

Factors influencing human development in regencies/cities of Lampung Province (2017–2021): An Islamic economics perspective

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Abstract

The regency/city Human Development Index in Lampung Province grew slowly in 2017-2021. Lampung Province ranks lowest of the ten provinces on the island of Sumatra in 2021, even though government spending in the education sector and per capita income continue to increase while the percentage of poor people has decreased relatively. This research aims to determine the effect of government spending on the education sector, per capita income and poverty on the HDI of regencies/cities in Lampung Province and to explain HDI from an Islamic economic perspective. The data sources were obtained from the Central Agency of Statistics and the Directorate General of Fiscal Balance in 2017-2021. Panel data regression was used to analyze the data in this study. The results showed that partial government expenditure in the education sector and poverty had a significant effect on the HDI of regencies/cities in Lampung Province, while per capita income had no significant effect on the HDI of regencies/cities in Lampung Province.

Keywords: Education sector expenditure, Per capita income, Poverty, Human Development Index

Abstrak

Indeks Pembangunan Manusia kabupaten/kota di Provinsi Lampung tumbuh lambat pada tahun 2017-2021. Provinsi Lampung menempati urutan terendah dari sepuluh Provinsi di Pulau Sumatera pada tahun 2021, padahal pengeluaran pemerintah sektor pendidikan dan pendapatan perkapita terus mengalami peningkatan sedangkan persentase penduduk miskin relatif mengalami penurunan. Penelitian ini bertujuan untuk mengetahui pengaruh pengeluaran pemerintah sektor pendidikan, pendapatan perkapita dan kemiskinan terhadap IPM kabupaten/kota di Provinsi Lampung, serta untuk menjelaskan IPM dalam perspektif ekonomi Islam. Sumber data diperoleh dari Badan Pusat Statistik dan Direktorat Jenderal Perimbangan Keuangan tahun 2017-2021. Regresi data panel digunakan untuk menganalisis data dalam penelitian ini. Hasil penelitian menunjukkan bahwa secara parsial pengeluaran pemerintah sektor pendidikan dan kemiskinan berpengaruh signifikan terhadap IPM kabupaten/kota di Provinsi Lampung, sedangkan pendapatan perkapita tidak berpengaruh signifikan terhadap IPM kabupaten/kota di Provinsi Lampung.

Kata Kunci: Pengeluaran sektor pendidikan, Pendapatan perkapita, Kemiskinan, Indeks Pembangunan Manusia.

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1. Introduction

Economic development is closely related to economic growth. Basically, economic development is a series of changes that take place continuously to achieve a better



state of life, both materially and spiritually. According to Todaro, the basic components or core values of successful economic development include sustenance, self-esteem and freedom, which are the main goals that must be achieved by every society (Izzah & Hendarti, 2021). There are many ways to measure the success of human development in a country, one of which is through the Human Development Index (HDI), which is measured by the education, health and economy (purchasing power) of the community (Syofya, 2018). The concept of the Human Development Index (HDI) was first introduced by the United Nations Development Programme (UNDP) in 1990 and is published regularly in the annual Human Development Report (HDR) (Syafira, 2019). HDI is also used to classify whether a country is a developed, developing or underdeveloped country (Karim, 2015). The following is the development and growth of the quality of human resources in the provinces of Sumatra Island in 2021.



Source: Central Agency of Statistics

Figure 1. Percentage of Human Development Index in Sumatra Island in 2021

Based on data from the Central Agency of Statistics, the development of the Human Development Index in provinces throughout Sumatra in 2021 shows mixed results. The highest HDI level rate was obtained by Riau Islands Province, namely 75.79%, followed by Riau Province at 72.94% and West Sumatra Province at 72.65%. In comparison, Lampung Province ranks lowest with a percentage of the Human Development Index of 69.90% in 2021; this figure shows that the welfare of Lampung people is still relatively low.

Based on Table 1, the Human Development Index in Lampung Province from 2017 to 2021 shows a positive development. It continues to increase, followed by an increase in HDI in each Regency / City of Lampung Province. The highest Human Development Index was occupied by Bandar Lampung City, with an average HDI of 76.99%, followed by Metro City, with an average HDI of 76.71% in 2017-2021. However, there are still 11 regencies in Lampung Province that have an average HDI below the average HDI of Lampung Province.

Table 1. Human Development Index of Regency / City in Lampung Province 2017-2021 (percent)

Regency / City	Human Development Index					Average
	2017	2018	2019	2020	2021	
Lampung Barat	66,06	66,74	67,50	67,80	67,90	67,20
Tanggamus	64,94	65,67	66,37	66,42	66,65	66,01
Lampung Selatan	66,95	67,68	68,22	68,36	68,49	67,94
Lampung Timur	68,05	69,04	69,34	69,37	69,66	69,09
Lampung Tengah	68,95	69,73	70,04	70,16	70,23	69,82
Lampung Utara	66,58	67,17	67,63	67,67	67,89	67,39
Way Kanan	65,97	66,63	67,19	67,44	67,57	66,96
Tulang Bawang	67,07	67,70	68,23	68,52	68,73	68,05
Pesawaran	64,43	64,97	65,75	65,79	66,14	65,42
Pringsewu	68,61	69,42	69,97	70,30	70,45	69,75
Mesuji	61,87	62,88	63,52	63,63	64,04	63,19
Tulang Bawang Barat	64,58	65,30	65,93	65,97	66,22	65,60
Pesisir Barat	62,20	62,96	63,79	63,91	64,30	63,43
Bandar Lampung	75,98	76,63	77,33	77,44	77,58	76,99
Metro	75,87	76,22	76,77	77,19	77,49	76,71
Lampung Province	68,25	69,02	69,57	69,69	69,90	69,29

Source: BPS Lampung Province

Indonesia is a country that places education as an important part of development. The 1945 Constitution clearly mentions "educating the nation's life," which refers to education. Government spending on education is stipulated in Law No. 20/2003, which states that "education funds other than educators' salaries and official education costs are allocated at least 20 percent of the APBN in the education sector and at least 20 percent of the APBD".

Economic growth, which is indicated as per capita income, is assumed to encourage increased economic growth. Income will enable a person to fulfill the needs of life, especially basic needs. Community income in a region can be measured by per capita income, where per capita income is closely related to the level of welfare because higher income affects the quality of life of the community.

Poverty is also a factor that can affect HDI. Poverty can have a serious effect on human development because the problem of poverty is a complex problem that actually stems from the purchasing power of people who are unable to meet their basic needs so that other needs, such as education and health, are neglected. This makes the human development gap between the two large, and in the end, the HDI achievement target set by the government is not well realized (Dewi et al., 2017).

In the Islamic view, economic development places humans at the center of development, which functions both as a subject and as an object of development. This is based on the Islamic worldview, which places humans as the main actors in human life (Ratih & Tamimah, 2021). M. Umer Chapra stated that the Human Development Index is the only equitable economic development. If the level of HDI in a region or province is high, the level of welfare of the people is also high to achieve mutual benefit

(Chapra, 2000). Islam also regulates the development of human welfare in QS. An-Nisa verse 9 is as follows:

Meaning: *"Fear those who should leave after them weak offspring (whom) they fear for. So, fear Allah and speak with truthful speech (in terms of protecting the rights of their offspring)." (QS. An-Nisa [4]: 9)*

Based on the explanation described above, the HDI achievements in Lampung Province did show an increasing trend from 2017 to 2021. However, the increase was not strong enough to lift the relative position of the HDI of Lampung Province in the expected direction. The growth rate of the Lampung Province Human Development Index is not proportional to the increase in the allocation of government expenditure in the education sector and per capita income and the decrease in the percentage of poor people in 2017-2021. The HDI value of Lampung Province is still below the national HDI, and the HDI achievement of Lampung Province is still far behind that of other regions, especially on the island of Sumatra. Lampung Province occupies the 24th position in the national ranking and occupies the last position on the island of Sumatra in 2021.

2. Literature Review

Human Development Index

The Human Development Index (HDI) is a measure used to measure the success of development (Marlin et al., 2022). According to the United Nations Development Programme, human development is a process of enlarging people's choices. The human capital theory states that a person can increase their income through increased education. So, it can be said in this theory that if a person makes an increase in education, he will also get an increase in income or not experience high unemployment (Sumarsono, 2009). There are three categories of human development status based on HDI values, including $HDI < 50$ is categorized as low, $50 \leq HDI \leq 80$ is categorized as medium/medium, and $HDI \geq 80$ is categorized as high.

Adolf Wagner Theory

Adolf Wagner states that government spending and government activities are increasing over time. Wagner's theory bases its views on a theory called the organic theory of state, which considers the government as an individual who is free to act independently of other communities. Adolf Wagner's theory says that government spending through government spending to finance the education sector and government activities that are increasing over time are related to an increase in HDI, which will produce the nation's successors with good education and potential human resources so that it will have an impact on improving people's welfare as measured by the human development index (Sadat, 2022).

Government Expenditure in the Education Sector

According to Michael P. Todaro, the productivity of a country can increase if the government can fulfill one of the basic needs of its people, in this case, education. Todaro also states that government spending on education contributes to the human

development index, namely human capital (Todaro & Smith, 2011). Law No. 20/2003 on the allocation of education funds states that education funds other than educator salaries and official education costs are allocated at least 20% of the State Budget (APBN) in the education sector and at least 20% of the Regional Budget (Marlin et al., 2022). According to Meier, government spending on the education sector will affect development in the education sector, namely by increasing the number of students who are able to complete their schooling to a higher level (Winarti & Purwanti, 2014). The higher the average level of knowledge and skills possessed by the community, the easier it is for every individual of working age to understand, apply, and get results from technological capabilities, ultimately improving the nation's economic and living standards.

Per capita income

Per capita income is the average income of the population in a country in a certain period (Sukirno, 2015). From a macroeconomic perspective, this indicator is a measurable part of human welfare, and it can describe the welfare and prosperity of society. A region with a high per capita GRDP generally has a high standard of living. Income differences reflect the quality of life; rich countries have a good quality of life reflected by high per capita income, but this is inversely proportional to poor countries. In addition, an increase in per capita income is a reflection of improvements in people's economic welfare (Momongan, 2013).

Nurkse's Vicious Circle of Poverty Theory

The causes of poverty boil down to the three causes of poverty or the vicious circle of poverty theory, where, according to Nurkse, the causes of poverty are the existence of underdevelopment and underdevelopment of human resources (which is reflected by low HDI), market imperfections, and lack of capital causing low productivity (resulting in high unemployment).

3. Research Method

This research was conducted in 15 regencies/cities in Lampung Province. The data used in this study are secondary data sourced from reports from the Central Agency of Statistics (BPS National, BPS Lampung Province) and the Directorate General of Fiscal Balance (DJPK), especially in 2017-2021. The type of data used is panel data, which is a combination of time series data, namely the 2017-2021 period and cross-section data, namely 15 regencies/cities in Lampung Province. The research focused on seeing the effect of government expenditure variables in the education sector, per capita income and poverty on the human development index.

The population used in this study was 15 regencies/cities in Lampung Province. The sampling technique used in this study was a saturated sample, where all regencies/cities in Lampung Province were used as research samples.

The variables used in this study are the Human Development Index (HDI) as the dependent variable, while government spending on education, per capita income and

poverty are the independent variables. The operational definitions of the variables used in this study are as follows:

- a) The Human Development Index is a composite index used to measure the average achievement of a country in three things that underlie human development, namely (i) the health index, (ii) the education index, (iii) the income index (Asnidar, 2018).
- b) Government expenditure in the education sector is the allocation of APBN/APBD funds spent by the government in the education sector (Mardiyani, 2019).
- c) Per capita income is the average income of the population in a country (Sukirno, 2006).
- d) Poverty is an economic inability not limited to not being able to meet basic needs but also, in general, not being able to meet the needs of clothing, food and shelter (Wiradyatmika & Sudiana, 2013).

The model used in this study is a panel data regression analysis model. Panel data is a combination of time series and cross-section data. In other words, panel data is data from several of the same individuals observed over some time. If we have T periods ($t = 1, 2, 3, \dots, T$) and N number of individuals ($i = 1, 2, 3, \dots, N$), then the panel data method will have a total of $N \times T$ observations. The panel data analysis model used in this study is expressed in the following function:

$$Y_{it} = \beta_0 + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + e_{it}$$

The difference in units and the number of independent variables in the equation causes the regression equation to be transformed into the natural logarithm form, which aims to avoid errors in the analysis results. In this study, the natural logarithm used is in the form of semi-log natural (semi-log). Semi-log is the dependent variable is converted into natural logarithm form and the independent variable remains, or vice versa, all independent variables are converted into natural logarithms and the dependent variable remains so that the regression equation becomes as follows:

$$Y_{it} = \beta_0 + \beta_1 \text{Log}X1_{it} + \beta_2 \text{Log}X2_{it} + \beta_3 X3_{it} + e_{it}$$

Note: Y Human Development Index, X1 Education Sector Government Expenditures, X2 Per Capita Income, and X3 Poverty

4. Results and Discussion

4.1. Results

Model selection

To see how much government spending on education, per capita income and poverty affects the Human Development Index in the regencies/cities of Lampung Province, a model assessment is first carried out. The Chow Test is carried out to determine the most appropriate model between the common effect model and the fixed effect model, which will be used for panel data regression. The following are the results of the Chow test using the Redundant Fixed Effect-Likelihood Ratio.

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	443,570733	(14,57)	0,0000
Cross-section Chi-square	352,500017	14	0,0000

Based on the Chow test results above, it shows that the value of prob. Cross-section F is $0.0000 < 0.05$, so it can be concluded that the Fixed Effect Model is better than the Common Effect Model.

The Hausman Test is carried out to determine the most appropriate model, between the fixed effect model or the random effect model, which will be used for panel data regression. The following are the results of the Hausman test using Eviews 10:

Table 3. Hausman Test Results

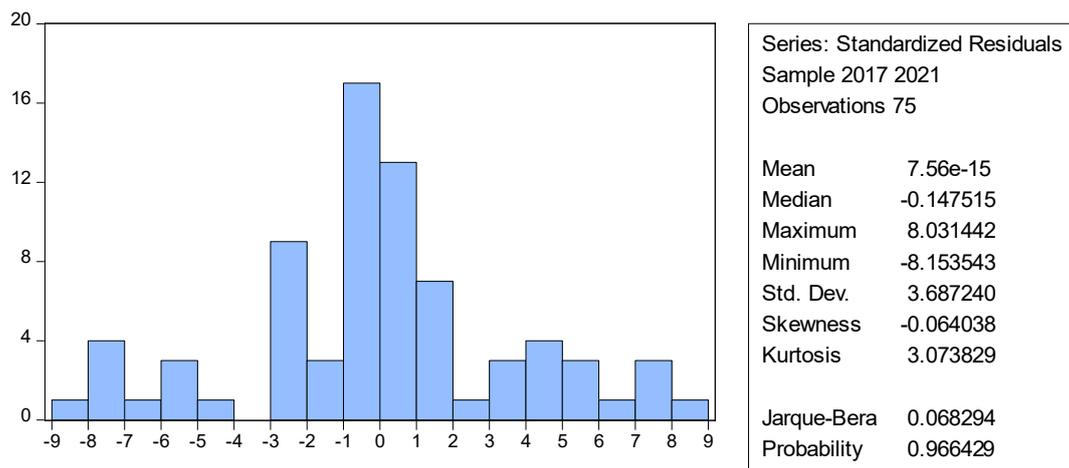
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2,714397	3	0,4378

Based on the Hausman test results above, it shows that the value of prob. The random cross-section is $0.4378 > 0.05$, so it can be concluded that the Random Effect Model is better than the Fixed Effect Model.

Classic Assumption Test

The classic assumption tests used in this research are the normality test and the multicollinearity test. The heteroscedasticity test was not used because this research uses a random effect model, wherein the random effect model of the Generalized Least Square (GLS) method is used, which can eliminate the problem of heteroscedasticity (Sitorus & Yuliana, 2018).

The normality test aims to test whether the regression model for the independent variable, dependent variable or both is normally distributed or not. The method used is the Jarque-Bera test. The following are the results of the normality test.



Source: data processed by Eviews 10, 2023

Figure 2. Normality Test Results

From the results of the normality test above, the prob value is obtained. $JB > \alpha$ ($0.966429 > 0.05$), so it can be concluded that the residuals in this study are normally distributed, which means the classic assumption test of normality has been fulfilled.

The multicollinearity test aims to test whether the regression model finds a correlation between the independent variables. The following are the results of the multicollinearity test carried out using Eviews 10:

Table 4. Multicollinearity Test Results

	LOGX1	LOGX2	X3
LOGX1	1,000000	0,253041	0,367429
LOGX2	0,253041	1,000000	-0,289673
X3	0,367429	-0,289673	1,000000

To test the multicollinearity problem, you can look at the correlation matrix of the independent variables. If the correlation coefficient is greater than 0.80, then there is multicollinearity. From the table above, it can be seen that the correlation coefficient value between independent variables is less than 0.80, so the data in this study does not experience multicollinearity problems.

Results of Panel Data Regression Analysis

After selecting the panel data regression model, the best model used in this research is the Random Effect Model (REM). Based on the panel data estimation results using the Random Effect Model, with the following regression equation:

$$Y_{it} = \beta_0 + \beta_1 \text{Log}X_{1it} + \beta_2 \text{Log}X_{2it} + \beta_3 X_{3it} + e_{it}$$

$$Y = -10,14466 + 2,524593X_1 + 1,265846X_2 - 0,854252X_3$$

Note:

Y: Human Development Index

X1: Education Sector Government Expenditures

X2: Per Capita Income

X3: Poverty

Coefficient of Determination Test (R²)

The coefficient of determination test was carried out to see how large the proportion of independent variables is in explaining the dependent variable used in this research. The following are the results of data processing carried out using Eviews 10:

Table 5. Coefficient of Determination Test Results

R-squared	Adj. R-squared
0,693566	0,680618

Based on the Table 5, the Adjusted R-squared value is 0.680618. It can be concluded that the independent variables (government expenditure in the education sector, per capita income and poverty) can explain the Human Development Index in all regencies/cities in Lampung Province by 68.06%. In comparison, the remaining 31.94% is explained by the variables other variables outside the research.

Hypothesis test

The t-statistical test basically shows how much influence the independent variables, namely government spending in the education sector, per capita income, and poverty individually, have in explaining variations in the dependent variable, namely the human

development index. In this study, with a confidence level (α) = 5% or 0.05 with $df = 71$, the t-table was obtained at 1.99394. The following are the results of the random effect model t-test:

Table 6. T-statistical Test Results

Variable	t-statistic	Probability	Note
X1	4,451248	0,0000	Significant
X2	1,048877	0,2978	No Significant
X3	-9,919618	0,0000	Significant

A simultaneous significance test (F test) was carried out to test whether the independent variables in this research, namely government expenditure in the education sector, per capita income and poverty together (simultaneously), influenced the dependent variable, namely the human development index.

Table 7. F-statistical test results (simultaneous)

F-statistic	Prob(F-statistic)
53,56581	0,000000

Based on Table 7, the F-statistic prob value is 0.000000, where the F-statistic prob value is > 0.05 . It can be concluded that the independent variables (government expenditure in the education sector, per capita income and poverty) simultaneously or jointly influence the Human Development Index of regencies/cities in Lampung Province.

4.2. Discussion

Government Expenditures in the Education Sector on Human Development

Based on the data and analysis that has been carried out, government spending in the education sector shows a positive and significant influence. The results of the research show that government expenditure in the regency/city education sector in Lampung Province tends to increase from 2017-2021, and data shows that government expenditure in the regency/city education sector in Lampung Province has the highest proportion compared to government expenditure in the health sector and the economic sector. Large government spending will influence the addition of educational facilities in the Regency/City of Lampung Province. Adequate and quality educational facilities will facilitate public access to formal education, which will increase literacy rates and the average length of schooling in the Regency/City of Lampung Province so that The Human Development Index can increase.

The research results are in accordance with Adolf Wagner's expenditure theory, which states that government expenditure and activities increase over time to achieve a level of social welfare that the HDI can measure. Government expenditure in the education sector, which is relatively large and continues to increase, provides an opportunity for regencies/cities in Lampung Province to fund the development of special areas in the education sector that can increase HDI. Theoretically, government spending in the education sector is allocated to regions to finance regional needs and development in the education sector.

Per Capita Income on Human Development

Based on the analysis that has been carried out, per capita income does not show a significant influence. This finding means that the per capita income of the Regency/City population in Lampung Province has not been able to increase the HDI in that region. This is caused by the relatively low income of the Regency/City people in Lampung Province. This condition causes the consumption allocation for basic needs to be greater so that spending on education and health is relatively limited. Accessibility constraints, such as what happened in Lampung Province, increasingly limit people's choices not only for health and education but also for better choices, so that the quality of human development is not necessarily significant.

The results of this research are in line with research conducted by (Mahulauw et al., 2017), which that increasing economic growth does not necessarily increase per capita income, resulting in a gap in the distribution of per capita income, which can become an obstacle to accessing better education and health. Research conducted by (Sasana, 2016) also shows that per capita income has not been able to increase HDI in Central Java regencies/cities. This is because the income of the people in this area is relatively small, which causes the allocation of primary needs to be greater so that spending on education and health becomes limited. As a result, the quality of HDI receives less attention and is neglected.

Poverty on Human Development

Based on the analysis that has been carried out, poverty shows a negative and significant influence. The results of this research show that reducing poverty levels can increase the human development index in 15 regencies/cities of Lampung Province. Poverty is closely related and determines the development process that prioritizes community participation. This is also because the Human Development Index reflects the quality of human resources (education, health and nutrition). The decline in poverty rates in Lampung Province shows that the majority of people in Lampung Province have good access to aspects of development, and labor productivity will increase because, in general, poor people spend more of their energy and time fulfilling basic needs. Decreasing poverty levels will improve the quality of human resources, which will produce workers with a high level of education, good skills, and good physical health, and labor productivity will also increase. When productivity increases, income increases so that people can meet their needs, and ultimately, this will increase the HDI percentage of regencies/cities in Lampung Province. According to Nurkse, poverty has a close relationship with Human Development because, according to him, the causes of poverty are underdeveloped and underdeveloped human resources (reflected in low HDI), market imperfections and lack of capital, causing low productivity, which has an impact on high unemployment rates.

Government Expenditures in the Education Sector, Per Capita Income, Poverty and Human Development

Based on the analysis that has been carried out, government expenditure in the education sector, per capita income, and poverty together (simultaneously) show a significant influence on HDI. The research results are in accordance with conditions in

the field that the percentage of the human development index will also increase in 2017-2021 in line with the increase in government spending in the education sector and per capita income each year and the decline in poverty rates in 2017-2021. This is in accordance with the 1945 Constitution, which clearly states that "to educate the nation's life" refers to education. Therefore, improving education through government spending in a region is very important for the development and progress of that region.

The benefits of increasing per capita income will be directly felt by the community to improve their quality of life. By increasing per capita income, a person can increase purchasing power (consumption) to improve the quality of life. If per capita income increases, it means that employment opportunities increase and income levels become higher. From a macroeconomic perspective, per capita income is a part of human welfare that can be measured to describe the welfare and prosperity of society. Thus, increasing per capita income will improve people's living standards so that people's purchasing power will increase. Increasing people's purchasing power will have an impact on increasing HDI in Lampung Province. The poverty rate in regencies/cities in Lampung Province, which has decreased, can increase the Human Development Index of regencies/cities in Lampung Province. It can be said that the regional government of Lampung Province is quite good at tackling poverty.

Human Development Index in Lampung Province in the Perspective of Islamic Economics

Islam is a perfect religion that regulates all aspects of life in the Qur'an and hadith. In the concept of Islamic economic development, it is explained that development is very dependent on the quality of human resources (HR) owned by the country, and humans are the subject and object of development; even Islam explains that the position of man on earth is as Khalifah (leader). Quality human resources are needed. Allah has sent human beings to prosper life on earth. This is in accordance with the goal of human development, which is none other than *maslahah* (goodness) and *falah* (welfare) of humans. To realize this, *falah* is achieved through improving the quality of human resources. Allah explains in QS. Al-baqarah verse 30 as follows:

Meaning: *"(Remember) when your Lord said to the angels, "I want to make a caliph on earth." They said, "Do you intend to make therein one who will destroy and shed blood while we praise you and sanctify your name?" He said, "I know what you do not know." (QS. Al-Baqarah [2]: 30)*

The development of the human development index (HDI) of regencies/cities in Lampung province in 2017-2021 continues to increase. This shows that the quality of human resources in Lampung Province is in the middle category. Thus, Lampung has been able to create community welfare (*falah*) by reducing the inequality in Lampung. According to the perspective of Islamic economics, Lampung has been able to realize *Falah* in realizing human and quality human resources. However, Lampung province is ranked the lowest HDI among other provinces on the island of Sumatra, with an HDI percentage of 69.90% in 2021. So, the solution to increasing HDI is to improve facilities and infrastructure, especially in underdeveloped areas. Improving facilities and

infrastructure will reduce poverty, and poverty alleviation will increase the human development index.

5. Conclusion

Based on the results obtained in the research on the factors affecting the human development index in Lampung Province in 2017-2021 from the perspective of Islamic economics using panel data regression, it can be concluded as follows: The variable of government expenditure in the education sector has a positive and significant effect on the human development index of regencies/cities in Lampung Province in 2017-2021. The per capita income variable has a positive and insignificant effect on the human development index of regencies/cities in Lampung Province in 2017-2021. The poverty variable has a negative and significant effect on the human development index of regencies/cities in Lampung Province in 2017-2021. Meanwhile, based on the results of the simultaneous F test in the study using panel data regression analysis, it explains that all of the variables, namely government expenditure in the education sector, per capita income, and poverty simultaneously or together, have a significant effect on the regency/city human development index in Lampung Province in 2017-2021. The Lampung Province Human Development Index is in the middle category of 69.90% in 2021. Thus, Lampung has been able to create prosperity (falah) for the community by reducing inequality in Lampung. According to the perspective of Islamic economics, Lampung has been able to realize Falah in realizing human and quality human resources.

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