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The Influence of Local Original Income, Equalization Funds and Income Inequality on the Islamic Human Development Index of 8 Regencies / Cities in South Sumatra Province

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ABSTRACT: The purpose of this study was to determine, explain and analyze the influence of local revenue, balancing funds and income inequality on the Islamic human development index of 8 regencies / cities in South Sumatra Province. The population in this study was South Sumatra Province which consisted of 8 regencies / cities with sample determination using purposive sampling technique. The analysis technique used panel data regression with the Eviews application where hypothesis testing used the t-test and F-test. The results of the model accuracy test showed that the best model was the fixed effect model. The results of the hypothesis test showed that local revenue had a positive and significant effect on the Islamic human development index, balancing funds did not have a significant effect on the Islamic development index and income inequality did not affect the Islamic human development index. Then simultaneously local revenue, balancing funds and income inequality had a significant effect on the Islamic human development index of 8 regencies / cities in South Sumatra Province

KEYWORDS: Balancing Fund, Islamic Human Development, Income Inequality, Local Original Income

INTRODUCTION

As the center of the development process, this aspect of community life is reflected in the Human Development Index (HDI) which has long been the main indicator used to measure the quality of human development in various countries. The HDI includes dimensions of health, education, and a decent standard of living as a benchmark for the progress of a region or nation. However, conventional HDI measurements are often criticized because they are considered not to fully reflect the justice and balance of resource distribution. In many cases, the HDI is considered less able to capture socio-economic inequality, especially in societies that have a religious-based value system, such as sharia economics.

In response to these limitations, the Islamic Human Development Index (I-HDI) was introduced as a more comprehensive alternative. It also integrates Islamic principles with human development indicators, including dimensions of distributive justice and sharia values. This approach aims to realize development that is in line with maqashid sharia, namely protection of religion, soul, mind, descendants, and property. Thus, the Islamic Human Development Index (I-HDI) not only assesses material development achievements, but also ensures the sustainability of spiritual and social values in society. Table 1 below shows the development of the Islamic Human Development Index (I-HDI) of South Sumatra Province consisting of 17 districts/cities. In this study, the IHDI analysis focused on eight regions, namely Palembang, Lubuk Linggau, Ogan Ilir, Ogan Komering Ilir, Banyuasin, Musi Banyuasin, East Ogan Komering Ulu, and Prabumulih. This selection took into account the area, population, and significance of contribution to provincial development as follows.

Table 1. Development of Islamic Human Development Index (I-HDI) 8 Districts/Cities of South Sumatra Province 2017-2024

Year	*Palembang*	*Linggau Basin*	*Ogan Ilir*	*Ogan Komering Ilir*	*Banyuasin*	*Musi Banyuasin*	*East OKU*	*Prabumulih*
2017	1.544514	1,241	0.888536	1.908228	1.456742	2.864461	0.864679	1.623791
2018	1.549251	1.130346	1.097184	1.808609	0.510336	1.450458	1.245577	0.856495
2019	3.124267	2.270964	1.610559	3.293567	1.453784	1.390557	2.130991	2.378368

2020	3.08294	3.926054	2.542986	3.058046	2.245074	1.940381	2.269379	2.518835
2021	4.060166	5.534183	5.767645	3.46429	3.099517	2.511354	3.029597	3.244341
2022	3.598042	5.773255	4.146623	4.999611	4.082562	3.011472	3.394666	3.921362
2023	4.588393	6.586309	4.576147	4.86255	5.062473	4.893489	3.355899	4.39051
2024	5.276344	6.843458	4.723986	4.935768	5.215145	5.145756	3.545569	4.594552

Based on data from Table 1, the Islamic Human Development Index (IHDI) of 8 Regencies/Cities, a significant increase in the Islamic Human Development Index (IHDI) for example from Palembang City increased from 1.544514 in 2017 to 5.276344 in 2024. Similar things happened in other areas such as Musi Banyuasin, Banyuasin, also showed significant developments and were in the top three highest IHDI values in the last year. Lubuk Linggau experienced a fairly sharp spike in value, especially from 2019 to 2021, where the IHDI value increased from 2.670954 to 5.734183. This increase is worth noting because it can reflect the existence of effective policy interventions or strategic programs. Prabumulih City also experienced a rapid increase towards the end of the period. Despite showing an increase, East OKU consistently has the lowest IHDI value compared to other areas. In 2017, the value was only 0.864679 and increased to 3.545659 in 2024, this inequality is an important concern, because it shows the unequal achievement of the quality of Islamic-based human development in various regions.

One of the important factors that is thought to influence human development is Local Original Income. Local Original Income plays an important role as a source of funding that can be used by local governments to fund various development programs, including those aimed at improving the quality of life of the community.Locally-generated revenuehigh allows regions to be more independent in financing development without relying too much on assistance from the central government. However, it is important to note that the management ofLocally-generated revenuemust be in accordance with the principles of Islamic economics, which emphasize justice, transparency, and public welfare. In Islamic economics, management Locally-generated revenue We must also pay attention to fair distribution and efficient use so that the benefits can be felt by all levels of society.(Setiawan, 2023). The development of Local Original Income in 8 Regencies/Cities in South Sumatra Province can be seen in Figure 1 below.

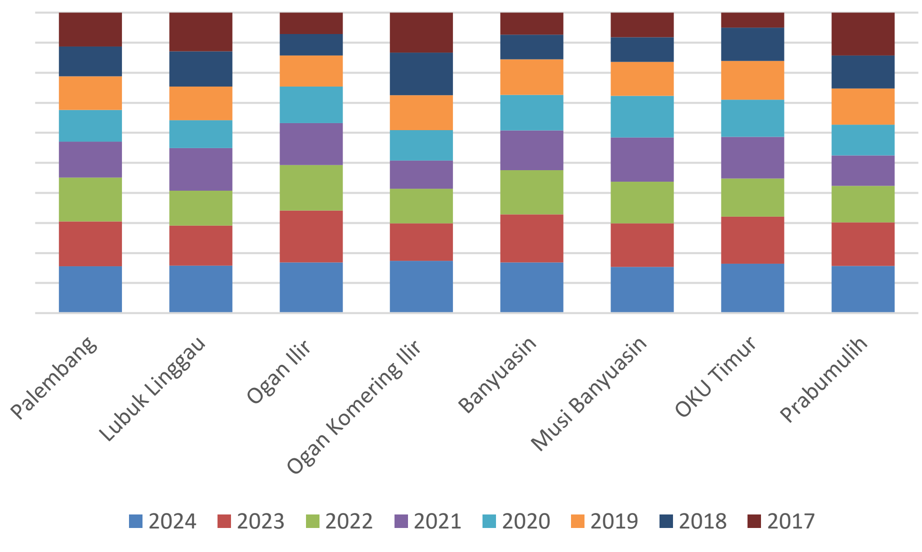
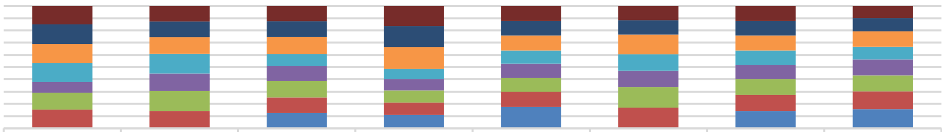


Figure 1. Development of Local Original Income of 8 Regencies/Cities in South Sumatra Province

Figure 1shows that the Regional Original Income has experienced an overall upward trend from 8 Regencies/Cities in South Sumatra Province, from 2017 to 2024. Palembang City as the provincial capital shows the highest Regional Original Income figure among all regions, which is IDR 1.091 trillion in 2017 and has consistently increased to IDR 1.504 trillion in 2024. This increase reflects the region's fairly strong fiscal capacity in exploring its local economic potential, especially from the trade, services, and regional retribution sectors. Other regions such as Banyuasin and Musi Banyuasin also recorded a fairly significant increase in Regional Original Income. Banyuasin has maintained a Regional Original Income figure above IDR 1.5 trillion since 2018, which shows the role of the agriculture, plantation, and natural resource sectors as the main drivers of regional income. Musi Banyuasin is the same, with Regional Original Income increasing from IDR 2.3 trillion in 2017 to more than IDR 3.4 trillion in 2023. This shows that regions rich in natural resources tend to have stronger fiscal capacity, although management and equity challenges are still important issues. Meanwhile, several other regions such as Ogan Ilir, East OKU, and Prabumulih show relatively lower Regional Original Income figures compared to other regions. For example, Ogan Ilir's Regional Original Income in 2017 was only IDR 355 billion and increased to around IDR 982 billion in 2024. Although there was growth in nominal terms, in relative terms, this figure is still far below the average for regions with a larger economic base. Likewise, East OKU recorded Regional Original Income of IDR 1.34 trillion in 2024, increasing from IDR 818 billion in 2017. This reflects that the region's ability to explore local economic potential is still not evenly distributed between regions.

This difference in fiscal capacity shows the inequality in the potential of original income between districts/cities in South Sumatra. Strong Original Regional Income provides flexibility for local governments to design development policies independently, but regions with low Original Regional Income will be highly dependent on transfer funds from the central government. To address the imbalance that occurs, the central government allocates the Balancing Fund consisting of the General Allocation Fund (DAU), the Special Allocation Fund, and the Revenue Sharing Fund (DBH) which also plays an important role in human development. The Balancing Fund aims to reduce the gap in financial capacity between regions.(Novarianti, 2016). The balancing fund is intended to reduce the gap in regional original income and encourage equitable development. However, research shows that fiscal decentralization policies have only had a minimal impact on reducing regional inequality in Indonesia.(Juanda, 2017). Adequate and balanced funding from the regions must help improve the quality of population welfare, as measured by *Islamic Human Development Index* (I-HDI).Higher income must be in accordance with the region's ability to meet the development and welfare needs of the community.(Khamdana, 2016).This can be seen from the development of the Balancing Fund in Figure 2 below:



	Palembang	Lubuk Linggau	Ogan Ilir	Ogan Komering Ilir	Banyuasin	Musi Banyuasin	OKU Timur	Prabumulih
2017	19,08,21,4	7,15,15,32	1,01,11,95	2,68,14,76	1,57,02,80	23,43,60,3	1,18,22,98	67,40,43,0
2018	19,90,56,7	7,06,15,51	1,04,97,90	2,83,77,16	1,57,02,80	23,99,44,5	1,18,22,98	73,80,71,8
2019	19,68,12,3	7,63,61,53	1,16,23,84	2,87,43,92	1,57,02,80	32,76,20,5	1,18,22,98	86,18,47,4
2020	19,58,28,5	9,08,25,44	79,88,87,6	1,43,17,90	1,39,94,93	26,61,62,4	1,18,22,98	71,54,82,2
2021	10,68,14,3	7,98,26,52	1,01,59,91	1,48,23,07	1,53,33,09	27,50,40,7	1,11,06,39	88,67,13,0
2022	17,38,85,4	9,19,62,24	1,06,85,23	1,64,03,42	1,44,95,77	33,92,45,0	1,26,83,86	88,67,13,0
2023	19,43,85,9	7,86,67,01	1,04,53,22	1,67,14,46	1,62,76,16	34,36,29,8	1,28,76,90	98,83,68,1
2024	2330863189	885341139.	1033079914	1784792674	2248329691	3360044408	1374924407	1067106507

Figure 2. Development of Balancing Funds for 8 Districts/Cities in South Sumatra Province

Figure 2 shows the fluctuations in the allocation of Balancing Funds over the past seven years from 8 regencies/cities in South Sumatra Province. Initially, it can be seen that the amount of funds received by each region has experienced an increasing trend, although there are fluctuations in certain years. Palembang City received an allocation of IDR 1.908 trillion in 2017 and increased significantly to IDR 2.330 trillion in 2024. This increase reflects the large needs and fiscal potential of the region as the provincial capital and center of regional economic activity. Musi Banyuasin Regency received a fairly large allocation compared to other regions, namely from IDR 2.343 trillion in 2017 to IDR 3.360 trillion in 2024. This can be attributed to the high contribution of the natural resources sector, especially oil and gas, in the region, thus increasing the portion of the Revenue Sharing Fund (DBH). On the other hand, regions such as Lubuklinggau City, Prabumulih, and East OKU received relatively smaller allocations, but still showed positive growth. Lubuklinggau, for example, received IDR 715 billion in 2017 and increased to IDR 885 billion in 2024. Similar growth was also seen in Ogan Ilir Regency, which increased from IDR 1.011 trillion to IDR 1.030 trillion, and Prabumulih from IDR 674 billion to IDR 1.067 trillion. From a sharia economic perspective, the distribution of Balancing Funds should not only be nominal, but also reflect the principles of justice, maslahah (benefit), and balance between regions. The funds distributed must be able to encourage an increase in the quality of life of the community as a whole, including in the aspects of education, health, and purchasing power, which are important elements in human development. The concept of falāḥ (happiness in this world and the hereafter) in Islamic economics emphasizes that development should not only be measured by economic growth, but also by welfare that is evenly distributed, sustainable, and in accordance with sharia principles.

Although the distribution of the Equalization Fund shows an increasing trend from year to year, it has not fully succeeded in reducing the level of income inequality in various regions. This is reflected in the Gini Ratio value of eight districts/cities in South Sumatra Province during the period 2017–2024. The Gini Ratio is a statistical indicator used to measure the inequality of income distribution in a region. A Gini value approaching 0 indicates an even distribution of income, while approaching 1 indicates very high inequality. Here is the development:

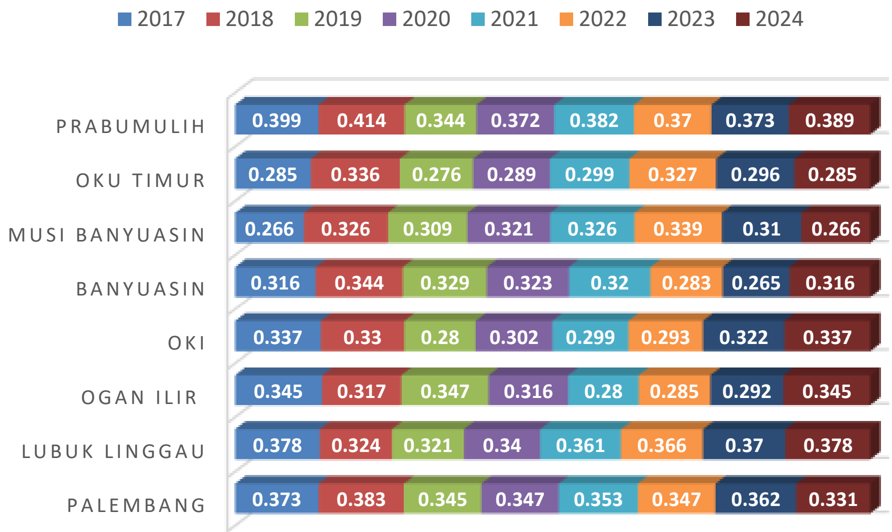


Figure 3. Development of Income Inequality in 8 Districts/Cities in South Sumatra Province

Figure 3 illustrates the development of income inequality in 8 districts/cities in South Sumatra Province, for example, Prabumulih City experienced quite large fluctuations in the Gini Ratio, from 0.399 in 2017 down to 0.372 in 2020, but increased again to 0.389 in 2024. A similar condition was seen in Lubuk Linggau, with the Gini value dropping from 0.378 (2017) to 0.343 (2020), but increasing again to 0.378 in 2023. This shows that even though these areas received an increased allocation of Balancing Funds, the gap between income groups in society has not been consistently reduced. This inequality can hinder the improvement of people's quality of life, although Locally-generated revenueand the Balancing Fund increased.

From the perspective of Islamic economics, persistent income inequality is a serious problem that contradicts the principles of distributive justice (al-'adl) and social responsibility (mas'uliyyah ijtima'iyyah). Islam emphasizes the importance of equal distribution of welfare and rejects the accumulation of wealth in the hands of only a few groups. Therefore, the Balancing Fund received by the regions should not only be focused on the development of physical infrastructure, but also directed to strengthening the economic empowerment of the poor, expanding access to education and health services, and creating productive employment.

Previous research has shown that Locally-generated revenueand the Balancing Fund has a positive relationship and influence on the Human Development Index(SWN Hidayati et al., 2023), while income inequality has a positive and significant effect on the Human Development Index(Sari, Sufiawan, et al., 2022). Development based on Islamic values has indeed been widely discussed, but there is still little research that integrates these aspects as factors that influence human development. However, most studies still use the HDI as the main indicator, while studies that link economic variables such asLocally-generated revenue, Balancing Funds, and income inequality with the Islamic Human Development Index (I-HDI) are still limited. In fact, the I-HDI which is based on maqashid sharia provides a more comprehensive perspective on human development in the context of Islamic values. Therefore, it is important to conduct a more in-depth analysis regarding the influence of Regional Original Income (PAD), Balancing Funds, and Income Inequality on the Islamic Human Development Index (I-HDI).

The problem discussed in this study is how do local revenue, balancing funds and income inequality affect the Islamic human development index in 8 regencies/cities in South Sumatra Province? Based on this, the objectives to be achieved in this study are to determine, explain and analyze the influence of local revenue, balancing funds and income inequality on the Islamic human development index in 8 regencies/cities in South Sumatra Province.

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LITERATURE REVIEW

Islamic Human Development Index (I-HDI)

Islamic Human Development (IHD) isa concept that places maqāṣid al-sharī'ah as the main basis for measuring human welfare. In this approach, the five main aspects of maqāṣid—namely protection of religion (dīn), soul (nafs), reason ('aql), lineage (nasl), and property (māl)—are used as the main dimensions in calculating the index (S. Hidayati et al., 2023).

Locally-generated revenue

Local Original Income is one of the main sources of income for local governments, which comes from economic activities in the region such as local taxes, levies, income from natural resources, and other legitimate income. Local Original Income is a very important source of income for local governments, allowing them to finance development activities and provide public services to the community as a whole.(Wulandari & Iryanie, 2018).

Balancing Fund

Balancing funds are funds formed from revenues from the State Budget, which are allocated by the central government to regional governments to meet decentralization needs, as mandated in(Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, 2004).

Income Inequality

Inequality or disparity in development between regions is a common phenomenon in the economic activities of a country, including Indonesia. Differences in natural resource content and demographic conditions in each region are the main factors causing this inequality. Regions that are rich in natural resources tend to have a comparative advantage in the production of goods and services, so they are able to drive faster economic growth compared to regions with limited natural resources (Firdamayanti & Prabowo, 2021).

Research Conceptual Framework

In general, how local original income, balancing funds and income inequality relate to the Islamic Human Development Index in 8 regencies/cities in South Sumatra Province can be seen in the following conceptual framework image.

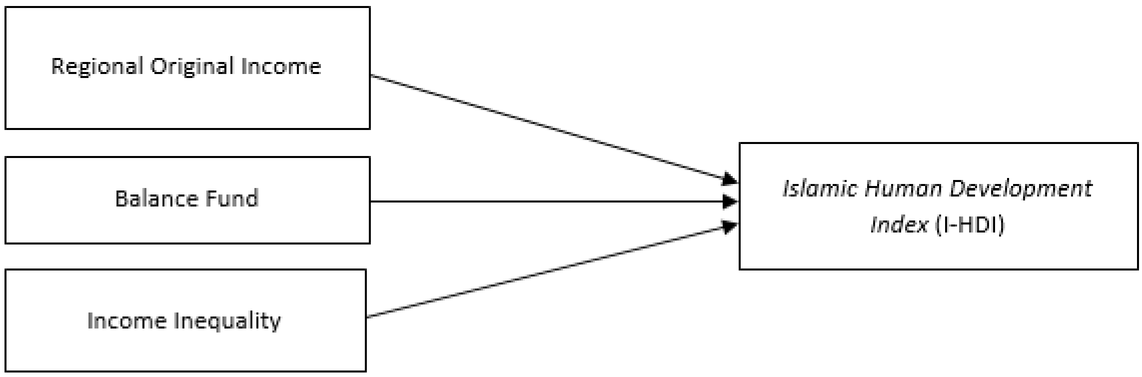

Figure 4. Research Conceptual Framework

Hypothesis

H1: Local Original Income has a positive and significant effect on the Islamic Human Development Index (I-HDI) of 8 Regencies/Cities in South Sumatra Province.

H2: The Balancing Fund has a positive and significant impact on the Islamic Human Development Index (I-HDI) of 8 regencies/cities in South Sumatra Province.

H3: Income inequality has a positive and significant effect on the Islamic Human Development Index (I-HDI) in 8 districts/cities.South Sumatra Province.

H4: PenLocal Original Income, Equalization Funds, and Income Inequality have a Positive and Significant Influence on the Islamic Human Development Index (I-HDI) of 8 Districts/CitiesSouth Sumatra Province.

RESEARCH METHODOLOGY

This research was conducted in 8 regencies/cities in South Sumatra Province during the period 2017-2024. The analysis was carried out using a panel data regression model with the Eviews application including model accuracy tests, namely the Chow test, Hausman test and Lagrange multiplier test, then the classical assumption test includes the normality test, multicollinearity test, heteroscedasticity test, autocorrelation test and hypothesis testing using the t test, F test and coefficient of determination test (R2).

RESULT AND DISCUSSION

The test begins with a model accuracy test using the Chow test with the following results.

Table 2. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	2.297981	(8.52)	0.0344
Cross-section Chi-square	19.374084	8	0.0130

Source: Field research data processed, 2025

Based on table 2, it is known that based on the chow test, the F statistic value is 2.297981 with an F probability value of 0.0344 <0.05. This condition explains that the null hypothesis (H0) is rejected, so the best model selected is the Fixed Effect model compared to the Common Effect.

The next test is the Hausman test to compare the Fixed Effect Model with the Random Effect Model, the results of which can be seen in Table 3.

Table 3. Hausman test

Correlated Random Effects - Hausman Test

Equation: Untitled

Cross-section random effects test

Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross section	11.708836	3	0.0085

Source: Field research data processed, 2025

Table 3 shows that the results of the Hausman test obtained a Chi-Square statistical value of 11.708836 and a probability value of 0.0085 <0.05, which means that the Fixed Effect Model (FEM) is more appropriate to use in this study. Therefore, it is not necessary to re-test the Lagrange multiplier because the results of the Chow and Hausman tests both show that the best model in this study is the Fixed Effect Model (FEM).

Before the regression test is carried out, a classical assumption test is carried out which is a prerequisite for the regression test. The normality test shows the following results.

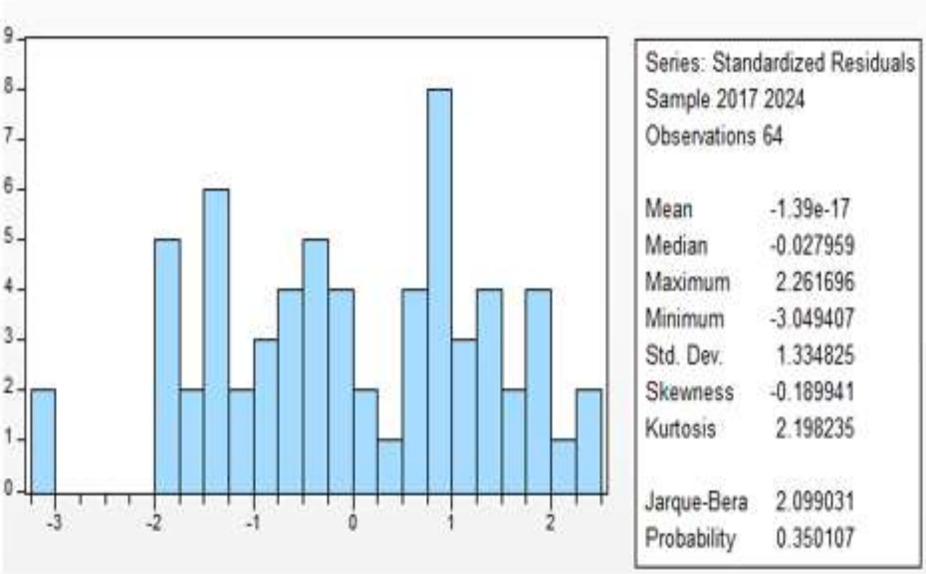

Figure 5 Normality Test Results

Based on Figure 5, it explains that the normality test is carried out to ensure that the residual or error value of the regression model has a distribution that approaches a normal distribution. In the results of the analysis using the Jarque-Bera test, a statistical value of 2,099 was obtained with a probability (p-value) of 0.3501. Because the probability value is greater than 0.05, it can be concluded that there is no deviation from the normality assumption. This is also reinforced by the skewness value of -0.189 which indicates that the data distribution is relatively symmetrical, although there is a slight tendency to the left. The kurtosis value of 2.198 is still close to 3, which indicates that the data distribution is neither too high nor too flat. The histogram display that accompanies the test results also supports these findings, because it forms a pattern resembling a normal curve. Therefore, it can be concluded that the regression model has met the requirements for residual normality, which is one of the prerequisites in linear regression analysis and panel data regression.
Then the multicollinearity test obtained the following results.

Table 4. Multicollinearity Test Results

	Locally-generated revenue	Balancing Fund	Income Inequality
Locally-generated revenue	1,000,000	0.349770	0.217742
Balancing Fund	0.349770	1,000,000	-0.372643
Income Inequality	0.217742	-0.372643	1,000,000

Source: Field research data processed, 2025

Based on table 4, the relationship value between Local Original Income (PAD) and Balancing Fund is 0.350; PAD with Income Inequality of 0.218; and Balancing Fund with Income Inequality of -0.373. These values are far below the threshold of 0.85. Therefore, it can be concluded that there is no multicollinearity between the independent variables.
The classical assumption test was continued with a heteroscedasticity test with results as can be seen in the following 5.

Table 5. Results of Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.153355	1.357241	-0.112991	0.9105
Local Original Income (X1)	5.30E-10	1.06E-09	0.499632	0.6194
Balancing Fund (X2)	1.43E-10	2.77E-10	0.516780	0.6075
Income Inequality (X3)	2.742996	3.776018	0.726426	0.4708

Source: Field research data processed, 2025

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Table 5obtained, it can be seen that the probability value (p-value) for each independent variable is above the 5% significance limit (0.05). The probability value for Local Original Income is 0.6194, Balanced Fund is 0.6075, and Income Inequality is 0.4708. In fact, the constant p-value is also very high, which is 0.9105. These values indicate that there is no significant relationship between the independent variables and their absolute residual values. Thus, it can be concluded that the regression model does not experience heteroscedasticity problems.

The next classical assumption test is the autocorrelation test,based on the test results shown in the output, the Durbin-Watson statistic value is 1.633281. This value is in the range close to 2, which is the ideal value (no autocorrelation occurs). As a general guideline, if the DW value is between 1.5 and 2.5, then it can be considered that there is no significant autocorrelation, either positive or negative. Therefore, based on this value, it can be concluded that the model does not experience symptoms of autocorrelation.

Multiple linear regression analysis using the Fixed Effect Model (REM) as shown in table 6 below.

Table 6. Multiple Linear Regression Test Results - Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.806018	3.140786	-0.575021	0.5678
Local Original Income (X1)	8.16E-09	2.46E-09	3.323615	0.0016
Balancing Fund (X2)	1.03E-10	6.42E-10	0.160532	0.8731
Income Inequality (X3)	7.331405	8.738068	0.839019	0.4053
R-squared				0.297354
Adjusted R-squared				0.148717
SE of regression				2.000544
F-statistic				0.047272

Source: Field research data processed, 2025

Based on Table 6, the regression line equation can be compiled as follows.

IHDI = -1.806018 + 0.00000000816 X1 + 0.000000000103 X2 + 7.33140510757

The constant value of -1.806018 means that without any local revenue, balancing funds and income inequality, the value of the Islamic Human Development index is only -1.806018, which is included in the low category. The regression coefficient value of the local revenue variable is 0.00000000816, which means that every increase in local revenue of 1 rupiah will increase the Islamic human development index by 0.00000000816. The regression coefficient value of the balancing fund variable is 0.000000000103, which means that if the balancing fund increases by 1 rupiah, the Islamic human development index will increase by 0.000000000103 assuming that other independent variables have fixed values. The regression coefficient value of the income inequality variable is 7.33140510757, which means that if income inequality increases by 1 rupiah, the Islamic human development index will increase by 7.33140510757, assuming that other independent variables remain constant.

Based on the results of the regression test, the t-statistic value of 3.3236 and the p-value of 0.0016 <0.05 indicate that statistically, Regional Original Income has a positive and significant effect on the Islamic Human Development Index (I-HDI). This indicates that increasing regional fiscal capacity through Locally-generated revenueis actually able to encourage improvements in integral human development, not only materially, but also spiritually. Furthermore, within the framework of Islamic development theory, the increase in I-HDI driven by PAD is in line with the main objective of Maqashid Syariah. Al-Ghazali and Al-Syatibi emphasized that ideal development in an Islamic perspective is development that protects and improves the five main aspects of human life: religion (al-din), soul (al-nafs), reason (al-'aql), descendants (al-nasl), and property (al-mal). Utilization Locally-generated revenueto improve the quality of education and health directly contributes to the protection of mind and soul. Meanwhile, the allocation Locally-generated revenue which is directed at social and economic programs that are able to guarantee the sustainability of the wealth and welfare of the community's families, so that it is in line with the principle of distributive justice in Islam. This is in line with research conducted by(SWN Hidayati et al., 2023)The regional original income variable has a significant effect on the human development index, and is not in line with(Fernandes & Putra, 2022)which states that regional original income does not affect the Human Development Index.

Based on the test results obtained, the Balancing Fund showed a t-statistic value of 0.160532 and a probability value of 0.8731 > 0.05 indicating that statistically the Balancing Fund did not have a significant effect on the Islamic Human Development Index (I-HDI). This result reflects that although the Balancing Fund is intended to reduce the fiscal gap between regions and support the implementation of regional autonomy, its implementation has not fully contributed significantly to Islamic human development. This can be linked to the Agency Theory, which explains the relationship between the principal (central government) and the agent (local government). In this context, the central government mandates local governments to manage the Balancing Fund with the aim of improving community welfare. However, when there is no significant effect on the I-HDI, this can be an indicator of problems in the implementation of the mandate, such as inefficient budget use, weak supervision, and the potential for moral hazard. From the perspective of Islamic development, the insignificance of the Balancing Fund to the I-HDI indicates that public funds have not been fully managed based on the values of maqasid sharia, especially in efforts to realize public welfare. Human development in Islam does not only measure economic aspects, but also includes maintaining religion (din), soul (nafs), reason ('aql), descendants (nasl), and property (mal). The absence of influence from the Balancing Fund to the I-HDI indicates that budget allocation is not optimal in supporting programs that are in line with the principles of maqasid, such as education, health, and social protection. This is in line with research by (Rahmayati & Pertiwi, 2018), the results of which are that the General Allocation Fund, Special Allocation Fund, and Revenue Sharing Fund (Balancing Fund) do not affect the Central Java Human Development Index. This is not in line with research conducted by (Samuel et al., 2023) And (SWN Hidayati et al., 2023)The results of his research show that fiscal balancing funds have an impact on every aspect of human development.

The test results show that the income inequality variable, as measured by the Gini Ratio, has a t-statistic value of 0.839019 and a probability value of 0.4053 > 0.05, making the relationship statistically insignificant. This finding indicates that income inequality has not had a real impact on the quality of human development based on Islamic values. In the context of agency theory, local governments as agents are unable to channel fiscal potential and economic resources fairly and evenly to the community. High inequality reflects a disproportionate distribution, and if this does not contribute significantly to increasing I-HDI, then it can be concluded that the development that occurs tends to be exclusive and is only enjoyed by certain groups. From the perspective of Islamic development, this is also not in line with the maqasid sharia principle which emphasizes the importance of distributive justice in development. Within the maqasid framework, indicators such as education, health, and income must be managed to maintain the five main objectives of sharia: religion (din), soul (nafs), reason ('aql), descendants (nasl), and property (mal). When inequality increases without a significant increase in I-HDI, then there is an indication that the dimension of public welfare has not been achieved optimally. Inequality that does not have a significant impact on human development can also reflect weak social policy intervention. This means that the government has not been fully able to channel growth and fiscal results to inclusive strategic programs. Therefore, a reform of income distribution policies is needed that is not only oriented towards economic growth alone, but also ensures social justice and the welfare of the people as a whole, in accordance with Islamic values.This is in line with research conducted by (Angkat & Saharuddin, 2023), Gini ratio is not significant to HDI. However, it is not in line with(Sari, Rizky, et al., 2022)that income inequality has a positive and significant effect on the HDI through electricity access in Indonesia, followed by(Firdamayanti & Prabowo, 2021)The results of his research show that income inequality has a positive and significant effect on the human development index.

The test results of the regression model show an F-statistic value of 2.0005 with a probability of 0.0473. This value is below the 5% significance level, indicating that the overall regression model is significant. This means that the independent variables consisting of Regional Original Income (PAD), Equalization Funds, and Income Inequality simultaneously affect the Islamic Human Development Index (I-HDI) in the study area. From the perspective of maqasid sharia, the significance of this model also shows the importance of integration between fiscal governance and distributive justice in realizing public welfare (maslahah 'ammah). Successful development is not only marked by economic growth, but also by the fulfillment of the main dimensions in maqasid, such as protection of the soul, mind, and property of the community. Therefore, this model shows the relevance between macroeconomic policies and sharia principles in improving the quality of life of the community as a whole. This is in line with research (Putry & Tuase, 2023)Simultaneously, economic growth, special allocation funds and income inequality have an effect on the human development index in Mimika Regency. And it is not in line with research(Sulastri & Efendri, 2021)because regional original income, general allocation funds, special allocation funds, and revenue sharing funds do not have a significant effect on the Human Development Index simultaneously

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Local original income has a positive and significant effect onIslamic human development index(I-HDI) in 8 regencies/cities in South Sumatra Province, while the balancing funds and income inequality did not have a significant effect onIslamic human development index(I-HDI) in 8 regencies/cities in South Sumatra Province. SimultaneouslyLocal revenue, balancing funds, and income inequality have a significant influence on the Islamic human development index (I-HDI).

For further research, it is recommended to use a more comprehensive approach by utilizing all indicators that form the Islamic Human Development Index (I-HDI) as a whole. This can be done through primary data collection, such as public perception surveys, in-depth interviews, or questionnaires based on maqasid sharia indicators. Thus, the quality of the analysis can be more in-depth and reflect social realities and more comprehensive Islamic values in measuring human development.

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