

Encouraging Sustainable Development through ZIS: The Role of Islamic Philanthropy in Reducing Poverty and Enhancing Socioeconomic Welfare

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ABSTRACT

In an effort to achieve sustainable development, Islamic philanthropy through Zakat, Infaq, and Sadaqah (ZIS) plays an important role in reducing poverty and improving socio-economic welfare. This study aims to analyze the role of Zakat, Infaq, and Sadaqah (ZIS) as an instrument of Islamic philanthropy on poverty, income inequality, human development index and purchasing power in Indonesia in the long and short term. The data analysis techniques used in this study are in the form of Two-Way Fixed Effect Models-GMM for short-term testing and Vector Error Correction Model (VECM) for long-term. The results show that ZIS has a significant negative influence on poverty, income inequality, and HDI, both in the short and long term, indicating that ZIS distribution can help reduce social inequality and improve people's quality of life. In addition, ZIS has been shown to have a positive impact on people's purchasing power, which shows that the assistance provided can increase the economic capacity of individuals. This study suggests that governments and Islamic philanthropic institutions, such as BAZNAS, strengthen the management and distribution of ZIS with a focus on economic empowerment to maximize its impact on sustainable development.

Keywords: *Zakat, Infaq, Sadaqah (ZIS), Poverty, Income Inequality, Human Development Index, Purchasing Power.*

INTRODUCTION

Since the introduction of the 17 Sustainable Development Goals (SDGs), great attention has been paid to issues related to poverty, income inequality, and human development. Challenges such as poverty alleviation, reduction of income inequality, and improvement of human development are still very large in developing countries, including Indonesia (Novreska & Arundina, 2024). According to the Central Statistics Agency (2023), the

poverty rate in Indonesia remains high, reaching 9.57%. Income inequality is also still a problem. Although there has been progress in human development with a score of 72.91, the Covid-19 pandemic has slowed down this progress significantly.

The level of poverty is still an important discussion in the life of the state. Over the past decade, Indonesian economist Faisal Basri said that Indonesia has become the country that contributes the 8th most poor people in the world

calculated from a comparison of the entire world population (Kontan, 2021).

Poverty is a variable that is considered in the economic development of a country. This is important to anticipate because poverty will have a negative impact such as the onset of crime, social deterioration, and danger that can lead to murder (Hermawan & Bahjatulloh, 2022). Poverty often occurs in conjunction with income inequality, which is a condition in which the distribution of national income is uneven among all levels of society. This creates significant disparities in access to resources, basic services, and economic opportunities, making it difficult for the majority of people, especially low-income groups, to improve their standard of living (Novreska & Arundina, 2024). This inequality exacerbates the gap between rich and poor, triggers social problems such as limited access to education, health, and infrastructure, and undermines economic and social stability. As a result, marginalized groups of people are trapped in a cycle of poverty, which slows down overall development progress (Todaro & Smith, 2020).

Poverty alleviation requires not only attention to income, but also human development which includes social, health, and educational aspects. The Human Development Index (HDI) developed by UNDP is based on the Amartya Sen capability method, which states that poverty is determined by a person's potential to function, not just by income. Sen also stressed the importance of economic freedom and access to finance in development. Philanthropic finance is expected to play a role in reducing poverty (Samans, 2024). The Human Development Index (HDI) plays an important role in

lifting a person out of poverty, as it includes three main aspects that support improving the quality of life: education, health, and a decent standard of living (Harsono et al., 2024). By improving access to better education, improving health, and ensuring a decent income, HDI helps individuals develop their ability to work, contribute to the economy, and create greater opportunities to break out of the cycle of poverty (Kamal et al., 2024). The higher the HDI, the greater the chance for a person to live a prosperous and economically independent life.

Poverty and weak purchasing power of the community, as measured through Purchasing Power Parity (PPP), are closely interrelated and have a significant impact on the economy and social welfare (Hill, 2024). When the poverty level is high, people's purchasing power decreases because the income they earn is not enough to meet basic needs. PPP describes how far a person's income can afford to buy goods and services compared to international standards (Alamgir, 2024). In the context of the poor, weak purchasing power results in limited access to essential goods such as food, education, and health services (Jolliffer et al., 2024). Weak purchasing power due to poverty also has a negative impact on the economy as a whole, as domestic consumption demand decreases, which in turn slows economic growth. When the majority of people have low purchasing power, the business sector experiences a decline in sales, so production and investment are also hampered. As a result, a vicious cycle of poverty emerges, where low purchasing power worsens economic conditions, increases social inequality, and slows down poverty alleviation efforts (Kenny, 2024).

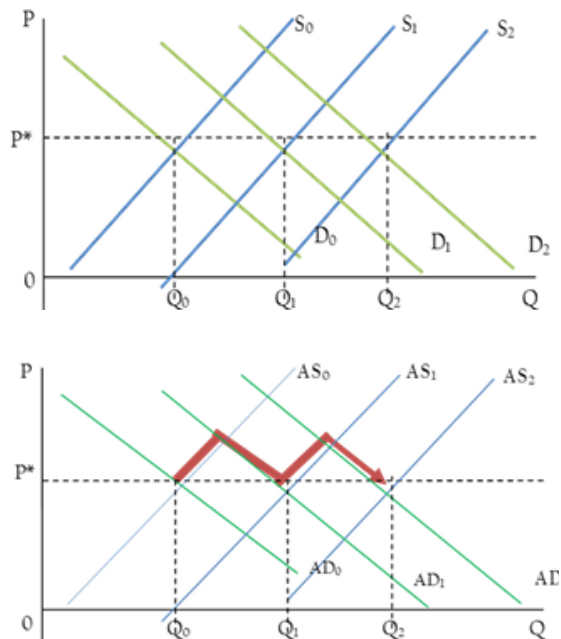
These problems are still a concern for developing countries because they can lead to macroeconomic instability. Therefore, Muslim scholars conduct research in various Muslim countries that have social and economic instruments of Zakat, Infaq, and Sadaqah (Fadila, 2019). Islamic philanthropy represents a financial system that includes various forms such as zakat, infaq, shadaqah, and waqf have the potential to produce positive social and environmental impacts (Widiastuti et al., 2022). The concept of Zakat, Infaq, and Alms (ZIS) plays an important role in the redistribution of wealth from the rich to the underprivileged, so that it can reduce income inequality among the community. ZIS funds are used to meet basic needs, such as food, education, and health, which directly improve the living standards of vulnerable groups (Sudrajat, 2023). With this redistribution, socio-economic disparities are reduced, and people can enjoy more equitable welfare. In addition, ZIS encourages economic empowerment through skills training, business capital assistance, and business assistance for the poor. In addition, strengthening education and health through ZIS also ensures that the younger generation has a better opportunity to improve their quality of life and indirectly increase the human development index (Tasnim et al., 2023). ZIS builds solidarity and a sense of social responsibility among community members and with a culture of sharing creates an environment that supports mutual prosperity. This allows for the creation of an inclusive and sustainable ecosystem, where all members of society have the opportunity to live more prosperously.

ZIS can act as a catalyst in achieving economic growth through various channels. The distribution of ZIS

is able to affect the aggregate demand components (consumption, investment, and public spending), which will ultimately have an impact on economic growth and social welfare, including: (1) ZIS increases the consumption of the poor, especially in meeting their basic needs. According to Ascarya's illustration (2020), the distribution of ZIS provides purchasing power to mustahiq (zakat recipients), so that the demand curve shifts to the right from D_0 to D_1 , D_2 , and so on; (2) ZIS funds can also be used for investment through micro projects carried out by mustahiq (Choudhury & Harahap, 2008). Moreover; (3) When muzakki (zakat payers) have a lot of assets, they will be encouraged to invest their wealth into the real sector, which ultimately increases the supply of goods and services. Conditions (2) and (3) cause a shift in the supply curve from S_0 to S_1 , then to S_2 , and so on (Ascarya, 2020). At the macro level, this has an impact on meeting basic needs and increasing production, which ultimately increases the demand and supply of raw materials, production tools, and other equipment, so that it will gradually increase GDP per capita as a sign of increasing people's welfare.

In addition, the continuous increase in demand and supply will have an impact on increasing production in the goods market. This means that after the supply side is expanded through an increase in the production of goods and services, zakat funds also increase aggregate demand. Simultaneously, this condition affects the value of consumption at the macro level, which can be seen from household consumption and the business sector as shown by variable C in the calculation of national income with the income approach. This increase in expenditure will increase

aggregate demand (AD), which is seen from the shift in the AD₀ curve to AD₁, AD₂, and so on as shown in Figure 1.



Source: Ascarya 2020

Different from previous research (Batubara & Cahyani, 2024; Hasanah et al., 2024; Kamarni et al., 2024; Surury et al., 2024; Zaman et al., 2024), this research focuses on the impact of ZIS on poverty, income inequality, human development index and people's purchasing power in the long and short term. This combination of variables offers a new, more holistic perspective in examining the impact of ZIS distribution on socio-economic welfare. This research is expected to make an important contribution to the related literature and provide a solid foundation for more targeted public policies.

LITERATURE REVIEW

Theoretical overview

Zakat, Infaq, and Shadaqah (ZIS) are not just a form of charity in Islam, but a transformative force that has a strategic role in overcoming poverty and economic inequality. Based on the Islamic Economic Distribution Theory proposed by Chapra (2016), ZIS acts as an important tool in distributing wealth from the more able group to those in need. It is not only about providing momentary assistance, but also encouraging structural change by empowering mustahik (zakat recipients) to stand on their own feet. With this mechanism, ZIS not only meets basic needs, but also provides opportunities for recipients to develop themselves, become more productive, and be economically independent (Qardawi, 1999). This process of redistribution ultimately creates a fairer social balance and reduces the gap that is the root of poverty.

ZIS has had a major impact in improving the Human Development Index (HDI), in accordance with the Human Development Theory, where human development is not only measured by economic growth, but also by the ability of individuals to live a life full of opportunities and freedoms (Sen, 1999). ZIS helps to make this happen by opening up wider access to education and health services, which are urgently needed by underprivileged communities. With zakat, those who are on the poverty line can significantly improve their quality of life. This theory is also in line with Maqashid Sharia, which places human welfare in all aspects both spiritual, mental, and material as the main goal of every economic policy (al-Ġazālī, 1904). In this context, ZIS is not only an instrument of philanthropy, but

an important pillar in creating a prosperous and just society.

In addition, the role of ZIS in increasing people's purchasing power is very crucial. Based on Keynes' Multiplier Theory (1936), an increase in the purchasing power of the lower class will encourage greater consumption, which ultimately strengthens the economy as a whole. With the zakat funds received, *mustahik* can meet their basic needs, thereby increasing consumption and aggregate demand. This has a positive impact on the real sector, creates jobs, and strengthens economic stability. Research shows that ZIS is not only effective in addressing social problems, but also able to be a key driver in creating inclusive and sustainable economic growth (Maksum, 2018). With ZIS, the resulting change is not only felt in the immediate beneficiaries, but also has a positive impact on the national economy as a whole, creating a better future for all levels of society. With all its benefits, ZIS becomes a transformational force that is able to transform the lives of individuals and strengthen the foundation of the national economy. Thus, ZIS becomes a symbol of the collaborative power between spirituality and economics, which ultimately creates a just, prosperous, and inclusive society.

Previous research and hypotheses development Zakat, Infaq and Sadaqah (ZIS) and Poverty Level

Zakat, Infaq, and Sadaqah (ZIS) is a social financial instrument in Islam that has a strategic role in reducing economic inequality and empowering the underprivileged. Based on Islamic distribution theory, ZIS is an important mechanism in mobilizing wealth from the

more fortunate to those in need, thereby creating a fairer social and economic balance (Chapra, 2016). In the short term, ZIS serves as a tool to meet basic *mustahik* needs such as food, education, and health, which directly increases their purchasing power and encourages aggregate consumption. This increase in consumption, according to Keynes' theory, can strengthen aggregate demand and stimulate economic growth (Keynes, 1936; Sudrajat, 2023). An empirical study by Tawakkal et al., (2023) also supports that ZIS is more effective than conventional economic growth in reducing poverty in West Sumatra, indicating that ZIS plays a vital role in maintaining the economic stability of the poor through direct and measurable wealth redistribution mechanisms.

In the long term, ZIS does not only provide material assistance, but also serves as a catalyst to empower *mustahik* to achieve economic independence. Research by Saputro and Sidiq (2020) in Aceh shows that ZIS-based empowerment programs not only improve economic well-being but also overall quality of life, through increasing the Human Development Index (HDI). This is reinforced by the findings of Choiriyah et al., (2020) which show that zakat administered by BAZNAS significantly reduces poverty rates in various provinces in Indonesia, which shows that ZIS is not only effective in the short term, but also creates structural changes in the long term. Research by Widodo (2019) also shows that when ZIS is combined with Islamic commercial finance, its impact in reducing income inequality becomes more significant. Therefore, research on the impact of ZIS is essential to understand the extent to which this instrument can

provide sustainable solutions to the problem of poverty, both through meeting basic needs and economic empowerment in the long term. The proposed hypothesis is:

H1: Statistically, the Zakat, Infaq and Sadaqah (ZIS) index significantly negatively affects Indonesia's poverty rate in the short and long run.

Zakat, Infaq and Sadaqah (ZIS) and Income Inequality Level

Zakat, Infaq, and Sadaqah (ZIS) are fundamental instruments in Islamic economics that have a strategic role in reducing income inequality and creating a more inclusive economic balance. Based on the Islamic distribution theory proposed by (Chapra, 2016), ZIS functions as a mechanism to transfer wealth from the rich to the poor, thereby significantly reducing income inequality and improving the social welfare of the community. Research by Muttaqin and Safitri (2020) shows that ZIS distribution effectively reduces the Gini ratio, a measure of income inequality, by increasing the income and purchasing power of the poor. Keynes's theory also supported this view, in which the increase in consumption of low-income people, facilitated by the ZIS, boosted aggregate demand and accelerated economic growth (Keynes, 1936). Thus, in the short term, ZIS directly contributes to improving welfare by providing access to basic needs, while in the long term, ZIS is able to encourage economic independence through well-planned empowerment programs (Jaenudin & Herianingrum, 2022).

Furthermore, research by Pertiwi et al., (2021) revealed that ZIS not only has an impact on reducing income inequality,

but also plays an important role in other macroeconomic variables, such as human development and poverty alleviation. The theory of human development put forward by Sen (1999) that development is not only about economic growth, but about expanding people's ability to have wider access to education, health, and economic opportunities. Therefore, ZIS directed at productive sectors, such as micro business financing and job creation, has been shown to significantly increase the economic independence of the poor and reduce their dependence on social assistance (Arwani & Wahdati, 2020). This research is critical to evaluate the extent to which ZIS can have a sustainable impact on addressing income inequality, both through short-term direct assistance and through long-term empowerment programs designed to create greater structural change. The proposed hypothesis is:

H2: Statistically, the Zakat, Infaq, and Sadaqah (ZIS) index significantly negatively affects Indonesia's income inequality rate in the short and long term.

Zakat, Infaq and Sadaqah (ZIS) and Human Development Index

Zakat, Infaq, and Sadaqah (ZIS) play an important role in improving the Human Development Index (HDI) in Indonesia through its impact on vital sectors such as education, health, and the economy. Based on the theory of human development put forward by (Sen, 1999), development is not only about economic growth, but also about expanding the ability of individuals to access better education and health. ZIS functions as an instrument that provides direct access to mustahik (zakat recipients) to these services, which ultimately increases HDI.

Research conducted by Rusanti et al., (2023) found that the distribution of ZIS in the education and health sectors significantly contributed to the increase in HDI in various provinces in Indonesia. In addition, a study by Atmajaya and Widiaty (2021) shows that ZIS helps reduce social and economic inequalities, improve access to basic services, and thus improve HDI.

In the short term, the distribution of ZIS directly improves the quality of life of the community by providing access to better health and education services. Hariyanto & Nafi'ah (2023) stated that ZIS contributes significantly to poverty reduction and overall HDI improvement. In the long term, ZIS serves as a catalyst for sustainable economic development through economic empowerment and skills development. Research by (Hamadou & Mamadou Salieu Jallow, 2024; Saputro & Sidiq, 2020) revealed that the distribution of ZIS directed at productive programs, such as entrepreneurship and skill development, not only increases mustahik income but also contributes to national economic growth and increased HDI. Therefore, this study is very important to evaluate the extent to which ZIS has a positive effect on HDI in Indonesia, both in the short term through consumptive assistance, and in the long term through economic empowerment.

H3: Statistically, the Zakat, Infaq, and Sadaqah (ZIS) index significantly positively affects Indonesia's Human Development Index in the short and long term.

Zakat, Infaq and Sadaqah (ZIS) and Purchasing Power Index

Zakat, Infaq, and Alms (ZIS) have a significant impact on increasing people's

purchasing power in Indonesia. Based on Keynesian economic theory, expenditure from the poor who are recipients of ZIS is able to increase aggregate consumption, which in turn triggers overall economic growth (Keynes, 1936; Okviyanti & Kabib, 2023). In the context of income redistribution, ZIS functions as an instrument that transfers wealth from the rich to the needy, with the aim of strengthening the purchasing power of the poor and meeting their basic needs. This theory is also strengthened by the opinion of Friedman (1957) in the theory of permanent income, which states that if income increases, even if it is temporary, consumption will increase proportionally, thus helping to improve people's purchasing power. A study by Sulaeman et al., (2021) found that zakat significantly increased the purchasing power of the Indonesian people before the COVID-19 pandemic, which indicates that ZIS interventions are not only philanthropic in nature, but also play an important role as an economic stimulus in supporting macroeconomic stability. ZIS directly provides consumptive assistance in the short term, especially for basic needs, thereby encouraging consumption and increasing market demand (Saragih et al., 2023).

In the long term, optimal ZIS distribution has a wider impact, not only increasing purchasing power but also empowering zakat recipients to be more productive. Based on the theory of human development by Sen (1999), economic empowerment driven by ZIS provides access to the poor to develop skills and increase incomes. This is reinforced by research (Almeyda & Rusgianto, 2023), which shows that zakat plays an important role in encouraging the productive use of

funds, such as for micro enterprises, which allows beneficiaries to be economically independent. Other research by (Amijaya et al., 2023; Pangestuti & Riantiarno, 2021) that ZIS plays a role in creating jobs and developing the microeconomy, which directly contributes to improving long-term welfare. Therefore, it is important to examine the influence of ZIS on purchasing power, both in the short and long term, in order to understand the effectiveness of this instrument in strengthening the national economy and reducing social inequality.

H4: Statistically, the Zakat, Infaq, and Sadaqah (ZIS) index significantly positively affects Indonesia's Purchasing Power Index in the short and long term.

METHODOLOGY

In an ever-changing economic world, there is a power of philanthropy that is not only spiritually based, but also able to spur sustainable development through the strategic role of Zakat, Infaq, and Sadaqah (ZIS). This study aims to model and estimate parameters through a statistical approach based on panel data from 2013 to 2023, with 374 observations covering 34 provinces in Indonesia. The data analyzed came from the National Amil Zakat Agency (BAZNAS) and the Central Statistics Agency (BPS). Using a quantitative approach and EViews 12 as the main tool, this study seeks to understand how economic and social factors collectively affect the distribution of ZIS, as well as their impact on the social and economic well-being of the community. The following are the variables and data sources of this study.

Table 1. Variables and measurements

Variables		Measurement	Sources
Zakat, Infaq, and Sadaqah (ZIS)	Independen	Distribution of ZIS	BAZNAS
	Dependen	Number of poor people (P0) (annual %)	BPS
		Depth of poverty (P1) (annual %)	
Income Inequality Level	Dependen	Severity of poverty (P2) (annual %)	BPS
		Gini Index	
Human Development Index	Dependen	Access to Education, Health, and Living Standard (income per capita)	BPS
Purchasing Power	Dependen	Purchasing Power Index	BPS

Source: Secondary data processed by the author

In this study, the Panel Vector Error Correction Model (PVECM) method was used to identify long-term and short-term relationships between variables in the panel data. With the cointegration between variables, PVECM allows us to understand

the short-term correction mechanism when there is a deviation from the long-term equilibrium, here is the equation PVECM:

$$POV = \alpha_0 + \alpha_1 ZIS_{t-1} + \epsilon t \quad (Long Term)$$

$$INC = \alpha_0 + \alpha_1 ZIS_{t-1} + \varepsilon t \quad (\text{Long Term})$$

$$HDI = \alpha_0 + \alpha_1 ZIS_{t-1} + \varepsilon t \quad (\text{Long Term})$$

$$PP = \alpha_0 + \alpha_1 ZIS_{t-1} + \varepsilon t \quad (\text{Long Term})$$

$$\Delta POV = \beta_0 + \sum_{i=t}^m \beta_{1i} \Delta POV_{t-1} + \sum_{i=1}^m \beta_{2i} \Delta ZIS_{t-i} +$$

$$\Delta INC = \beta_0 + \sum_{i=t}^m \beta_{1i} \Delta INC_{t-1} + \sum_{i=1}^m \beta_{2i} \Delta ZIS_{t-i} +$$

$$\Delta HDI = \beta_0 + \sum_{i=t}^m \beta_{1i} \Delta HDI_{t-1} + \sum_{i=1}^m \beta_{2i} \Delta ZIS_{t-i} +$$

$$\Delta PP = \beta_0 + \sum_{i=t}^m \beta_{1i} \Delta PP_{t-1} + \sum_{i=1}^m \beta_{2i} \Delta ZIS_{t-i} + \lambda:$$

In addition, in this study using GMM which aims to overcome endogeneity problems that often arise in panel data analysis, the GMM method is applied to improve the accuracy of parameter estimation. The panel data in this study uses a *generalized least squares* (GLS) model. The GLS model is better than the OLS method, in the classical assumption the GLS method will be used to test multicollinearity problems (Priambodo, 2015). The approach in estimation and selection of the GLS model uses three approaches, namely: *Common Effect model*, *Fixed Effect Model* and *Random Effect*. Furthermore, to choose the best model among the three previous models, some more tests are needed, namely:

- Chow Test, this test is carried out to determine the model to be used between *the Fixed Effect Model* or *the Common Effect Model*. A good model determination follows the

test assessment criteria if $F_{count} > F_{(n-1).(nT-n-k)}$ or if the probability value and *Chi-square* are $> \alpha$ then the appropriate CEM model is used. Conversely, if the probability and *Chi-square values* are $< \alpha$, then the appropriate FEM model is used.

- Hausman test, this test is carried out to determine the model to be used between *the Fixed Effect Model* or *the Random Effect Model*. Model determination in the hausman test when $X^2_{count} > X^2_{(k.a)}$ or if the probability value and *Chi-square* are $> \alpha$ then the appropriate REM model is used. Conversely, if the values of probability and *Chi-square* are $< \alpha$, then the appropriate FEM model is used.

Once the best model is found, the next step is to analyze the model with a *generalized method of moment* (GMM). Parameter assessment can be done with GMM to avoid unexpected assumptions (Abdal *et al.*, 2020). The *generalized method of moment* (GMM) model will make it easier to analyze the data from each variable. According to Alam *et al.*, (2017) this analysis technique is more efficient when compared to *two-way fixed effect models*. The *generalized method of moment* (GMM) estimation model was introduced by Arellano Bond (1991). *Generalized method of moment* (GMM) estimation will produce unbiased, consistent and efficient estimation. The GMM Arellano-Bond *one step estimator* can be written as follows (Nabilah & Setiawan, 2016):

$$\frac{\delta}{\beta} = \left[\left(N^{-1} \sum_{i=1}^N (\Delta y_{it-1} \Delta x_1)' Z_i \right) w \left(N^{-1} \sum_{i=1}^N (\Delta y_{it} \right.$$

Where:

Z_i : Valid instrument matrix

w : The estimate is unbiased and consistent for with is the number of instrument variables. $w (L \times L)L$

The results of *the two step estimator* are obtained by substituting the weights by: w

$$\Delta^{-1} = N^{-1} \sum_{t=1}^N Z_i' \Delta V_i \Delta V_i Z_i$$

The model approach shows the direct and indirect impact of each independent variable on economic growth based on the standard growth regression model (Siddique *et al.*, 2016). The model is described by:

$$POV = \alpha + \beta_1 ZIS + \varepsilon$$

$$INC = \alpha + \beta_1 ZIS + \varepsilon$$

$$HDI = \alpha + \beta_1 ZIS + \varepsilon$$

$$PP = \alpha + \beta_1 ZIS + \varepsilon$$

- ZIS : Zakat, Infaq, Sadaqah
- POV : Poverty
- INC : Income Inequality
- HDI : Human Development Index
- PP : Purchasing Power
- ε : Error

Furthermore, a model specification test was carried out where this test was used to

determine the validity of the use of instrument variables exceeding the number of suspected parameters. In addition, to test the consistency of the estimation of the data processing results by testing *the generalized method of moment* (GMM). The model specification test consists of the Arellano-Bond test and the Sargan test (Nabilah & Setiawan, 2016). The Arellano-Bond test is used to test the consistency of estimates obtained from the *generalized method of moment* (GMM) testing process. The criterion of the Arellano-Bond test is that if the instrument variable does not find an autocorrelation problem in the *first difference* of the *ith* order, then the instrument variable is declared valid. The mathematical function of the Arellano-Bond test can be described by the formula:

$$m(2) = \frac{\Delta \tilde{V}_{i,t-2} \Delta \tilde{V}^*}{(\Delta \tilde{V})^2} \dots\dots\dots$$

Where:

$\Delta \tilde{V}_{i,t-2}$: Error vector on the

2nd lag with orde $q = \sum_{i=1}^n T1 - 4$

$\Delta \tilde{V}^*$: Vector error truncated to adjust $\Delta \tilde{V}_{i,t-2}$ which is $q \times 1$

The decision from the Arellano-Bond test, if the AR value is greater than the value of α 5% (>0.05), it means that the resulting statistical value is not significant at $m2$. After that, a sargan test was

carried out which served to determine the validity of the use of instruments that exceeded the number of parameters suspected of *over-identifying*. The sargan test is used if the instrument variable does not correlate with *the error* so that the instrument variable is declared valid. The mathematical function of the sargan test can be written by:

$$S = \tilde{V}' Z \left(\sum_{i=1}^N Z' \tilde{V}_i \tilde{V}_i' Z_i \right)^{n-1} Z' \tilde{V} \sim X^2_{L-(k+1)} \dots\dots\dots$$

Where:

Z: Matriks variabel instrument

\tilde{V} : Error component of model estimation

The decision in the sargan test is if *the p-value* > $\alpha = 0.05$ (5%). The results of the *generalized method of moment* (GMM) sargan test will be shown in the J-satistic value (Widarjono & Anto, 2020).

RESULT AND ANALYSIS

Descriptive Statistics

This study aims to describe the influence of Zakat, Infaq, and Sadaqah (ZIS) on poverty (POV), income inequality (INC), human development index (HDI) and purchasing power (PP). Based on Table 2, the province with the highest distribution of Zakat, Infaq, and Alms (ZIS) is West Java with a maximum value of 28.64, while the provinces with the lowest ZIS value are Papua and North Kalimantan with a value of 0. The high value of ZIS in West Java can be attributed to the large Muslim population in the region as well as strong institutional support such as BAZNAS and other amil zakat institutions that have succeeded in mobilizing zakat funds effectively. Conversely, the low value of ZIS in Papua and North Kalimantan may be influenced by the smaller Muslim population, limited access to ZIS management institutions, and geographical constraints that hinder community participation in Islamic philanthropy.

Table 2. Descriptive Statistics

	ZIS	POV	INC	HDI	PP
Mean	18.80414	4.430906	0.354610	70.12743	123.9210
Median	22.59391	3.718333	0.356000	70.11000	122.1000
Maximum	28.64161	13.36667	0.459000	82.46000	176.5200
Minimum	0.000000	0.000000	0.000000	56.25000	103.0600
Std. Dev.	9.032397	2.510759	0.049122	4.282029	13.54860
Observations	374	374	374	374	374

Source: Secondary data worked by the author using EViews 12, 2024

For the Human Development Index (HDI) variable, the province with the highest score is DKI Jakarta with an HDI of 0.459, while Papua recorded the lowest

value of 0.000. Jakarta's high HDI reflects better access to education, healthcare services, and higher living standards, in line with its status as the country's capital

with more advanced infrastructure and resources. On the other hand, the low HDI in Papua can be explained by the challenges faced by the province in terms of limited access to basic services, inadequate infrastructure, and relatively high poverty rates, which ultimately affect the quality of human development in the region. This inequality illustrates a major challenge for the government in encouraging more equitable development throughout Indonesia.

Results of Short-Term Model Estimation (Two-Way Fixed Effect Models-GMM) Model Selection

Before estimating the dynamic model with *the generalized method of moment* (GMM), the model was first selected through the Chow test and the Hausman test. Chow testing is used to determine whether a Common Effect Model (CEM) or a Fixed Effect Model (FEM) model is more appropriate to use. In the POV, INC, and PP variables, the probability value of 0.0000 is less than 0.05. This means that H0 is rejected, and the right model to use is the Fixed Effect Model (FEM). Meanwhile, for the HDI variable, a probability value of 0.9224 is greater than 0.05, so H0 is accepted, and the corresponding model is the Common Effect Model (CEM).

Table 3. Chow Test, Hausman Test and LM Test

	Variable	Prob.	Information	Conclusion
Chow Test	POV	0.0000	< 0.05 H0 is rejected	FEM
	INC	0.0000	< 0.05 H0 is rejected	FEM
	HDI	0.9224	< 0.05 H0 is accepted	CEM
	PP	0.0000	> 0.05 H0 is rejected	FEM
Hauman Test	POV	0.0209	< 0.05 H0 is rejected	FEM
	INC	0.0168	< 0.05 H0 is rejected	FEM
	PP	0.0273	< 0.05 H0 is rejected	FEM

Source: E-Views-12, data processed, 2024

The Hausman Test is used to compare the Fixed Effect Model (FEM) with the Random Effect Model (REM). In the POV, INC, and PP variables, the probability values are 0.0209, 0.0168, and

0.0273, respectively. All of these values are less than 0.05, so H0 is rejected, which means that the Fixed Effect Model (FEM) is more precise than the Random Effect Model (REM).

Short-Term Dynamic Regression Results

Table. 4 Results of Dynamic Regression (Two-Way Fixed Effect Models-GMM)

Variable	Coefficient	T-Statistics	Prob.	Conclusion
POV(-1)	0.565564	86.39400	0.0000	Significant
ZIS	-3.82E-13	-7.014661	0.0000	
INC(-1)	0.565378	72.46142	0.0000	Significant
ZIS	-1.19E-14	-3.808057	0.0006	
HDI(-1)	0.994126	1085.200	0.0000	Significant
ZIS	-6.13E-13	-11.02088	0.0000	

PP(-1)	0.241635	703.8527	0.0000	Significant
ZIS	4.20E-11	580.7993	0.0000	

Source: E-Views 12, data processed, 2024

Table 4 shows the influence of independent variables and dependent lag variables on dependent variables. Based on the estimation model offered, this study uses panel regression based on Two-Way Fixed Effect Models-GMM. The results of the study showed that the ZIS variable had a significant negative effect on poverty (POV), income inequality (INC) and human development index (HDI) and had a significant positive effect on purchasing

power (PP), this was evidenced by the significance value of each variable less than 0.05. This means that ZIS functions as an effective instrument in reducing poverty, improving human development, and improving purchasing power in the short term. This shows the important role of ZIS in improving the economic and social conditions of the community.

Feasibility Test Model GMM

Consistency Test (Arellano Bond)

Table 5. Arellano Bond Test

Variable	Test Order	Prob.	Information	Conclusion
POV	AR(1)	0.0603	>0.05 H0 is rejected	No autocorrelation
	AR(2)	0.4986	>0.05 H0 is rejected	
INC	AR(1)	0.2581	>0.05 H0 is rejected	No Autocorrelation
	AR(2)	0.2344	>0.05 H0 is rejected	
HDI	AR(1)	0.2092	>0.05 H0 is rejected	No Autocorrelation
	AR(2)	0.2595	>0.05 H0 is rejected	
PP	AR(1)	0.0748	>0.05 H0 is rejected	No Autocorrelation
	AR(2)	0.1221	>0.05 H0 is rejected	

Sumber: E-Views 12, data diolah, 2024

Based on Table 5, the probability values of AR(1) and AR(2) are each dependent variables more than 0.05. This shows the absence of autocorrelation symptoms in the model. Therefore, the researcher used the method described by Arellano & Bover, (1995), namely the GMM system. This method combines

regression at the first difference and regression at the level to estimate the influence between variables. Using this method, researchers can generate more accurate estimates of the influence between variables in the short term.

Instrument Validity Test (Sargan Test)

Table. 6 Sargan Test

Variable	Prob (J-Statistic)	Information	Conclusion
POV	0.543597	>0.05 H0 id rejected	Valid
INC	0.395657	>0.05 H0 id rejected	Valid
HDI	0.158973	>0.05 H0 id rejected	Valid
PP	0.280630	>0.05 H0 id rejected	Valid

Source: E-Views 12, data processed, 2024

The results of the sargan test show that the restriction of overidentification in the model is valid. The Prob value (J-Statistic) of each dependent variable is more than 0.05, which shows that the instrument used for each variable does not correlate with the fault of the perturbator. Thus, the GMM model used has produced reliable estimates.

Long-Term Model Estimation Results (Vector Error Correction Model (VECM))

Stationary Test: The ADF Test

Table 7. The ADF Test and PP Test

Variables	Augmented Dickey Fuller (ADF)	
	LEVEL	1st difference
ZIS	0.0000*	0.0000*
POV	0.0214*	0.0000*
INC	0.0000*	0.0000*
HDI	1.0000	0.0001*
PP	0.9143	0.0006*

Prob value, 5% significance level

Source: E-Views 12, data processed, 2024

Based on Table 7, the results of the stationarity test with the Augmented Dickey Fuller (ADF) method show that some of the variables in this study are stationary at the level level, while others only become stationary after the first differentiation. The ZIS, POV, and INC variables are already stationary at the level level with p-values below 0.05, which indicates that no additional transformations are required to achieve stationarity. However, the HDI and PP variables are not stationary at the level, as seen from the p-value greater than 0.05. After the first differentiation, all variables, including HDI and PP, become stationary with a p-value of less than 0.05, signaling that the first differentiation is necessary to ensure stationarity on some variables. These results are important to ensure that the econometric model used in the study can meet the assumptions of stationarity, which are necessary for a valid analysis.

Optimal Lag Test Results

Table 8. Optimal Lag Test Results

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-743.3105	NA	0.001056	7.336378	7.417704	7.369276
1	-621.4478	236.5571	0.000409	6.386743	6.874702*	6.584131
2	-576.9862	84.12832	0.000338	6.195943	7.090534	6.557822*
3	-535.5524	76.36829	0.000288	6.034827	7.336050	6.561195
4	-499.8378	64.07607*	0.000260*	5.929783*	7.637638	6.620641

Source: E-Views 12, data processed, 2024

Based on Table 8, the results of the optimal lag length test show that lag 4 is the most optimal for the analyzed model. This can be seen from the lowest AIC value of 5.929783, followed by the lowest SC value of 7.637638 and the lowest HQ value of 6.620641 in lag 4. In addition, the smallest FPE (Final Prediction Error)

value was recorded at 0.000260 at lag 4, indicating that this lag provides the most accurate and efficient prediction. Overall, lag 4 is considered an optimal choice to minimize prediction errors and ensure better model performance in further econometric analysis.

Stability Test

Source: Secondary data worked by the author using EViews 12, 2024

Table 9. Stability Test Results

Root	Modulus
0.155977 + 0.777938i	0.793421
0.155977 - 0.777938i	0.793421
0.327772 + 0.712669i	0.784431
0.327772 - 0.712669i	0.784431
-0.511713 - 0.542511i	0.745767
-0.511713 + 0.542511i	0.745767
-0.553649 - 0.262278i	0.612631
-0.553649 + 0.262278i	0.612631
-0.344361 - 0.499137i	0.606401
-0.344361 + 0.499137i	0.606401
-0.554188 - 0.026682i	0.554830
-0.554188 + 0.026682i	0.554830
0.543213	0.543213
-0.128447 - 0.485445i	0.502151
-0.128447 + 0.485445i	0.502151
0.188941 - 0.449929i	0.487991
0.188941 + 0.449929i	0.487991
0.429361	0.429361
0.207604 + 0.154733i	0.258924
0.207604 - 0.154733i	0.258924

Based on the results of the Stability Test in Table 9, it can be seen that all characteristic roots have a modulus value $<$ of 1, such as the highest value of 0.793421 and the lowest value of 0.258924. This indicates that the model is in a stable condition. The stability of this model is important because it ensures that the model will not experience divergence or instability when used for long-term analysis. With a characteristic root that has a modulus below 1, the model is reliable for long-term prediction and is able to handle changes in data without sacrificing the validity of the results.

*Granger Causality Test***Table 10. Causality Test Results**

Null Hypothesis:	Obs	F-Statistic	Prob.
POV does not Granger Cause ZIS	374	7.60563	9.E-06
ZIS does not Granger Cause POV		1.24299	0.2935
INC does not Granger Cause ZIS	374	9.64816	3.E-07
ZIS does not Granger Cause INC		0.46569	0.7609
HDI does not Granger Cause ZIS	374	3.11089	0.0161*
ZIS does not Granger Cause HDI		10.5356	7.E-08
PP does not Granger Cause ZIS	374	2.49133	0.0440*
ZIS does not Granger Cause PP		11.6477	1.E-08
INC does not Granger Cause POV	374	0.55115	0.6984
POV does not Granger Cause INC		1.67500	0.1566
HDI does not Granger Cause POV	374	4.62202	0.0013*
POV does not Granger Cause HDI		0.38056	0.8224
PP does not Granger Cause POV	374	11.2557	2.E-08
POV does not Granger Cause PP		0.98764	0.4150
HDI does not Granger Cause INC	374	1.23540	0.2966
INC does not Granger Cause HDI		2.68675	0.0321*
PP does not Granger Cause INC	374	2.54777	0.0402*
INC does not Granger Cause PP		0.66231	0.6188
PP does not Granger Cause HDI	374	11.3686	2.E-08
HDI does not Granger Cause PP		1.95906	0.1016

Source: E-Views 12, data processed, 2024

Based on the results of the Granger Causality Test in Table 10, several significant one-way causal relationships were found between the variables analyzed. For example, POV (poverty rate) was proven to affect ZIS (Zakat, Infaq, and Sadaqah) with an F-statistic of 7.60563 and a p-value of 9.E-06, showing a very significant relationship. In addition, INC (revenue) also affects ZIS with an F-statistic of 9.64816 and a p-value of 3.E-07. On the other hand, HDI (Human Development Index) significantly affected POV with a p-value of 0.0133, while PP (Purchasing Power) affected ZIS with a p-value of 0.0440, indicating a link between purchasing power and zakat distribution. Another relationship was seen between INC affecting HDI with a p-value of 0.0321.

It is worth noting that there is no two-way causal relationship between the variables analyzed. This means that while one variable can affect another, the effect does not always occur the other way around. For example, POV affects ZIS, but ZIS does not affect POV. These findings underscore that variables such as poverty, income, and purchasing power have a more dominant role in influencing other variables, without any adverse effects. This understanding is crucial because it helps policymakers focus on key variables that actually have a major impact on socio-economic dynamics. Thus, the policies formulated can be more targeted and effective in encouraging sustainable positive change.

Co-integration test: The Johansson co-integration test

Table 11. Trace Statistics

Unrestricted Cointegration Rank Test (Trace)					
Hypothesized	No. of CE(s)	Eigenvalue	Trace Statistics	0.05 Critical Value	Prob.**
None *	0.657357	426.9745	69.818	89	0.0000
At most 1 *	0.443466	244.8932	47.856	13	0.0000
At most 2 *	0.343118	145.2687	29.797	07	0.0000
At most 3 *	0.239570	73.82600	15.494	71	0.0000
At most 4 *	0.148196	27.26779	3.8414	65	0.0000

Trace test indicates 5 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999)

p-values

Source: E-Views 12, data processed, 2024

Table 12. Maximum Eigenvalue

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)					
Hypothesized	No. of CE(s)	Max-Eigenvalue	Max-Eigenvalue Statistics	0.05 Critical Value	Prob.**
None *	0.657357	182.0813	33.876	87	0.0000
At most 1 *	0.443466	99.62448	27.584	34	0.0000
At most 2 *	0.343118	71.44273	21.131	62	0.0000
At most 3 *	0.239570	46.55821	14.264	60	0.0000
At most 4 *	0.148196	27.26779	3.8414	65	0.0000

Max-eigenvalue test indicates 5 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999)

p-values

Source: E-Views 12, data processed, 2024

Based on the results of the Johansson Co-integration Test in Table 11 and Table 12, it was found that there were five significant co-integration relationships, both through Trace Statistics and Maximum Eigenvalue. Based on Trace Statistics, these five cointegration relationships are significant with a p-value of 0.0000 on all the hypotheses tested, including None ($p = 0.0000$), At most 1 ($p = 0.0000$), and so on, which indicates that there are five linear combinations of variables that move together in the long

term. Meanwhile, Maximum Eigenvalue also confirmed the existence of five significant cointegration relationships with a p-value of 0.0000 for each level of hypothesis tested. This indicates that the variables in the model have a stable and interrelated long-term relationship, thus supporting long-term equilibrium in the system under test.

Estimation of vector Panel Error Correction Model (PVECM)

Table 13. Short-Term and Long-Term PVECM Estimates

Variables	Coefficient Value	T-statistic	Information
Short Run Results			
CointEq1	-3.211319	[-15.1687]	
D(ZIS(-4)) → POV	-0.009613	[-3.92267]	Significant
D(ZIS(-4)) → INC	-0.000272	[-2.22858]	Significant
D(ZIS(-4)) → HDI	-0.420350	[-3.27049]	Significant
D(ZIS(-4)) → PP	0.554284	[5.37784]	Significant
Long Run Results			
POV,INC,HDI,PP	1.000000	1.000000	
D(ZIS(-1)) → POV	-0.112703	[-8.88618]	Significant
D(ZIS(-1)) → INC	-0.004903	[-7.99080]	Significant
D(ZIS(-1)) → HDI	-0.225165	[-12.3575]	Significant
D(ZIS(-1)) → PP	1.050232	[11.4003]	Significant
Note: T-tabel ($\alpha = 0,05$) = 1.966396			

Source: E-Views 12, data processed, 2024

Based on the results of the Panel Vector Error Correction Model (PVECM) estimates in Table 13, there is a significant relationship between several variables both in the short and long term. In the short term, the increase in the distribution of ZIS (Zakat, Infaq, and Sadaqah) showed a significant influence on the POV (poverty level) variable with a coefficient of -0.009613 and t-count -3.92267. This shows that the increase in ZIS has the potential to significantly reduce poverty levels in the short term. In addition, ZIS

also affects other variables such as INC (income), HDI (Human Development Index), and PP (Purchasing Power) with significant coefficient and t-count values, indicating that ZIS plays an important role in improving economic and social welfare directly in the short term. In the long run, the relationship between these variables becomes more complex. ZIS remains significant in reducing the poverty rate (POV) with a coefficient of -0.112703 and t-count -8.88618, which means that the distribution of zakat, infaq, and alms can

have a consistent long-term impact in reducing poverty. This relationship underscores the importance of optimizing philanthropic instruments in socio-economic policy. Similarly, ZIS significantly affects INC, HDI, and PP in the long term, indicating that economic empowerment through social instruments such as zakat can improve economic well-being in a sustainable manner.

This result is interesting because it shows that increasing HDI and PP is not only important to improve the quality of life, but can also strengthen people's purchasing power. For example, the increase in ZIS has a significant influence on PP with a coefficient of 0.554284 and a t-count of 5.37784 in the short term, as well as a coefficient of 1.050232 and a t-count of 11.4003 in the long term, which shows that economic empowerment through ZIS can increase people's purchasing power in a sustainable manner. Overall, the results of this PVECM emphasize that philanthropic approaches such as zakat not only have a direct impact on poverty reduction in the short term, but also provide a significant multiplier effect in the long term through increased income, quality of life, and purchasing power. Therefore, policy strategies that integrate social and economic instruments can have a sustainable impact on more inclusive and equitable development.

Impulse Responde Function (IRF) and Forecast Error Variance Decomposition (FEVD)

Based on the results of the Impulse Response Function (IRF) in Figure 2, variables such as ZIS (Zakat, Infaq, and Sadaqah), POV (poverty rate), INC (income), HDI (Human Development Index), and PP (Purchasing Power) show

diverse responses to innovation from other variables. At first, it appears that most variables respond to innovation with significant fluctuations, such as POV which gives a strong negative response at the beginning of the period but then stabilizes itself over time. Similarly, the ZIS variable showed a positive increase in the initial response but also gradually decreased towards stability. Variables such as INC and HDI also showed a softer response to innovation shocks, with small fluctuations that tended to be evenly distributed over time. In general, these findings suggest that although innovations in variables may cause shocks at first, these socio-economic systems show signs of stabilization in the long term, signaling that they adapt to change rapidly. These results provide important insights into how economic policies can manage shocks to minimize long-term impacts.

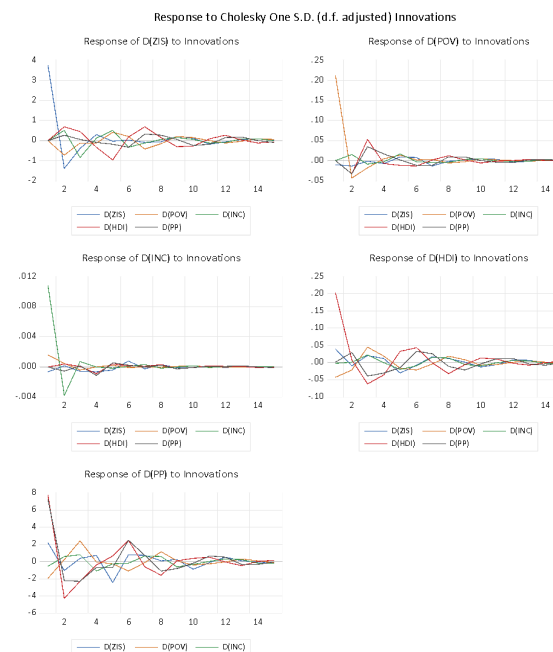


Figure 2. Impulse Responde Function (IRF)

Source: EViews Process 12, 2024

Based on Table 14, the results of Variance Decomposition for the ZIS variables (Zakat, Infaq, and Sadaqah) show that in the initial period, the variability of ZIS is fully explained by itself (100% in the first period). However, over time, the contribution of other variables such as POV (poverty rate), INC (income), HDI (Human Development Index), and PP (Purchasing Power) began to gradually increase in explaining the variability of ZIS. In the 15th period, the contribution of POV reached 4.86%, INC 6.52%, HDI 11.42%, and PP by 2.48%.

This suggests that, in the long run, the interaction between variables such as poverty, income, human development, and purchasing power plays an important role in influencing the dynamics of ZIS distribution. These findings indicate that efforts to optimize ZIS distribution require a comprehensive approach, taking into account various economic and social factors so that ZIS distribution can be more effective in supporting community welfare in a sustainable manner.

Table 14. Variance Decomposition ZIS

Period	S.E.	D(ZIS)	D(POV)	D(INC)	D(HDI)	D(PP)
1	3.764910	100.0000	0.000000	0.000000	0.000000	0.000000
2	4.175215	92.26917	3.058226	1.471991	2.771415	0.429201
3	4.303605	87.68636	2.980515	5.232611	3.681498	0.419018
4	4.329339	87.08231	3.014808	5.221017	4.202123	0.479743
5	4.491037	80.93235	3.586999	6.162745	8.715353	0.602551
6	4.522854	79.80148	3.728652	6.625705	8.716161	1.128002
7	4.605214	77.02824	4.454396	6.462274	10.50767	1.547421
8	4.618602	76.60765	4.564220	6.440977	10.54795	1.839198
9	4.641036	76.04082	4.728022	6.486305	10.91685	1.827993
10	4.659706	75.49413	4.795067	6.442644	11.15913	2.109027
11	4.668467	75.35055	4.779047	6.483808	11.13851	2.248083
12	4.681130	74.97582	4.839532	6.492220	11.37441	2.318021
13	4.685036	74.85719	4.840424	6.502995	11.35677	2.442625
14	4.689348	74.75575	4.861111	6.528277	11.41673	2.438140
15	4.691205	74.70204	4.868099	6.524274	11.42054	2.485041

Source: E-Views 12, data processed, 2024

DISCUSSION

Zakat, Infaq and Sadaqah (ZIS) and Poverty Level

Based on the testing of short-term and long-term models, it shows that the ZIS instrument has a significant negative effect on Indonesia's poverty in the short and long term. So that Hypothesis 1 is accepted, which means that Zakat, Infaq,

and Alms (ZIS) have an important role in reducing poverty and encouraging economic growth in various provinces in Indonesia. The results of this study are in line with Islamic distribution theory, that ZIS is an important mechanism in mobilizing wealth from the more able to those in need, thereby creating a more equitable social and economic balance (Chapra, 2016).

The influence of ZIS is not only visible for a short period of time, but also continues over a longer period of time. In the short term, the impact of ZIS distribution may be felt directly by the beneficiaries. Meanwhile, in the long term, the impact can create structural changes in poverty reduction, such as increased access to education and health, which in turn improves people's quality of life. The results of this study are in line with research conducted by Keynes, (1936) and Sudrajat (2023), which revealed that, in the short term, ZIS serves as a tool to meet basic *mustahik* needs such as food, education, and health, which directly increases their purchasing power and encourages aggregate consumption. This increase in consumption, according to Keynes' theory, can strengthen aggregate demand and stimulate economic growth.

In the long term, research by Saputro and Sidiq (2020) in Aceh shows that ZIS-based empowerment programs not only improve economic well-being but also overall quality of life, through increasing the Human Development Index (HDI). This is reinforced by the findings of Choiriyah et al., (2020) which show that zakat administered by BAZNAS significantly reduces poverty rates in various provinces in Indonesia, which shows that ZIS is not only effective in the short term, but also creates structural changes in the long term. Research by Widodo (2019) also shows that when ZIS is combined with Islamic commercial finance, its impact in reducing income inequality becomes more significant. In the long term, ZIS does not only provide material assistance, but also serves as a catalyst to empower *mustahik* to achieve economic independence.

Zakat, Infaq and Sadaqah (ZIS) and Income Inequality Level

Based on the testing of short-term and long-term models, it shows that the ZIS instrument has a significant negative effect on the level of income inequality in Indonesia, both in the short and long term. Thus, hypothesis 2 in this study is accepted, ZIS not only helps reduce poverty, but also plays an important role in reducing income inequality in Indonesia. The results of this study are also in line with the Islamic distribution theory proposed by (Chapra, 2016), that ZIS functions as a mechanism to transfer wealth from the rich to the poor, thereby significantly reducing income inequality and improving the social welfare of the community.

The results of this study are in line with research conducted by Muttaqin and Safitri (2020) showing that the distribution of ZIS effectively reduces the Gini ratio, a measure of income inequality, by increasing the income and purchasing power of the poor. Keynes's theory also supported this view, in which the increase in consumption of low-income people, facilitated by the ZIS, boosted aggregate demand and accelerated economic growth (Keynes, 1936). Thus, in the short term, ZIS directly contributes to improving welfare by providing access to basic needs, while in the long term, ZIS is able to encourage economic independence through well-planned empowerment programs (Jaenudin & Herianingrum, 2022).

In the long term, ZIS plays a role as an instrument that is not only charitable, but also empowers and creates economic opportunities for the underprivileged. Through wealth redistribution, improved access to basic services, and economic

empowerment, ZIS helps to reduce income inequality sustainably and create positive long-term effects for society as a whole, such as micro enterprise financing and job creation (Arwani & Wahdati, 2020). The results of this study are in line with Pertiwi et al., (2021) and Kamal et al. (2021)

Zakat, Infaq and Sadaqah (ZIS) and Human Development Index

Based on the testing of short-term and long-term models, it shows that the ZIS instrument has a significant negative effect on the Indonesian Human Development Index in the short and long term. Thus, hypothesis 3 in this study is rejected, meaning that the ZIS instrument has not succeeded in playing a significant role in improving the quality of life, education, or health of zakat recipients both in the short and long term. This condition arises because the tendency to give or distribute ZIS funds to the community is only sporadic, not carried out periodically or continuously. The sporadic model is not able to be a driver of people's purchasing power or increase the level of public consumption itself. This sporadic model is generally found in. The distribution of consumptive ZIS funds, while for the distribution of productive ZIS funds, it can be caused by limitations in physical abilities due to age factors in running an empowered business or the difficulty of developing and maintaining an empowered business (Widiastuti & Rosyidi, 2015). In addition, when viewed from the potential of zakat in Indonesia, the collection of zakat is still very far from the existing potential. In 2020, Indonesia's zakat potential is 327.6 trillion, while the collection of zakat in 2020 is only 12.273 trillion (BAZNAS, 2021). This shows that only 26% of zakat collection from the

potential of zakat in Indonesia so that it is possible that zakat does not have too much impact on the Indonesian mustahik economy

Zakat, Infaq and Sadaqah (ZIS) and Purchasing Power Index

Based on the testing of short-term and long-term models, it shows that the ZIS instrument has a significant positive effect on the Indonesian Purchasing Power Index, both in the short and long term. Thus, hypothesis 4 in this study is accepted, meaning that ZIS plays an important role as an instrument to improve economic welfare and people's purchasing power, as well as reduce inequality and poverty in Indonesia. The results of this study are in accordance with Keynes's economic theory, that expenditure from the poor group who are recipients of ZIS is able to increase aggregate consumption, which in turn triggers overall economic growth (Keynes, 1936; Okviyanti & Kabib, 2023).

The results of this study are in line with research conducted by Sulaeman et al., (2021) found that zakat significantly increased the purchasing power of the Indonesian people before the COVID-19 pandemic, which indicates that ZIS interventions are not only philanthropic in nature, but also play an important role as an economic stimulus in supporting macroeconomic stability. ZIS directly provides consumptive assistance in the short term, especially for basic needs, thereby encouraging consumption and increasing market demand (Saragih et al., 2023).

In the long term, optimal ZIS distribution has a wider impact, not only increasing purchasing power but also empowering zakat recipients to be more

productive. This is reinforced by research (Almeyda & Rusgianto, 2023), which shows that zakat plays an important role in encouraging the productive use of funds, such as for micro enterprises, which allows beneficiaries to be economically independent. Other research by (Amijaya et al., 2023; Pangestuti & Riantiarno, 2021) that ZIS plays a role in creating jobs and microeconomic development, which directly contributes to improving long-term well-being

CONCLUSION AND RECOMMENDATION

This study aims to analyze the impact of ZIS on poverty, income inequality, human development index, and people's purchasing power, both in the short and long term. The results of the study show that Zakat, Infaq, and Sadaqah (ZIS) have a significant role in encouraging sustainable development, albeit with diverse impacts. In particular, ZIS has been proven to have a negative effect on poverty, income inequality, and the human development index (HDI) both in the short and long term. This indicates that the distribution of ZIS can help reduce social disparities and improve the overall well-being of society. However, ZIS also has a positive effect on people's purchasing power, which shows that the assistance provided is able to increase the economic capacity of individuals. Therefore, ZIS can be an effective instrument in creating social and economic well-being, although challenges in sustainable implementation still need to be faced to maximize its impact.

Considering that ZIS has a positive effect on purchasing power, it is recommended to focus more on economic

empowerment programs that can create jobs and increase the economic independence of the poor. Programs such as skills training, business capital, and entrepreneurship education need to be improved. In addition, the government and BAZNAS need to ensure that the collection and distribution of ZIS is carried out more transparently and effectively. This can include improving management systems, utilizing information technology, and stricter supervision to avoid misuse of funds. Suggestions for future researchers are to combine qualitative and quantitative methods to delve deeper into the factors that affect the effectiveness of ZIS in community empowerment. In-depth interviews with beneficiaries, ZIS managers, and other stakeholders can provide a more holistic perspective.

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