
ANALYSIS OF THE EFFECT OF FISCAL DECENTRALIZATION, REGIONAL FINANCIAL PERFORMANCE AND ZAKAT REVENUE ON POVERTY LEVELS IN SUMBAGSEL IN AN ISLAMIC ECONOMIC PERSPECTIVE IN 2018-2024

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ABSTRACT

Poverty is a global problem that is still a challenge for many countries, including Indonesia. In 2024, as many as 25.22 million people in Indonesia are still classified as poor, indicating that the problem of poverty in Indonesia is still relatively high. This condition also occurs in the South Sumatra region (SUMBAGSEL), where the poverty rate in several provinces is still above the national average. The problem raised in this study is whether fiscal decentralization, regional financial performance and zakat revenue affect the poverty rate in SUMBAGSEL in 2018-2024. The purpose of this study is to determine the effect of these three variables on the poverty rate. With a quantitative research method, the study population includes reports related to all variables in 5 provinces in SUMBAGSEL. The sampling method used is saturated sampling, while the data analysis technique used is panel data using EViews 10 software. The results of the study indicate that fiscal decentralization has no effect on the poverty rate in SUMBAGSEL, while regional financial performance and zakat revenue have a negative and significant effect on poverty.

A. INTRODUCTION

Poverty is a global problem that is still a challenge for many countries. Therefore, various countries pay serious attention to efforts to deal with this problem. According to (Kuncoro 2000), Poverty is a very complex and difficult problem to overcome. Handling it requires not only careful development planning and a focus on capital expenditure, but the government also needs to formulate new strategies or innovations to reduce poverty levels. Poverty can be understood as an absolute and relative condition in a region, where a person or group of people are unable to meet their basic living needs according to the standards applicable in their social environment (Marien Pinontoan 2020). Poverty is caused by natural, cultural and structural factors, and is divided into two types. First, absolute poverty, which is a condition where a person is unable to meet their basic needs because they are below the minimum limit. Second, relative poverty, which is a condition where there is income inequality between community groups that reflects the inability to achieve the level of welfare that is common in their surroundings (Fitri et al., 2023).

Poverty in Indonesia is still relatively high, with 25.22 million people living in poverty (BPS, 2024). This is influenced by low investment, high unemployment and slow economic growth . (Rahman and Siradjuddin 2020). To overcome the problem of poverty, integrated and comprehensive efforts are needed, involving all aspects of life, as well as collaboration between the government and society in economic recovery efforts. (Cholili, 2013). The negative impacts caused by poverty can be found in Qs. *Al Isra* verse 31 which means "*Do not kill your children for fear of poverty. It is We who provide sustenance for them and for you. Verily, killing them is a great sin.*" (Qs. *Al Isra*: 31) This verse emphasizes that fear of poverty should not be an excuse for committing cruel acts, such as killing children. In the modern context, this verse teaches that concern over economic limitations should not cause a person to ignore the values of humanity, justice, and social responsibility. Allah emphasizes that sustenance is His decree, both for parents and children.

Islam pays great attention to poverty alleviation efforts, because poverty can have a negative impact on the morals, ethics, and beliefs of a Muslim. Therefore, Islam encourages every individual to strive to achieve a decent and prosperous life in society (Mohamed and Fauziyyah 2020). SUMBAGSEL is one of the regions in the island of Sumatra, this region includes provinces such as South Sumatra, Lampung, Jambi, Bengkulu and Bangka Belitung which have poverty rates in the region recorded higher than the national average. This can be seen from the data released by the Central Statistics Agency (BPS) although there has been a general decline in poverty at the national level, several areas in SUMBAGSEL still face major challenges. In 2023, the poverty rate in South Sumatra was recorded at 12.8%, higher than the national average of around 9%. The following is a data table showing the poverty rate of 5 provinces in the SUMBAGSEL region from 2018-2024.

Table 1.1 Poverty Data for 5 Provinces in South Sumatra

Year	Province					
	Lampung	Sum-Sel	Jambi	Bengkulu	Ba-Bel	National
2018	13,14	13,02	7,92	15,43	4,77	9,66
2019	12,62	12,95	7,60	15,23	4,50	9,22
2020	12,34	12,71	7,58	15,03	4,89	10,19
2021	12,62	13,23	8,09	15,22	4,67	9,71
2022	11,57	12,68	7,62	14,62	4,61	9,57
2023	11,11	12,65	7,58	14,04	4,52	9,36
2024	10,69	11,14	7,10	13,56	5,08	8,57

Source: Data processed from BPS

Table 1.1 Poverty rate data for 2018–2024 shows a downward trend in 5 provinces. Lampung fell from 13.14% to 10.69%, South Sumatra from 13.02% to 11.14%, Jambi from 7.92% to 7.10%. Bengkulu, although the highest, also fell from 15.43% to 13.56%. Bangka Belitung recorded the lowest and relatively stable figure, between 4.77%–5.08%. The table above also shows that several provinces in SUMBAGSEL, especially Bengkulu and South Sumatra, consistently recorded poverty rates above the national average. This shows that the authority of autonomous regions does not always succeed in reducing poverty rates effectively without being supported by good fiscal management and optimization of local resources.

One of the factors that is considered to contribute to efforts to reduce poverty rates in various regions in Indonesia is fiscal decentralization. Fiscal decentralization is the process of distributing the budget from the central government to regional governments to support the implementation of delegated administrative tasks and responsibilities. (Nursini and Tawakkal 2019). The goal of fiscal decentralization is to increase efficiency and accountability by giving more authority to local governments, so that spending is in line with the needs of local communities (Silas, Wawire, and Onono Okelo 2018). In Law Number 33 of 2004 concerning the financial balance between the central government and regional governments, it is stated that decentralization is the process of transferring authority from the central government to autonomous regions to regulate and manage government interests in their regions, within the framework of the Unitary State of the Republic of Indonesia (NKRI) (Tony Putra et al., 2023).

Regional Government Financial Performance refers to all rights and obligations held by the regional government in connection with the implementation of government functions, which can be measured or assessed in financial units (Miar et al., 2024). This includes all forms of wealth or assets related to the rights and obligations of the regional government, which are reflected in the Regional Revenue and Expenditure Budget document (APBD). Regional financial performance is a measure of a region's ability to manage its finances, which is assessed based on previously determined financial indicators (Mardiasmo 2018). In Islamic economics, regional financial performance reflects the principles of accountability, efficiency, and poverty alleviation. Financial management must be transparent and responsible as a mandate from Allah and the

people. The APBD must be used for the benefit, especially for the underprivileged, through infrastructure development, education and health (Windasari 2024).

With a Muslim population of around 245 million (Ministry of Religion, 2024), Indonesia has a great opportunity in poverty alleviation efforts. In Islam, zakat is considered a very effective empowerment instrument to overcome poverty. Zakat functions as a communication bridge between high and low income communities, thus enabling income equality (Ruslan Abdul Ghofur, 2020). As one of the five pillars of Islam, zakat must be paid by every qualified Muslim (muzakki) as a form of purifying wealth by distributing it to mustahik (zakat recipients) (Etika, Fachri, and Amalia 2024). Zakat not only improves the welfare of mustahik, but also functions as a balancer for the national economy. In the long term, zakat aims to transform mustahik into muzakki, which has great potential to reduce economic inequality and poverty (Muttaqin and Safitri 2020).

The selection of the Southern Sumatra region (SUMBAGSEL) in this study was based on two main considerations. First, this region has diverse regional autonomy characteristics, but has not shown optimal results in poverty alleviation. Second, until now there are still limited studies that specifically examine the relationship between regional fiscal policies and Islamic economic instruments such as zakat simultaneously in this region. Although the data shows a downward trend in poverty from 2018 to 2024 in the five provinces of SUMBAGSEL, the gap between regions is still significant, especially Bengkulu Province which consistently records the highest poverty rate compared to other provinces in the region.

B. RESEARCH METHODS

This study uses a quantitative method with a sample area in the Southern Sumatra region during the period 2018-2024. The data used in this study are secondary data obtained from the Central Statistics Agency (BPS), the National Zakat Agency (BAZNAS), and the Ministry of Finance (KEMENKEU), including independent and dependent variables. The independent variables used are Fiscal Decentralization, Regional Financial Performance and Zakat Revenue, while the dependent variable is the poverty rate.

The data analysis of this study was carried out using EViews 10 software with a panel data model test. According to (Sugiono, 2009) panel data regression model selection is done through three approaches, namely Pooled Least Square (PLS), Fixed Effect Model (FEM) and Random Effect Model (REM). After model selection, hypothesis testing is carried out which includes t-test, F-test and R²-test. The panel data analysis model used is as follows.

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \mu_{it}$$

Information:

X₁= Fiscal Decentralization X₂= Regional Financial Performance

X₃= Zakat Revenue Y = Poverty

C. DISCUSSION RESULTS

Descriptive Statistical Analysis

Table 1.2 Descriptive Statistical Analysis

	KM	DF	KKD	ZKT
<i>Mean</i>	2.256286	47.76286	21.38114	23.82771
<i>Median</i>	2.44	47.56	21.31	23.99
<i>Maximum</i>	2.74	49.89	22.91	24.9
<i>Minimum</i>	1.5	45.89	20.38	21.55
<i>Std. Dev.</i>	0.42389	1.16239	0.699423	0.681629

Source: Results of processing using *EViews 10*

The table above shows that the KM (poverty) variable has an average value (mean) of 2.256286, a median value of 2.44, a maximum value of 2.74 and a minimum value of 1.5, and a standard deviation of 0.42389. The DF (Fiscal Decentralization) variable has a mean value of 47.76286, a median value of 47.56, the highest value of 49.89 and the lowest value of 45.89 with a standard deviation of 1.16239. The KKD (Regional Financial Performance) variable has an average value (mean) of 21.38114, a median value of 21.31, the highest value of 22.91 and the lowest value of 20.38 with a standard deviation of 0.699423. Meanwhile, the ZKT (Zakat) variable has an average value (mean) of 23.82771, a median value of 23.99, the highest value of 24.9 and the lowest value of 21.55 with a standard deviation of 0.681629.

Panel Data Estimation

1) Chow Test

The chow test is used to select the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The following are the results of the chow test:

Table 1.3 Chow Test Results

Effects Test	Statistic	d.f.	Prob.
<i>Cross-section F</i>	524.928950	(4,27)	0.0000
<i>Cross-section Chi-square</i>	152.827406	4	0.0000

Source: Results of processing using *EViews 10*

It is known that the cross section chi square statistic value is 152.827406 with a Probability of 0.0000. Showing that this value is smaller than 0.05 (0.0000 < 0.05) this means that statistically H_1 is accepted and H_0 is rejected. Therefore, the results of the Chow Test conclude that the best model chosen is the Fixed Effect Model (FEM).

2) Hausman Test

The Hausman test is used to determine the best model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). The following are the results of the Hausman test:

Table 1.4 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	23.646908	3	0.0000

Source: Results of processing using *EViews 10*

The chi square distribution value is 23.646908 with a probability value of 0.0000. This means that it is less than 0.05 (0.0000 < 0.05) so statistically H_1 is accepted and H_0 is rejected. So in the Hausman Test the selected model is the Fixed Effect Model (FEM) so that there is no need to do the LM Test anymore (Baltagi 2005).

Based on the results of the regression equation and the chow test and hausman test, the best model used in this study is the Fixed Effect Model (FEM) to analyze the effect of fiscal decentralization, regional financial performance and zakat revenue on the poverty rate in SUMBAGSEL. Based on the results of the Fixed Effect Model (FEM) estimation, the following equation is obtained:

$$\text{Poverty Level} = 5.627844 - 0.002092\text{DF} - 0.113721\text{KKD} - 0.035260\text{ZKT}$$

- The constant value of 5.627844 indicates that if the variables Fiscal Decentralization, Regional Financial Performance, and Zakat are not taken into account or have a value of zero, then the poverty rate is estimated at 5.627844.
- Fiscal Decentralization Coefficient (X_1) of -0.002092 means that if other variables remain constant, every 1 unit increase in Fiscal Decentralization will reduce the poverty rate by 0.002092. Conversely, if Fiscal Decentralization decreases by 1 unit, the poverty rate will increase by 0.002092.
- The Regional Financial Performance Coefficient (X_2) of -0.113721 indicates that with other variables remaining constant, a 1 unit increase in Regional Financial Performance will decrease the poverty rate by 0.113721. If Regional Financial Performance decreases by 1 unit, the poverty rate will increase by 0.113721.
- The Zakat coefficient (X_3) of -0.035260 indicates that when other variables are constant, a 1 unit increase in Zakat will reduce the poverty rate by 0.035260. Conversely, a 1 unit decrease in Zakat will increase the poverty rate by 0.035260.

3) Classical Assumption Test

According to (Basuki, 2016) not all classical assumption tests are required in linear regression models, especially those using the Ordinary Least Square (OLS) approach. In this study, which uses panel data, only multicollinearity tests and heteroscedasticity tests are applied. The advantage of panel data is that there is no need to perform classical assumption tests such as normality and autocorrelation. Classical assumption testing uses EViews 10 software with two approaches that are adjusted based on the model used. The Ordinary Least Squared (OLS) approach is applied to the Common Effect Model (CEM) and Fixed Effect Model (FEM). While the Generalized Least Squared (GLS) approach is used for the Random Effect Model (REM). Before conducting a regression analysis, the model used must meet certain requirements before the regression test is carried out, so that the results of the regression model can be accounted for. Therefore, multicollinearity tests and heteroscedasticity tests are important parts of the testing stages in this study.

a. Multicollinearity Test

Multicollinearity test is used to determine whether there is a correlation between the dependent variable and the independent variable. This test aims to ensure that the data does not experience symptoms of multicollinearity.

Table 1.5 Multicollinearity Test

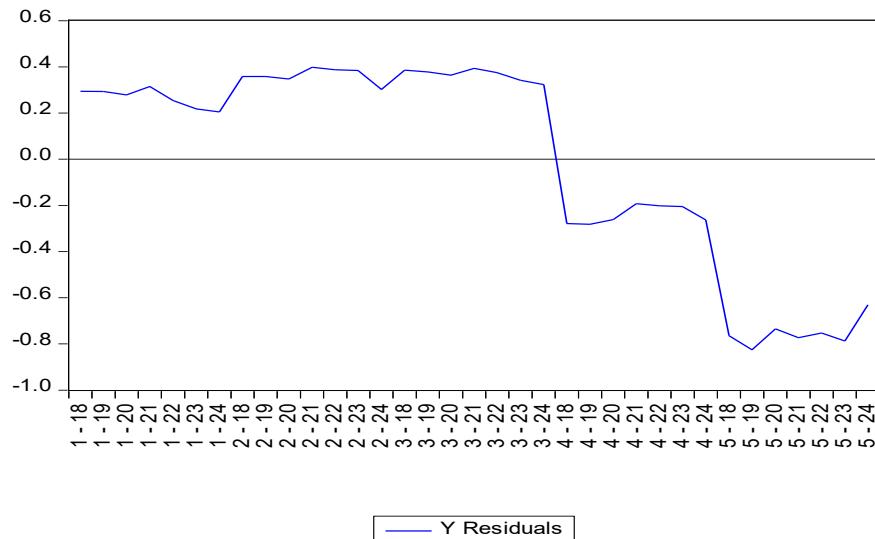
	DF	KKD	ZKT
DF	1.000000	0.778711	0.110589
KKD	0.778711	1.000000	0.177612
ZKT	0.110589	0.177612	1.000000

Source: Results of processing using EViews 10

Based on the table above, the correlation value between the variables Df and KKD is 0.778711, the correlation value between DF and ZKT is 0.110589, the correlation value between KKD and ZKT is 0.177612. because all correlation values are less than 0.80 (<0.80). So it can be concluded that there is no multicollinearity problem in the model.

b. Heteroscedasticity Test

The heteroscedasticity test is used to identify whether there are symptoms of heteroscedasticity. The results of the heteroscedasticity test can be seen through the graph below:



Picture 1.1 Heteroscedasticity Graph

From the residual graph (blue) it can be seen that the value does not exceed the limit (above 500 and below 500). This shows that the residual variance is the same, so it can be concluded that there are no symptoms of heteroscedasticity or the model is declared to have passed the heteroscedasticity test. (Napitupulu et al., 2021)

4) Hypothesis Testing

a. Partial Test (t Test)

The t-statistic test is used to test whether each independent variable has a significant effect on the dependent variable individually. The results of the t-test can be seen in the table below:

Table 1.6 Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.627844	2.048005	2.747965	0.0106
DF	-0.002092	0.027350	-0.076479	0.9396
KKD	-0.113721	0.034190	-3.326139	0.0025
ZKT	-0.035260	0.015907	-2.216612	0.0353

Source: Results of processing using *EViews 10*

- 1) The DF variable (X_1) has a coefficient of -0.002092 with a probability value of $0.9396 > 0.05$. This means that the DF variable has a negative but not significant effect on the poverty rate.
- 2) The KKD variable (X_2) shows a coefficient of -0.113721 with a probability value of $0.0025 < 0.05$. This means that KKD has a negative and significant influence on the poverty rate.

3) The ZKT variable (X_3) has a coefficient of -0.035260 with a probability value of $0.0353 < 0.05$. Thus, ZKT also has a negative and significant effect on the poverty rate.

b. Simultaneous Test (F Test)

The F test is used to test whether all independent variables simultaneously have a significant effect on the dependent variable. The results of this test can be seen in the table below.:

Table 1.7 F Test

<i>F-statistic</i>	480.2111
<i>Prob(F-statistic)</i>	0.000000

Source: Results of processing using *EViews 10*

Based on the test results in the table above, the probability value (F-Statistic) is 0.000000, which means it is smaller than the significance level of 0.05 (< 0.05). So H_a is accepted and H_0 is rejected. This means that the DF, KKD and ZKT variables together have a significant effect on reducing poverty levels in SUMBAGSEL.

c. Coefficient of Determination Test (R^2)

The coefficient of determination shows the extent to which variations in the dependent variable can be explained by variations in the independent variable. The following are the results of the coefficient of determination:

Table 1.8 Determination Test (R^2)

<i>R-squared</i>	0.992032
<i>Adjusted R-squared</i>	0.989966

Source: Results of processing using *EViews 10*

Based on the results of the regression table above using the Fixed Effect Model (FEM), the R-squared value of 0.992032 shows that 99.2% of the variation in the poverty rate can be explained by the independent variables in the model (such as DF, KKD, and ZKT), only 0.8% of the variation in the poverty rate cannot be explained by this model, which indicates that the model has very good quality in explaining the poverty rate based on the existing variables.

D. DISCUSSION

The Impact of Fiscal Decentralization on Poverty Levels

The t-test results for the Fiscal Decentralization (DF) variable show that DF has no significant effect on the poverty rate in SUMBAGSEL in the 2018-2024 period, indicating that fiscal decentralization does not contribute significantly to reducing the

poverty rate in SUMBAGSEL. This finding is contrary to the author's expectations, where theoretically, in the context of Social Welfare theory, fiscal decentralization should be an instrument to increase the efficiency of public services and distribute resources more precisely according to local needs.

Theoretically, fiscal decentralization can reduce poverty by increasing the efficiency of budget allocation and public services that are more suited to local needs (Oates 1999) through his theory of decentralization, states that local governments have a better understanding of the conditions of their communities. So that policies are more targeted than the central government. While (Martinez-Vazquez, J., & McNab 2003) added that fiscal decentralization encourages transparency and accountability that can accelerate poverty alleviation. However, its effectiveness is highly dependent on institutional capacity and regional governance. In the Southern Sumatra region, it is likely that the implementation of fiscal decentralization has not been accompanied by an increase in the capacity and quality of these institutions. Budget allocations that are not on target, weak supervision, and development planning that is not responsive to the needs of the poor are factors that hinder the role of fiscal decentralization in reducing poverty. Therefore, although conceptually fiscal decentralization promises improvements in welfare, the results of this study indicate that its benefits have not been fully felt by the regions.

In addition, the results of this study are in line with several previous studies, conducted by (Fitri Awalu Pasholihah, 2023) found that Fiscal Decentralization has a negative effect on regional poverty in East Java. Then this study is also in line with research (Ernita, 2024). The Influence of Fiscal Decentralization on Poverty in Jambi Province with the finding that fiscal decentralization has no effect on poverty in Jambi Province. Similar findings were also obtained by (Kusumawati et al., 2023) which states that fiscal decentralization does not have a significant effect on poverty in Papua.

The findings of this study indicate that fiscal decentralization has no significant effect on poverty alleviation. Although decentralization gives greater authority to local governments in budget management, many regions are still limited in fiscal capacity and financial management. Regions that rely on the General Allocation Fund (DAU) and central government transfers often have difficulty designing effective poverty alleviation programs. In addition, fiscal decentralization risks widening disparities between regions, where regions with large fiscal capacity find it easier to design policies that have an impact on poverty reduction, while regions with limited fiscal capacity continue to struggle. Therefore, fiscal decentralization policies need to be accompanied by additional support in order to be more effective in reducing poverty.

The Influence of Regional Financial Performance on Poverty Levels

The results of this study indicate that regional financial performance has a significant influence on poverty alleviation in the SUMBAGSEL region in the period 2018-2024. This finding supports the Social Welfare Theory, where one of the prerequisites for the success of welfare distribution is efficiency and accountability in public financial management. This finding is also in line with the view (Mahmudi 2010) which states that good regional financial performance, reflected in the effectiveness and efficiency of budget use, enables regional governments to implement priority programs that target poor groups in a more targeted manner.

If regional income is managed transparently, then allocations for priority sectors such as education, health and social protection can be increased, thus having an impact on reducing poverty (Mardiasmo 2018). This research is also in line with research from (Digidowiseiso, Rahardian dan Hartami, 2023) entitled The Influence of Regional Financial Performance on Poverty: A Case Study of Four Special Autonomy Provinces for the 2013-2021 Period, in addition, similar results were also found in the study (Tias, 2016), which analyzes the Influence of Government Financial Performance on Poverty (Study on Districts and Cities in East Java Province 2011-2013). Both studies strengthen the evidence that regional financial performance plays an important role in poverty alleviation efforts.

The findings in this study indicate that regional financial performance has a significant effect on poverty alleviation in the SUMBAGSEL region for the 2018-2024 period. Local governments with efficient budget management can design effective programs to reduce poverty, such as improving public services in the fields of education, health and infrastructure. According to the theory of fiscal decentralization, regions with good financial performance are more independent in designing policies that are in accordance with local needs, and can provide more targeted interventions. Good financial performance also creates a transparent and accountable government, increasing public trust in poverty alleviation programs. In addition, from an Islamic economic perspective, the principles of al-amana (responsibility) and al-kifayah (sufficiency) encourage the government to use public funds fairly and responsibly for the benefit of the community. Good financial performance is an instrument to fulfill this mandate by ensuring that budget distribution touches the basic needs of the less fortunate community.

The Influence of Zakat Revenue on Poverty Levels

The results of this study indicate that zakat revenue has a significant effect on the poverty rate in the SUMBAGSEL region in the period 2018-2024. which explicitly strengthens the distribution function within the framework of Social Welfare Theory. Although zakat is not part of conventional fiscal policy, in the perspective of Islamic economics zakat is a very important instrument for wealth distribution. Theoretically, this finding is in accordance with the view (Chapra 2000) about the basic principles of Islamic economics, where zakat is the main instrument in the fair distribution of wealth and acts as a social safety net and aims to transfer some of the wealth from the well-off (muzakki) to the poor (mustahik). (Antonio, 2013) added that productive zakat management, such as through economic empowerment programs, can strengthen the capacity of zakat institutions in providing social assistance and basic services for mustahik, thus having a positive impact on poverty reduction.

These findings are reinforced by previous studies. One of them is a study by (Murobbi dan Usman, 2021), who studied the Influence of Zakat, Alms Donations, and Inflation on Poverty in Indonesia, and found that zakat has a contribution in reducing poverty. Similar findings are also explained by (Asep Nurhalim et al., 2022), The Influence of Zakat and the Islamic Human Development Index on Poverty in Central Java in 2017-2020. In addition, research by (Muttaqin dan Safitri, 2020), which analyzes the Influence of Zakat and Infak on the Level of Poverty Depth, Poverty Severity and

Gini Ratio in Indonesia in 2007-2018. Also shows consistent results. These findings strengthen the argument that zakat plays a significant role in poverty alleviation efforts.

Zakat that is well managed can be an effective source of funding in supporting economic empowerment programs for the poor, such as business capital assistance, education and health. In Islamic economic theory, zakat is not only seen as a religious obligation, but also as an important instrument in the redistribution of wealth that can reduce social and economic disparities. The role of zakat is very strategic in reducing social and economic disparities, because its distribution is directly aimed at groups in need. If managed well and efficiently, zakat can significantly accelerate poverty alleviation efforts. The theory of wealth redistribution in macroeconomics also supports this view, where zakat can improve people's welfare by reducing economic inequality and creating social stability.

Islamic Economic Perspective on Fiscal Decentralization, Regional Financial Performance and Zakat Revenue on Poverty Levels in SUMBAGSEL

From an Islamic economic perspective, fiscal decentralization can provide opportunities for equality and increasing social welfare as long as it is managed in line with Islamic principles that focus on social justice and equality (Hamka 2015). Islamic economics teaches that resources must be used for the welfare of the people, and good management will produce broad benefits for society. This is also explained in the Qur'an Surah *Al-Baqarah* (2:267) which means: "*O you who believe, spend from the good things you have earned and from what We have brought out for you from the earth...*" This verse teaches the importance of fair distribution of wealth, where the wealth obtained is not only for the benefit of individuals, but also for the common good. In the context of fiscal decentralization, this principle leads to the management of regional budgets that aim for the welfare of the people, by paying attention to local needs and avoiding social inequality.

Regional financial performance in the perspective of Islamic Economics is closely related to trust and social responsibility. Islamic Economics emphasizes that every management must be carried out transparently and accountably (Al Fai'q et al. 2024). It is also explained in the surah *Ali-Imran* (3:159), Allah SWT says: "*And consult with them in the matter...*" This verse teaches the importance of consultation and honesty in decision-making that impacts society. Regions that have good financial performance, with efficient budget management, will find it easier to design policies that can reduce poverty, such as providing better public services. Therefore, transparent and accountable financial management in accordance with Islamic principles can help regions to design more effective and sustainable poverty alleviation programs.

Zakat also plays a central role in poverty alleviation according to the principles of Islamic Economics. Zakat as an instrument of wealth redistribution can ease the burden of the less fortunate (Ruslan Abdul Ghofur Noor 2013). Then Allah SWT said in Surah *At-Taubah* (9:60) which means: "*Verily, zakat is only for the poor, the needy, the amil who takes care of it, the converts whose hearts are persuaded, for the slaves, for those in debt, for the way of Allah, and for those on a journey...*" This verse explains that zakat is a means that can help those who are in economic difficulties, including empowering people who need help. From good and targeted zakat management, regions can reduce economic inequality and create more equitable prosperity. Zakat is not only a religious

obligation, but also a very effective means of creating social stability and accelerating the process of poverty alleviation.

E. CONCLUSION

Based on the results of the analysis, fiscal decentralization has no significant effect on reducing poverty levels in the SUMBAGSEL region. In this context, the analysis of fiscal decentralization refers to the distribution of authority and financial resources between the central government and local governments. Although decentralization aims to provide autonomy to local governments in financial management, the results of the study show that larger fiscal allocations do not directly reduce poverty levels in SUMBAGSEL. This is due to various factors such as inefficient budget management, lack of regional capacity in managing funds and a mismatch between fiscal policies and the needs of local communities.

Regional financial performance has a significant effect on poverty alleviation in the SUMBAGSEL region 2018-2024. This finding supports the Social Welfare Theory, where one of the prerequisites for successful welfare distribution is efficiency and accountability in public financial management. Local governments with efficient budget management can design effective programs to reduce poverty such as improving public services in education, health and infrastructure.

Zakat revenue has an effect on the poverty rate in the SUMBAGSEL region 2018-2024 which explicitly strengthens the distribution function within the framework of Social Welfare Theory. Although zakat is not part of conventional fiscal policy, in the perspective of Islamic economics zakat is a very important instrument for wealth distribution. Zakat that is well managed can be an effective source of funding in supporting economic empowerment programs for the poor, such as business capital assistance, education, and health. According to Islamic Economic theory, zakat is not only a religious obligation, but also an instrument for wealth redistribution that can reduce social and economic disparities. The results show that fiscal decentralization, regional financial performance and zakat revenue have a simultaneous effect on reducing poverty rates in SUMBAGSEL with a significance level of $0.000000 > 0.05$.

In the perspective of Islamic Economics, fiscal decentralization, regional financial performance and zakat play an important role in equalizing public welfare. Islamic Economics teaches that resources must be used for the welfare of the people, with the principle of social justice and fair distribution of wealth. This principle is relevant in the management of regional budgets aimed at the welfare of the people by considering local needs. Regional financial performance must also be managed with the principles of trust, transparency and accountability, in order to design effective policies in poverty alleviation. In addition, zakat as an instrument of wealth redistribution, as explained in *Q.s At-Taubah (9:60)*, functions to help ease the burden of the less fortunate and reduce social inequality, create social stability, and accelerate the process of poverty alleviation. Good management in these three aspects can improve the welfare of society evenly.

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