis.

CONCLUSION AND RECOMMENDATION

Based on the results of the Path Analysis, it has been determined that the distribution of Zakat, Infaq, and Shadaqah (ZIS) and direct government spending have a significant impact on income inequality. Additionally, the analysis also shows that income inequality has a significant negative effect on the HDI. However, only the distribution of ZIS has a direct and significant influence on the Human Development Index (HDI). This is consistent with other findings that suggest income distribution inequality can hinder access for low-income individuals to health and education services. In addition, the indirect allocation of zakat funds has a positive influence on the Human Development Index (HDI) by reducing income inequality. Conversely, indirect government spending has a negative impact on HDI through increasing income inequality.

Therefore, in this context, it is necessary for both the zakat institutions and the government to collaborate to improve the distribution of ZIS funds and ensure their effective use for programs supporting education, health, and the welfare of the people. As a result of this research, suggestions arose for further research that can affect the well-being of society through a more micro dimension. Factors such as access to education, healthcare services, sanitation, training and capacity building programs, as well as the socioeconomic impact of disbursing ZIS funds, should be considered for future research.

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