

# DYNAMICS OF FISCAL POLICY IN THE ERA OF THE PROPHET SAW AND TRANSFORMATION IN FISCAL POLICY IN INDONESIA

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## Abstract :

This study aims to comparatively analyze fiscal policy in contemporary Indonesia and the fiscal policy implemented during the era of Prophet Muhammad (SAW), identifying shared principles and potential integrations of Islamic fiscal values into modern governance. Employing a qualitative-descriptive approach with library research, primary data were derived from the Qur'an, authentic Hadith, and classical fiqh sources (e.g., Al-Mughni, Al-Ahkam al-Sultaniyyah), while secondary data included government documents (APBN 2025 Framework, BKF Reports 2024), and peer-reviewed journals (2020–2025). Findings indicate that both systems share core objectives economic stabilization, equitable income distribution, and public welfare enhancement—yet differ significantly in legal foundations (positive law vs. divine revelation), revenue instruments (taxes/PNBP vs. zakat, jizyah, kharaj, fay'), and accountability mechanisms (institutional audit vs. li Allāh wa li al-nās spiritual oversight). Notably, values such as 'adl (justice), amanah (trustworthiness), transparency, and maslahah 'ammah (public interest) from the Prophetic fiscal model offer ethical enrichment for Indonesia's fiscal governance. The study concludes that integrating these values through progressive taxation, zakat-APBN synergy, digital hisbah, and productive waqf can strengthen fiscal legitimacy, social equity, and moral accountability without replacing the existing system.

**Keywords :** *fiscal policy, Islamic economics, Prophet Muhammad (SAW), Baitul Mal, APBN*

## INTRODUCTION

Fiscal policy is the government's primary instrument in managing the national economy to achieve macroeconomic stability, income equality, and improved social welfare (Selawati & Purwanti, 2020). In Indonesia, fiscal policy is operationalized through the State Budget (APBN), which includes revenue primarily from taxes, non-tax state revenues (PNBP), and grants, as well as state spending in strategic sectors such as education, health, infrastructure, and social protection (Pernanda et al, 2025). Amid post-pandemic global dynamics, Indonesia's fiscal policy seeks to balance growth stimulus with fiscal

consolidation, although challenges such as inequality (Gini ratio 0.379 in 2024) and regional disparities remain unfinished business (Makarim & Hadi, 2024).

Fiscal policy from an Islamic economic perspective is not only technocratic, but also embodies sharia values such as 'adl (justice), amanah (trust), and maslahah 'ammah (public welfare) (Aminuddin, 2025). During the time of the Prophet Muhammad (peace be upon him), the fiscal system was established in response to the economic inequality of pre-Islamic Arabia, characterized by usury, monopoly, and exploitation of the weak. Through the Baitul Mal institution, revenues such as zakat, jizyah, kharaj, and fay' were managed transparently and directly distributed for the benefit of the people—especially the poor, orphans, and the needy—as emphasized in Q.S. Al-Taubah: 60 and Al-Hasyr: 7. Thus, fiscal policy in Islam is value-laden: it not only pursues efficiency, but also moral and spiritual accountability (Selawati & Purwanti, 2020).

Efforts to integrate Islamic fiscal values into modern systems have been the focus of academic studies in recent years. (Hakim & Guna, 2025) reconstructed the architecture of the Baitul Mal during the time of the Prophet and the Khulafā' al-Rāshidūn, emphasizing the importance of participation and transparency in state financial management. (Nuzulul et al, 2024) proposed a synergy between zakat, infaq, and waqf as non-budgetary fiscal instruments that can function as automatic stabilizers. On the other hand, (Reviraa, 2024) evaluated the 2024–2025 State Budget within an Islamic ethical framework, suggesting strengthening the zakat credit mechanism and integrating productive waqf into capital expenditures. However, these studies tend to be normative or historically descriptive in nature, lacking a systematic comparative analysis that maps the structural alignments and tensions between the two paradigms (Putri et al., 2024).

Unfortunately, there is still a lack of research explicitly comparing Indonesia's positivist fiscal system with the revelation-based fiscal system of the Prophet Muhammad's time—not to replace it, but to identify transferable values compatible with Indonesia's constitution and social reality. As noted (Huda et al, 2024), the legitimacy of fiscal policy in a Muslim-majority country depends not only on economic effectiveness but also on perceived alignment with religious values. This gap becomes even more relevant given that Indonesia's 2025 fiscal priorities of inclusive growth, green transformation, and social resilience strongly resonate with the principles of mercy, mutual benefit (takāful ijtimā'ī), and istisdayhin Islamic economics (Amri, 2020).

## RESEARCH METHOD

This research uses a qualitative descriptive-analytical approach with a literature review strategy, considering the exploratory and comparative nature of the research. This study aims to identify, describe, and analyze in-depth fiscal policy in Indonesia and fiscal policy during the time of the Prophet Muhammad (PBUH) within the framework of normative values, institutional structures, and management mechanisms (Adiman, 2025). Data were obtained

from primary and secondary sources. Primary sources include the Qur'an (Q.S. Al-Anfāl: 41; Q.S. Al-Taubah: 60; Q.S. Al-Ḥ century: 6–7), hadith sahih dari Doaḥiḥal-Bukhārī and Sunan Abī Dāwūd, as well as classical literature such as Ibn Qudāmah's Al-Mughnī and Al-Aḥkam al-Sultāniyyah by Al-Māwardī. Meanwhile, secondary sources include official government documents, including the Macroeconomic Framework and Principles of Fiscal Policy 2025 (Sapay et al., 2025), the Fiscal Policy Agency report (2024), and scientific journal articles published in 2020–2025.

Data analysis was conducted through content analysis and comparative analysis by classifying the data into four main dimensions, namely: (1) philosophical and legal basis of fiscal policy, (2) sources of state revenue, (3) expenditure allocation and spending priorities, and (4) fiscal management and accountability mechanisms (Dian et al, 2024). These four dimensions were systematically compared to identify similarities, differences, and relevant Islamic fiscal values for integration into Indonesia's contemporary fiscal system. Data validity and reliability were maintained through source triangulation and cross-checking between verses of the Qur'an, hadith, classical literature, and modern research findings, so that the research results are comprehensive and scientifically accountable (Chairani et al, 2025).

## RESULTS AND DISCUSSION

### Results

#### Fiscal Policy during the Time of the Prophet Muhammad SAW

Fiscal policy during the time of the Prophet Muhammad (peace be upon him) emerged in the context of a radical socio-economic revolution. Before Islam, pre-Islamic Arab society lived in extreme inequality: the practice of usury, trade monopoly by the Quraysh, and discrimination against the weak (orphans, widows, and the poor) were the norm (Yeniwati et al, 2025). The presence of the Prophet Muhammad (peace be upon him) brought not only a spiritual mission but also an agenda for equitable national development. The Charter of Medina contains a basic principle: "Indeed, Muslims, Jews, and all the inhabitants of Medina are one ummah, protecting each other, which marks the birth of an inclusive fiscal social contract" (Herlinah & Salma, 2020).

State revenue is managed by Baitul Mal, the first state financial institution in Islamic history. Its revenue sources are divided into two: from Muslims (zakat, ushr, khums, ghanimah, fay', zakat fitrah, nawaib) and from non-Muslims (jizyah, kharaj). Zakat, for example, was obligatory since the 2nd year of Hijri and expanded in the 9th year of Hijri through Surah At-Taubah verse 60, which makes it a progressive, mandatory redistribution instrument (only obligatory for those who reach the nisab) (Siti et al, 2025). The jizyah policy (1 dinar/year/adult) is imposed on people of the book in exchange for state protection (dhimmah), with exceptions for women, children, the elderly, and people with disabilities, demonstrating the principle of equity in taxation (Busri, 2024).

No	Fiscal Instruments	Payment Source	Policy Basis	Purpose and Utilization
1	Zakat	Muslims who have wealth that reaches the nisab	QS. At-Taubah: 60	Used to help eight groups of asnaf such as the poor, amil, converts, riqab, gharim, fi sabilillah, and ibn sabil and to reduce social inequality
2	Jizyah	Non-Muslims living in Islamic countries (ahl al-dhimmah)	State policy during the time of the Prophet Muhammad SAW	As a contribution to the state in return for security protection and exemption from military service.
3	Kharaj	Owners or cultivators of land in areas under Islamic rule	State land management policy	To be a source of state revenue for financing government administration and public welfare.
4	Ghanimah	War booty obtained from war	QS. Al-Anfal: 41	A portion (khums) was allocated for the state and public interest, while the remainder was distributed to the troops involved.
5	Fay'	Property acquired without war, such as from territory surrendered peacefully	QS. Al-Hasyr: 7	Used for public interests such as the construction of public facilities, social assistance, and community welfare.

State expenditure is directed towards eight asnaf as stated in QS. At-Taubah: 60, namely: the poor, the needy, the amil, the mu'allafat al-qulub, riqab (slave emancipation), gharim, fi sabilillah, and ibn al-sabil (Handini et al, 2025). The practice is broader than state expenditure, as funds are also used to build wells, markets, roads, and education, as well as providing business capital (qardh hasan) for the dhuafa to become independent. As taught by Imam Nawawi, there are no funds left idle in the Baitul Mal (Baitul Mal), distribution is carried out immediately after receipt, ensuring high velocity of money and maximum stimulative effect (Nasution & Novalina, 2020).

This system is distinct because of the integration of moral accountability at every stage. Baitul Mal officials such as Bilal ibn Rabah and Zubair ibn al-Awwam are selected based on integrity, not just technical competence. Financial reports are presented openly in Friday sermons, as when the Prophet Muhammad said: "I have no wealth except a fifth of ghanimah; and that is not for me, but for you" (Narrated by Bukhari). In emergency situations (the Battle of Tabuk), *nawaib* (emergency tax) was imposed on the wealthy without coercion, but with a sense of *maslahah 'ammah*. The results can be seen in the almost complete elimination of structural poverty in Medina within 10 years, demonstrating the effectiveness of a fiscal system based on faith and piety (Yuliani et al, 2024).

### **Fiscal Policy in Indonesia**

The Indonesian government's policy in the field of state finance is formulated in the State Revenue and Expenditure Budget Plan (RAPBN) which is then submitted to the House of Representatives (DPR) to be discussed and passed into the State Budget Law. The State Budget is a strategic instrument in state financial management because it contains government revenue and expenditure plans in one fiscal year. Through the State Budget, the government sets policy priorities to ensure the sustainability of government administration and encourage the implementation of national development in a directed and sustainable manner. The structure of the State Budget basically consists of state revenue and state expenditure (Shandy et al, 2024).

State revenue is sourced from domestic revenues and grants, with domestic revenues divided into tax revenues and non-tax state revenues (PNBP). As explained by Maharajabdinul (2024), tax revenue includes various types of taxes, such as income tax, value-added tax, land and building tax, land and building rights acquisition duties, excise, and import and export duties. The PNBP comes from the management of oil and gas and non-oil and gas natural resources, the profit share of state-owned enterprises (SOEs), other PNBP, and income obtained by public service agencies (BLU) (Daviana, 2025).

Meanwhile, state spending is allocated to finance central government spending and transfers to the regions. Central government spending includes employee spending, goods spending, capital spending, debt interest payments, energy and non-energy subsidies, grant spending, social assistance, and other spending. In addition, transfers to the regions include a balance fund, a special autonomy fund, and an adjustment fund. In the framework of the State Budget, it is also known that there is a primary balance, a condition of budget surplus or deficit, as well as financing sourced from within the country and abroad as an effort to close the gap between state revenue and expenditure in a measurable and sustainable manner (Wijayanti & Bayu Aji, 2023).

Fiscal policy in Indonesia is implemented through the State Budget (APBN), which serves as the government's primary instrument for achieving macroeconomic stability, social equity, and sustainable growth (Tri et al., 2024). The 2025 APBN, for example, targets economic growth of 4.7–5%, with the fiscal deficit controlled below 2.56% of GDP, a commitment to post-pandemic fiscal

consolidation (Rangga Yuda Nugraha, 2025). This strategy reflects a countercyclical approach: productive spending (infrastructure, human resources, green transformation) is strengthened, while operational spending efficiency is continuously optimized. Thus, the APBN serves not only as an allocation tool but also as a buffer against external shocks such as commodity price volatility and geopolitical tensions (Manihuruk et al, 2025).

The state revenue structure is still dominated by taxes ( $\pm 80\%$ ), particularly Income Tax (PPh), Value Added Tax (VAT), and excise, while Non-Tax State Revenue (PNBP) contributes around 15–18%, primarily from the oil and gas and natural resources sectors (Roreng et al, 2025). Although the national tax ratio increased from 10.2% (2020) to 11.1% (2024), this figure remains far below the average for ASEAN countries (14.3%) and the OECD (34%), indicating potential for an under-utilized tax base (Nisa et al, 2025). Dependence on foreign debt ( $\pm 10\%$  of total revenue) reflects vulnerability to foreign exchange risk and interest payment pressures, which are still within safe limits according to IMF standards (Khamidah & Mulyono, 2025).

State expenditure is allocated across five main categories: personnel expenditure, goods and services expenditure, capital expenditure, subsidies (energy, fertilizer), and social assistance. In the 2025 State Budget, the allocation for social protection reached IDR 489 trillion, including the Direct Cash Assistance (BLT) program, the Family Hope Program (PKH), and the Smart Indonesia Card, which directly support distribution functions and social stability (Al et al., 2025). The effectiveness of capital expenditure is influenced by regional absorption capacity and bureaucratic constraints, so the multiplier effect is often suboptimal (Arifin, 2025). Spending on green infrastructure and digitalization, such as green energy and e-government, demonstrates a shift toward sustainable fiscal policy, although its implementation still faces challenges in inter-agency coordination.

The lack of moral compliance in Indonesia's fiscal system still requires careful attention, as taxes tend to be viewed as an administrative burden rather than a social or spiritual obligation, unlike the concept of zakat, which combines fardhu (obligatory) and taqwa (obligatory obligatory). Consequently, the tax compliance rate remains around 66% (2024), and the tax gap is estimated to reach IDR 1,200 trillion per year (Mualim & Meiyenti, 2025). This opens up opportunities to strengthen fiscal legitimacy through the internalization of values such as amanah (trust), maslahah (benevolence), and 'adl (justice), which were the foundation of the fiscal system during the time of the Prophet Muhammad (peace be upon him) (Palis, 2025). Integrating the ethical dimension does not mean replacing the system, but rather enriching fiscal governance so that it is more rooted in the nation's noble values.

### **Similarities and Differences in Fiscal Policy during the Time of the Prophet Muhammad and Indonesia**

In terms of objectives, both systems share a common vision: to create prosperity, reduce inequality, and ensure social justice. Both the APBN and Baitul Mal allocate resources for education, health, infrastructure, and the

protection of vulnerable groups (Fitroti et al., 2025). For example, Indonesia's social protection budget ( $\pm 1.8\%$  of GDP) and the fuqara' masakin subsidy in Medina both aim to reduce absolute poverty. In fact, the functions of stabilization, distribution, and allocation in the modern economy are conceptually parallel to the principles of *istiqrar al-mu'asyarah*, *takāful*, and *isti'mār al-ardh* in Islamic economics (Ronni Haga & Sunaryo Neneng, 2025).

The fundamental difference between these two policies lies in their epistemological foundation. The Indonesian system is based on legal positivism (the 1945 Constitution, Law No. 17/2003), so compliance relies on legal sanctions and economic incentives. In contrast, the Prophet Muhammad's system is rooted in revelation-based ethics (the Qur'an and Sunnah), where compliance stems from faith and awareness of the Day of Reckoning (R R Akbar et al., 2024). This difference impacts revenue sources: Indonesia relies on general taxes (including *riba*-based objects in the national financial system), while the Islamic system limits revenue to *halal* and just sources – such as *zakat* (not burdening the *mustahik*) and *jizyah* (proportionate to the protection received) (Deo Renaldi Saputra, et al, 2025).

Another difference lies in the accountability mechanism. Indonesia has a horizontal accountability system (BPK audit, DPR oversight, public participation through e-budgeting), whereas during the time of the Prophet Muhammad, accountability was vertical-horizontal: *li Allah wa li al-nās*, meaning every fiscal decision is accounted for not only in this world but also in the afterlife, making ethics more binding than administrative sanctions (Priyarsono et al, 2023). A concrete example is the Prophet Muhammad's refusal to allocate *ghanimah* (good deeds) for his own family, even though he was entitled to a share of the Prophet's *khums*, in order to maintain public trust and his integrity (L Simanungkalit et al., 2025).

Time orientation also makes these two systems different. Modern fiscal policy tends to be short-term (annual budget cycle, electoral pressure), while the Prophet's system is long-term until the afterlife, so that fiscal decisions are always linked to *mā ba'da al-maut*. For example, the use of *fay'* is not only for emergency needs, but also to break the roots of structural inequality (“so that wealth does not circulate only among the rich,” QS. Al-Hasyr: 7). This difference does not mean that the modern system is inferior, but rather emphasizes that the integration of Islamic values into the APBN is not a replication of institutions, but an internalization of values: from compliance-driven to conscience-driven policy (Arkan & Rosdiana, 2024).

In addition, there are also differences in the use and distribution of funds during the time of Rasalullah SAW, state financial management was directed to realize the welfare of the community while maintaining the stability of the Islamic government. The allocation of state expenditure is focused on strategic sectors, such as the spread of Islam which is carried out in a planned manner according to *sharia* principles, the development of education and science including the teaching of the Qur'an, as well as the development of infrastructure in the form of mosques, roads, and public facilities that support

the social and economic activities of the community. both in the form of subsidies and guarantees to meet the needs of life. Imam Nawawi emphasized the importance of providing adequate funds for the underprivileged, not only to meet basic needs, but also as a means of economic empowerment so that they are able to be independent and get out of poverty. This shows that the Islamic economic system emphasizes a balance between social assistance and strengthening community independence (Tafik et al, 2021).

In the modern context, Indonesia implements a fiscal policy with a deficit budget system, where state expenditure exceeds revenue. This policy is used as a strategic instrument to encourage economic growth and maintain national stability, especially in the face of economic slowdown or recessionary conditions, so that the role of the state remains optimal in supporting sustainable development. State revenue comes from various main sources, including tax revenues, non-tax state revenues (PNBP), and grants. The revenue is used to finance state expenditure allocated to various strategic sectors, including the payment of salaries of state civil servants, procurement of goods and services, capital expenditure for infrastructure development, debt interest payments, the provision of subsidies, grant spending, and the implementation of social assistance programs. The overall expenditure allocation is designed as a government fiscal instrument in encouraging economic growth, maintaining fiscal stability, and improving people's welfare in a sustainable manner (Waliamro & Penataran, 2023).

### **Islamic Fiscal Values that can be Integrated**

The first relevant value to be integrated into Indonesia's fiscal policy is distributive justice ('adl), as exemplified by the Prophet Muhammad (peace be upon him) in the management and allocation of zakat and fay'. This principle can be realized through the implementation of more progressive taxation, for example by adjusting the personal income tax (PPh) rate at the highest level from 35% to 40–45%, in line with global trends in OECD countries (2024) and the value of social justice in Islamic jurisprudence (F. Nisa et al, 2023). In addition, social assistance and cash transfer programs can be positioned not merely as fiscal policy instruments, but as a form of fulfilling the rights of the poor (ḥaqq al-faqīr) on the wealth of the wealthy. This approach has the potential to increase the moral legitimacy of public policy and encourage voluntary fiscal compliance (Akbar et al, 2024).

The second value is transparency and trustworthiness in public financial management. Although Indonesia has developed an e-budgeting system and an Open State Budget (APBN), public participation in fiscal oversight remains relatively limited. The practice of the Baitul Māl (the Islamic Treasury) in the early days of Islam, which openly announced state revenues and expenditures to the public, can serve as inspiration for strengthening modern fiscal accountability. One adaptation is the development of a digital hisbah platform, such as a digital-based APBN reporting system that is widely accessible to the public. This effort aligns with the DSN-MUI Fatwa No. 113/DSN-MUI/IX/2017, which emphasizes the importance of accountability in

state financial management, both horizontally to the public and vertically to Allah SWT (Tyas et al, 2025).

The third value is orientation towards *mayestheḥah 'āmmah*, namely a fiscal policy that focuses on collective welfare, not solely on Gross Domestic Product (GDP) growth. This principle can be realized through the integration of *zakat*, *infaq*, and *waqf* (ZIW) instruments as a complement to non-tax state revenue, as has begun to be implemented in several regions such as Aceh and West Sumatra (Refanza & Manshur, 2022). With the national ZIW potential reaching IDR 217 trillion per year, productive management, for example for financing MSMEs and vocational education, can strengthen the fiscal multiplier effect while reducing dependence on state debt. This integration is not intended to replace the tax system, but rather to enrich fiscal policy with ethical and spiritual dimensions, in line with the principle of *maqāyesid al-sharī'ah*, especially the protection of property and life (Pausiyanti, 2024).

## Discussion

Based on the research findings presented in this article, it is clear that the dynamics of fiscal policy during the time of the Prophet Muhammad (peace be upon him) possessed very distinctive characteristics, namely the integration of economic, social, and spiritual aspects into a single, integrated system. The fiscal system during that period functioned not only as a tool for managing state finances but also as an instrument for creating social justice and overall societal welfare. This differs from modern fiscal policy practices, which generally emphasize technocratic aspects and state financial administration. The research findings indicate that despite fundamental differences between the fiscal system during the time of the Prophet Muhammad (peace be upon him) and the fiscal system in Indonesia today, both share a primary goal: creating economic stability, equitable income distribution, and improving public welfare. Therefore, a discussion of these research findings is crucial for understanding how Islamic fiscal values can contribute to strengthening modern fiscal policy.

During the time of the Prophet Muhammad (peace be upon him), fiscal policy was built on a strong moral and spiritual foundation. The state served not only as a manager of economic resources but also as a guardian of social justice within society. State financial management was carried out through the *Baitul Mal* institution, which functioned as a central hub for the collection and distribution of public wealth. State revenue sources at that time came from various instruments established in Islamic law, such as *zakat*, *jizyah*, *kharaj*, *ghanimah*, and *fay'*. These instruments not only served as sources of state revenue but also as effective wealth redistribution mechanisms to reduce economic disparities within society. This system enabled a more equitable distribution of wealth, as a portion of the wealth of wealthy individuals was allocated to assist disadvantaged groups.

Research also shows that state financial management during the time of the Prophet Muhammad (peace be upon him) strongly emphasized the

principles of transparency and accountability. The managers of the Baitul Mal (the public trust) were selected based on integrity and trustworthiness, ensuring the management of public funds with full responsibility. Furthermore, funds received from the Baitul Mal were not held for long periods but were immediately distributed to those entitled to receive them. This distribution pattern demonstrates an effort to maintain an active economic cycle within society. In other words, fiscal policy during the time of the Prophet Muhammad (peace be upon him) had a stimulating effect on economic activity because public funds were directly used to meet the social and economic needs of the community.

When compared to fiscal policy in Indonesia, research results show significant differences in institutional structure, state revenue sources, and public financial management mechanisms. Fiscal policy in Indonesia is implemented through the State Budget (APBN), which is prepared annually by the government and ratified by the legislature. In this system, state revenues are primarily derived from the tax sector, with the remainder coming from non-tax state revenues and grants. Taxes are the primary instrument used by the government to finance various development programs, including infrastructure, education, health, and social protection.

However, research results indicate that the modern tax system often faces challenges in terms of public compliance. Unlike the zakat system during the time of the Prophet Muhammad, which was based on religious awareness, the modern tax system relies more heavily on legal mechanisms and administrative sanctions. As a result, public compliance with tax obligations is often influenced by external factors such as supervision and law enforcement, rather than moral or spiritual awareness. This situation indicates a paradigm difference between a fiscal system based on religious values and a fiscal system based on modern state regulations.

Furthermore, this research also shows that the allocation of state spending in the Indonesian fiscal system has a broader scope than the fiscal system during the time of the Prophet Muhammad (peace be upon him). In the State Budget (APBN), the government must allocate funds for various complex state needs, such as paying civil servant salaries, large-scale infrastructure development, energy subsidies, and paying interest on state debt. This complexity reflects the development of a modern economic system that is much broader than the economic conditions in the early Islamic era. Nevertheless, the primary goal of state spending remains the same: to improve public welfare and maintain national economic stability.

One important finding of this research is the similarity in basic principles between fiscal policy during the time of the Prophet Muhammad (peace be upon him) and fiscal policy in Indonesia. Both systems emphasize the importance of the state's role in managing economic resources for the benefit of the wider community. The state has a responsibility to ensure that wealth does not circulate only among certain groups but is enjoyed by all levels of society.

This principle aligns with the value of social justice, a primary goal of modern economic development.

However, this research also confirms that the values embodied in the Islamic fiscal system have the potential to enrich modern fiscal policy practices. Values such as distributive justice, trustworthiness, transparency, and an orientation toward the public good can serve as an ethical foundation that strengthens the legitimacy of fiscal policy in a modern state. In the context of Indonesia, with a Muslim majority population, internalizing these values can help increase public trust in government fiscal policy.

Integrating Islamic fiscal values into the Indonesian fiscal system does not necessarily require replacing the existing system. Rather, such integration can be achieved through an adaptive approach that aligns with the prevailing legal and institutional framework. For example, optimizing the management of zakat, infaq, and waqf can complement the state's fiscal policy in reducing poverty and improving public welfare. With professional management integrated with national development programs, the potential of Islamic social funds can make a significant contribution to economic development.

Furthermore, strengthening transparency and accountability in state financial management can draw inspiration from the management practices of the Baitul Mal (Treasury) during the time of the Prophet Muhammad (peace be upon him). The use of digital technology in the state budgeting and financial reporting system can increase public participation in fiscal oversight. Thus, fiscal policy is viewed not only as a technical instrument of government but also as part of the state's moral responsibility in managing public trusts.

Overall, the results of this study demonstrate that despite differences in historical context and institutions between the fiscal system during the time of the Prophet Muhammad (peace be upon him) and the fiscal system in Indonesia, both share a fundamental common goal of creating social welfare. These differences, in fact, provide an opportunity for conceptual dialogue between Islamic economic values and modern fiscal policy practices. By combining the technocratic approach of the modern fiscal system with the ethical values inherent in the Islamic fiscal system, fiscal policy in Indonesia can become more inclusive, equitable, and oriented towards sustainable public welfare.

## CONCLUSION

Fiscal policy in Indonesia and fiscal policy during the time of the Prophet Muhammad (peace be upon him) share fundamental goals: achieving economic stability, equitable distribution of prosperity, and social protection for all levels of society. However, the two differ in their epistemological foundations, management mechanisms, and value orientations. The Indonesian fiscal system is rooted in positive law and technocracy, with the state budget (APBN) as the primary instrument, regulated administratively and legally. Meanwhile, the fiscal system during the time of the Prophet Muhammad (peace be upon him) was revelatory-moralistic, in which all state revenue and

expenditure through the Baitul Mal (Treasury of the Prophet Muhammad) was based on the principles of 'adl, amanah, masalah 'ammah, and vertical-horizontal accountability (li Allah wa li al-nās). This difference does not indicate the superiority of one system over the other, but rather opens up space for normative dialogue to enrich the ethical dimension of modern fiscal policy. The integration of Islamic fiscal values, such as the implementation of justice-based progressive taxation, enhanced transparency through digital hisbah (religious taxation), and the optimization of zakat, infaq, and waqf as complementary non-tax revenues, does not replace the state budget structure, but rather strengthens the moral legitimacy, distribution effectiveness, and social sustainability of national fiscal policy. Thus, the synergy between the spiritual, social, and economic dimensions can be a crucial pillar in realizing the ideal of Social Justice for All Indonesians, which is not only technically efficient but also substantively ethical.

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