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# Fiscal Policy in Islamic Perspective Tracking from Historical Literature Review

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**ABSTRACT**

The policy known as fiscal policy controls or manages state revenues and expenditures with the aim of maintaining stability and promoting economic growth. One of the tools of fiscal policy is government revenue and expenditure. Except for distribution theory, none of the literature on fiscal policy discusses ethical issues. Even in this case, it is still limited to distribution theory. Liberal studies are used in this research approach. The conclusion of this discussion shows that Islamic fiscal policy has always relied on a balanced budget system, or balanced budget, managed by the baitul mal since the time of the prophet SAW. The terms zakat, infaq, shadaqah, waqf, ghanimah, fa'i, kharaj, jizyah, u'shur, and khums are some of the tools used in Islamic fiscal policy. This research is organized using a type of research known as a literature review. A systematic literature review framework follows a top-down approach, where relevant scholarly journals or databases are searched thoroughly to identify synthesized documents.



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## INTRODUCTION

Income plays a crucial role in determining the level of well-being and financial stability of a person or entity. An individual's income level can affect their lifestyle, access to healthcare, education, and ability to save or invest. For companies, revenue reflects business performance and the ability to expand, while for governments, it is a source of funds to provide necessary public services and infrastructure. Effective revenue management is critical in ensuring long-term economic sustainability and growth. Fiscal policy is an economic instrument that regulates government revenue and expenditure to influence a country's economic activity. Revenue raised through fiscal policy mainly comes from taxation, with the aim of funding public expenditures such as infrastructure, healthcare, education, and social programs. Through the proper setting of tax rates, fiscal incentives, and budget expenditures, fiscal policy can stimulate economic growth, reduce income inequality, and create fiscal stability. However, fiscal policy must be balanced to prevent excessive budget deficits or harmful inflation, so maintaining a balance between government revenues and expenditures is key to the success of fiscal policy.

In conventional economics, fiscal policy refers to government actions that change tax or spending rules, referred to as government spending in the macroeconomic sense. Government spending in the macroeconomic sense is referred to as public spending. Of course, solving the nation's economic problems is the primary goal. In fact, there are common objectives shared between Islamic and conventional fiscal policies, especially in the analysis and formulation of economic policies. The goal of all economic endeavors is to maximize the welfare of all people. Maximizing human well-being is the goal of all economic activity for all people, and public policy is a tool to help achieve this.(Aini, 2019).

By emphasizing material values, Islamic fiscal policy and budgeting principles seek to create a society built on the equitable distribution of wealth. Fiscal policy is regarded as a technique to monitor and control human behavior that is influenced by incentives offered by means of increase government revenue (through borrowing, taxation, or guarantees against government spending). Since achieving the overall welfare of humanity is the primary goal of Islam, fiscal policy in a country should undoubtedly be aligned with Islamic principles and values (Aini, 2019).

Although there are similarities between Islamic and conventional fiscal policy, there are differences in principle. If in the conventional system, the concept of welfare to be achieved is to obtain maximum benefits for individuals in life regardless of human spiritual needs, then in the Islamic system the concept of welfare is very broad, covering life in this world and in the hereafter and spiritual improvement is emphasized over material possession. It is understood that fiscal policy in Islam aims to develop a society based on balanced wealth distribution by placing material and spiritual values at the same level (Aini, 2019).

In Islamic economics, usury and interest are not allowed forever. Permanently, hoarding of goods was also prohibited by Rasullah SAW. Thus, the leadership of Rasullah SAW and the role of the government at that time was seen in terms of how they controlled the distribution of wealth at that time. Therefore, the government's financial management, or its fiscal policy, was derived from the following: Gharaj, Jizyah, Zakat, Fay', Usyriyyah, and Ghimah. Rasullah SAW also created natural resources as sources of state revenue, which were then managed with the aim of achieving state profits. Then it is controlled, with the aim of achieving the welfare of the people (Dinda et al., n.d.).

According to Suparmoko from Wolfson, fiscal policy refers to the steps taken by the government to improve public welfare through government revenue and expenditure policies, resource mobilization, and pricing of goods and services from the business world. Meanwhile, fiscal policy is a means used to shape public welfare.

According to Samuelson and Nordhaus, the process of adjusting taxes and public spending with the aim of reducing variations in public spending is known as fiscal policy. Fiscal policy is the process of adjusting taxes and public spending in an effort to tame business cycle changes. It also contributes to the maintenance of strong economic growth, high labor demand, and a moderate inflation rate. low and does not fluctuate, high and erratic inflation (Rahmawati, 2016). Islamic economic principles that recognize human freedom on the values of tawhid, the right to own property on the basis of benefit, prohibit the accumulation of wealth, and the distribution of wealth is precisely in accordance with the nature and needs of humans. Related to the fulfillment of human needs, Islam has regulated the mechanism in a state. The role of the Islamic State is very significant in ensuring the welfare and needs of its people. In order to ensure the welfare of the people, the state will carry out various policies. The policy is called fiscal policy.

One common theme from both definitions above is that fiscal policy refers to how the government allocates resources to the country to achieve its goals. This summary attempts to give the term "fiscal policy" a broad definition, meaning that fiscal policy is a description that can be applied to a variety of circumstances. Furthermore, since the instruments used in fiscal policy are state revenues and expenditures, fiscal policy in the context of the Capitalist Economic System is closely related to the financial targets that the state wants to achieve. In other words, the State Budget (APBN) target that the government wants to achieve (Rahmawati, 2016).

Islam is a comprehensive religion that addresses all matters, including those relating to the State and its governance, in addition to worship and muamalah. The main focus of the Islamic political system is organization. The leading scholar of the fifth century, Al-Mawardi, argued that the establishment of the Imamate (religious political leadership) is a necessity to preserve religion and world government, and that it is an absolute power. Connected states can actively contribute to the realization of spiritual as well as material goals in this way. Islam holds that it is the religious and moral duty of the people to accomplish their work and the public interest (Rahmawati, 2016).

According to research (Parmadi, 2011), direct taxes (income tax) have started to dominate Indonesia's tax structure, although indirect taxes are still relatively large in value and almost equal to direct taxes. In addition, the tax ratio - the ratio of tax revenue to gross domestic product - is still increasing significantly. The idea of fair tax collection should be increasingly realized as a result of tax system reform, which is an important component in efforts to increase tax revenue. Parties that Taxpayers ultimately pay a cost (tax incidence) as a result of the tax imposed on the economy and the rate structure determines tax fairness. Friedlaender (1984) divides taxes into two categories: direct taxes and indirect taxes (Silalahi & Ginting, 2020).

It is absurd to claim that the pre-Islamic fiscal era, which emerged in the 1930s, was fruitless. Undoubtedly, the merging of public and private markets in contemporary economics has shown that socialist economies - the true opponents of capitalism - can never claim that their markets are efficient in generating

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material wealth. However, the addition of ethics to the theory and system can improve fiscal economics, both in pre-Islamic and modern times. Value preferences can be incorporated into the government's economic institutions as a preventative measure against moral crises, which can have a detrimental effect on the economy's ability to be engineered by today's fiscal economics.

What needs to be done for each fiscal system is to try to 'learn' from each other, where modern fiscal accepts ethical ideas - whether or not it adopts Islamic ethics - and Islamic fiscal begins to learn the theoretical and applied ideas in modern fiscal, which must be recognized as more advanced. Furthermore, the assessment of which of the Islamic and modern fiscal systems and theories is the best depends on the point of view used. In Greece, among the sources of state revenue were taxes on all financial transactions. In addition, sincere and voluntary donations from wealthy citizens are also an important source of state finances, especially in times of war (Rahmawati, 2016).

Unlike the ancient Greek, Roman and Egyptian civilizations, there are records of fiscal studies in the ancient scriptures of India. Consider the Manu Smriti, Arthasastra, Shukranti, and Mahabharata. For example, "The ruler has the right to collect money, build a strong treasury, and with this money he should help the people" is stated in the Mahabharata. Further, it states that taxes should be applied seasonally, discreetly, and according to proper standards. In his book Sukhranti, Shukra states that the king is entitled to taxes as it is his duty to protect the people and grant them various privileges. It is recorded in the Arthasastra that taxes were levied in stages. One-sixth of the harvest and one-tenth was given to the king (Rahmawati, 2016).

## LITERATURE REVIEW

Theoretical foundation

a) Fiscal Policy

Etymologically, the word fiscal policy comes from two words: policy, which has many meanings, and fiscal. Abraham Kaplan, Harold D., and Lawes have shown us that policy is a program or effort to achieve goals, values, and directed practices. Meanwhile, fiscal policy is defined as a stage or rare government that has the aim of providing a change in the taxation system or in spending which is expected to be a solution At least, the role of the government in terms of the national economy is an effort to increase national economic efficiency, maximize justice related to income flows among several groups in society, seek economic stability and manage state revenues and expenditures (Zakiyatul Miskiyah et al., 2022).

Budget policy, or in other words fiscal policy, is a policy implemented by the government through the use of fiscal policy tools, such as revenue and expenditure control, with the aim of influencing the level of aggregate demand in the market. According to Lativa (2021), fiscal policy is a type of government policy that deals with controlling economic performance through the use of revenue and expenditure mechanisms. The state budget (APBN) contains a form of fiscal policy. We can see the amount of money the government receives, its source, its composition, which communities or individuals bear the largest and smallest burden of state revenue, the purpose of using the money, which regions receive the largest and smallest share of spending funds, and other details in the APBN document.

Fiscal policy is a policy regulated by the government in terms of tax collection and spending to facilitate various economic programs. Fiscal policy is a government policy that aims to regulate the country's income and expenditure allocated to maintain economic stability in order to increase the country's economic growth. Fiscal policy and Other policies are used to evaluate any problems that may hinder the running of the economy.

According to Imam Al-Ghazali, fiscal policy in the Islamic economic system serves as a means to achieve the objectives of sharia, which include improving welfare while upholding faith, intelligence, life, wealth, and ownership. In general, Islamic economic theory has long recognized fiscal policy - that is, since the time of the Prophet and his companions. In fact, it was later redeveloped by Islamic scholars. Ibn Khaldun once stated that cutting taxes and increasing government spending would be the best way to overcome the problems associated with recession. In terms of revenue and acceptance, the government is a very large market-the center of all markets (Zakiyatul Miskiyah et al., 2022).

The legal foundations of fiscal policy are:

وَاعْلَمُوا أَنَّمَا غَنِمْتُمْ مِنْ شَيْءٍ فَأَنَّ لِلَّهِ خُمُسَهُ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ
وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ إِنْ كُنْتُمْ آمَنْتُمْ بِاللَّهِ وَمَا أَنْزَلْنَا عَلَىٰ
عَبْدِنَا يَوْمَ الْفُرْقَانِ يَوْمَ الْتَقَى الْجَمْعَانِ ۗ وَاللَّهُ عَلَىٰ كُلِّ شَيْءٍ قَدِيرٌ

Meaning:

"Know that whatever you gain as spoils of war, one-fifth shall be for Allah, the Messenger, the relatives of the Messenger, the orphans, the poor and the ibnussabil, if you believe in Allah and in what We revealed to Our servant (Muhammad) on the day of Furqaan, that is, on the day when two armies meet. And Allah is Powerful over all things" (Al-Anfal verse 41) https://tafsirq.com/

b) Previous Research

There are several previous research articles that have discussed this theme, so it is necessary to present them here as an academic history for this discussion:

1. First, Imam Turmudi, "A Study of Fiscal Policy and Monetary Policy in Islam," in An- Nawa: Journal of Islamic Studies. this article says that in fiscal policy, the Islamic government has a role in controlling private interests, on the other hand it also does not ignore public interests (Turmudi, 2019).
2. Second, M. Zidny Nafi' Hasbi, "Fiscal Policy in the Spectrum of Maqashid As- Kitab Al- Muwafaqat," Proceeding of Conference on Strengthening Islamic Studies in the Digital Era. This article explains that fiscal policy also has a maqashid dimension as a consideration, such as the prohibition of controlling other people's property in a way that is not justified by shara' (Hasbi et al., 2023).
3. Third: "Fiscal Policy in Islamic Economics," by Ihdi Aini, published in Al-Qisthu: Journal of Legal Studies. The conclusion of this article is that Islamic macroeconomic fiscal policy seeks to improve people's living standards by distributing wealth fairly and by balancing and allocating proportionally between worldly and ukhrowi values (Aini, 2019).

## RESEARCH METHODOLOGY

The article for this study was prepared using a type of research known as a literature review. A systematic literature review framework follows a top-down approach, where relevant scientific journals or databases are thoroughly searched to identify synthesized documents. This is because literature reviews are a kind of search strategy, they can be the most effective methodological tool for answering many research questions and offering solutions. This is particularly helpful, for example, when a researcher is assessing theories or data within a particular field or questioning the accuracy or soundness of a particular theory or competing theories. In addition, this research also uses a descriptive approach to describe actual events. Writing an article about fiscal policy instruments in an Islamic economic perspective aims to clarify and explain how the government's role in managing fiscal policy instruments can be directed properly and prosper the nation. This research also uses the Literature Review research type.

## RESULTS AND DISCUSSION

➢ Literature Review

a) Fiscal Policy in Islam

Islam regulates all aspects, including matters of state and government, in addition to issues related to worship and muamalah. The organization has a serious concern for the Islamic political system. According to prominent scholar Al- Mawardi, the establishment of religious political leadership is also necessary for the proper maintenance of religion and global governance, and its application is an absolute power. In this regard, the state needs to play a proactive role to achieve material and spiritual goals. Islam holds that the ruler has a moral and religious obligation to fulfill all the needs of the people and public works (Zainun Nasiqoh, 2022).

There is no in-depth discussion of fiscal policy in the Qur'an. On the other hand, the sunnah and economic teachings contain some instructive and explicit guiding principles. Thus, after the Qur'ān, which is the primary source, the Prophet's sunnah remains the second important source for Islamic public finance.

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From an Islamic perspective, fiscal policy is both a right of the people and an obligation of the state, which means that it serves as a catalyst for the development of an equitable economic distribution system and not just as a tool to improve societal or economic welfare. It has been found through early Islamic historical records that financial and policy compilers experimented to understand the financial issues that existed in the various conquered territories before making judgments based on the teachings of the Qur'an and the Sunnah of the Prophet. The fuqaha have a number of works that examine public finance and the various policies that were implemented. "Kitab Al-Kharaj" is one of them; this work is credited to fiqh (Zainun Nasiqoh, 2022).

The Qur'an has laid down a very broad spending policy for a balanced income-wealth distribution.

۞ يَسْأَلُونَكَ عَنِ الْخَمْرِ وَالْمَيْسِرِ ۖ قُلْ فِيهِمَا إِثْمٌ كَبِيرٌ وَمَنَافِعُ
لِلنَّاسِ وَإِثْمُهُمَا أَكْبَرُ مِن نَّفْعِهِمَا ۗ وَيَسْأَلُونَكَ مَاذَا يُنفِقُونَ قُلِ الْعَفْوَ
كَذَٰلِكَ يُبَيِّنُ اللَّهُ لَكُمُ الْآيَاتِ لَعَلَّكُمْ تَتَفَكَّرُونَ

Meaning:

"They ask you about alcohol and gambling. Say, In both there is great sin and some benefit to man. But the sin is greater than the benefit. And they ask you about what they should spend. Say, The excess (of what is necessary). Thus Allah explains His verses to you so that you may think" (al-Baqarah: 219) https://tafsirq.com/

The following are the characteristics of fiscal policy in the Islamic economic system:

1. There is almost never a budget deficit because state expenditure is allocated based on revenue.
2. The Islamic economy uses a proportional tax system, where taxes are levied based on efficiency productivity levels. For example, in Kharaj, irrigation systems and soil fertility are taken into account when determining the amount of tax on soil fertility and irrigation infrastructure.
3. Profit, not the amount of goods, is used to calculate zakat.

➢ Principles of Fiscal Policy in Islamic Economics

Islamic economics is based on a number of fiscal policy concepts. Several scholars and experts have presented their ideas, including Khurshid Ahmadl, who separated the four principles of Islamic economics into the Tawhid Principle, the Rububiyah Principle, the Khilafah Principle, and the Tazkiyah Principle. Nonetheless, fiscal policy is one of the basic principles of Islamic economics that is relevant to government policy. Fiscal policy is one area of government policy, namely:

1. Principles of Revenue, or Public Revenue. a system of compulsory taxation (dharibah), on the rich or those with excess wealth. the levy of dharibah is based on existing savings and not on inputs, not coercive. people to pay taxes-including jugal-which the government deems appropriate upholds the government's decision to tax the rich, including cannabis. as done by the Prophet SAW. puts Muslims and non-Muslims on equal footing calculating public revenues based on specific industry sectors (Dinda et al., n.d.).
2. The basics of spending or spending zakat allocations are the authority of Allah, not the authority of the government or factories using the principle of maslahah, which provides benefits away from obstacles (masyaqqoh) and mudharat. Economic principles in routine government spending. The principle of justice, which does not favor the rich. The principle of commitment, which considers the scale of wajib, sunnah, mubah, and other factors.

b) Fiscal Policy from Time to Time:

1. Fiscal in the Era of Rasullah SAW. The time of Rasullah SAW

In Islamic economics, hoarding of goods was also prohibited by Rasullah SAW, and usury and interest were permanently banned. As a result, the function of the government and the function of Rasoolullah SAW are seen in terms of how they managed the distribution of wealth at that time. As such, the following sources inform the government's fiscal policy and financial management: Gharaj, Jizyah, Zakat, Fay', Usyriyyah, and Ghimah. In addition, Rasullah SAW generated natural resources as a means of generating revenue for the state, which were then controlled with the aim of generating profits and managed to further the interests of the state (Dinda et al., n.d.).

2. Fiscalism in the Era of Khulafaur Rashidin

One of the policies of the first caliph, Abu Bakr ra, was fiscal policy. He always optimized a more professional zakat management system and ensured accurate calculations to maximize revenue. The allocation of funds for the armed forces, courts, capital aid, investment, and social education was governed by state revenues, which was followed by fiscal policy, equalization, financial aid, investment, and social education. This was made possible by the policies of Caliph Umar bin Khattab ra, the second Caliph. The third Caliph, Uthman bin Affan ra, carried out the fiscal policy of Caliph Umar and used it to regulate the growth of agricultural production by creating trade routes and irrigation systems. Caliphate policy is the name given to this.

3. Fiscal Era of the Bani Abbasids Bani abbasids

It successfully utilized economic policy, namely fiscal policy, to create prosperity, security, intelligence and unity among the population. In addition, the Abbasids developed a waste management system, which enabled them to successfully balance economic development. Due to the government's strong emphasis on people's productivity and the excellent agricultural management of the time, the Abbasid period is remembered as the first golden age of Islam (Dinda et al., n.d.).

4. Fiscal Era Indonesia

The Indonesian government's budget is outlined in the State Budget (APBN). Therefore, the government has outlined how it will manage and control government revenue and expenditure using the APBN. There are two components in the APBN State revenues, grants, and expenditures make up the APBN.

Islamic governments require funds from various sources to sustain the operations of their political institutions. In order to limit expenditures in accordance with revenues, governments in the Islamic world need financial resources to use the state budget. The main purpose of a government budget is to allocate funds to the objectives that the government wants to achieve. Maximizing the welfare of each individual while maintaining the principles of justice is the primary goal of any Islamic government. In addition, the Islamic concept of welfare includes spiritual well-being in this world and the hereafter, and goes beyond material prosperity, which is measured annually by national income statistics. (Rahmawati, 2016)

There are three components to government revenue in a traditional economic system. First, it is the main source of revenue, which is obtained from tax collection. Second, non-tax revenue is the source. Loans and grants or foreign aid come third. More details can be seen in the following table;

**The post Indonesian Government Revenue**

| No. | State Revenue |
|---|---|
| 1 | Tax Revenue<br>a. Domestic taxes (income, corporate, value-added, sales, etc.)<br>b. International tradetaxes. |
| 2 | Non-tax state revenue<br>a. Natural resourcerevenue<br>b. Government's share of SOEprofits<br>c. Other non-tax staterevenue |
| 3 | Foreign grants and aid |

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**The post Government of Indonesia Expenditure**

| No. | State Expenditure |
|---|---|
| 1 | State Expenditure<br>a. Centralgovernment expenditure<br>b. Regional expenditure |
| 2 | Financing<br>a. Domestic<br>b. Overseas<br>c. Additional debt financing |

Source: Financial Memorandum 2009 (Ministry of Finance of the Republic of Indonesia, 2009)

c) Fiscal Policy Instruments in Islam

According to Adiwarman Karim, in the conventional economic view, the structure of the State Budget (APBN) contains a number of instruments (tools) and ways to raise money to fund government operations, including the following:

1. The government is free to conduct business like any other company, including through the establishment of State-Owned Enterprises (SOEs). These state-owned businesses, like any other business, are expected to generate profits that the state can use as a source of funding.
2. The most popular method of raising money is levying taxes on people. the general public levies public taxes. A wide variety of taxes are levied, including sales tax, income tax, land and building tax, and others. Public taxes are levied without regard to the type of business, which can cause instability.

Among the fiscal policy instruments included in the state revenue budget policy include:

1. Zakat
   For all Muslims, zakat is a specific act that is required. However, not everyone who owns property is obliged to pay zakat. There are two types of zakat: zakat mal and zakat fitrah. Under Mali's Sharia law, zakat is applied to the value of what a person owns, including gold, silver, income from professions, inventions, mining products, and livestock.
2. Infak
   Infaq is a recommended action for every Muslim. Infaq itself can be defined as disposing of only the most important resources.
3. Ghanimah
   Ghanimah is the treasure that the enemy produces after winning a battle (war).
4. Kharaj
   Kharaj is a land tax. Kharaj is also land acquired from unbelievers either through war or treaty. Both Muslims and non-Muslims who utilize it are obliged to pay kharaj to the state.
5. Jizyah
   Jizyah is a tax imposed on non-Muslim residents of Muslim countries. It is also a tax on non-Muslims in lieu of zakat fitrah. Jizyah is not It is obligatory for women, children, the insane, and incapable non-Muslims. The jizyah ended when the non-Muslim converted to Islam.
6. Ushur (customs)
   Ushur is a levy on the property traded when a trader crosses the border of an Islamic country. The tax known as ushur was imposed on harby kafir traders who entered the country through the borders. To ensure equality, this tax was imposed in response to the excise tax imposed on Muslim merchants crossing their borders to ensure equality.
7. Khums (tax on ricazh and mined goods)
   Khums is a proportional tax that soldiers receive after winning battles as Ghanimah. One-fifth (20%) of the share of found and mined goods is subject to khums tax. Mine and found goods (rikaz). This percentage is applied to small amounts of rikaz; however, if the rikaz is very large, ownership passes to the state and is used for the benefit of everyone (Mubarok, 2021).

d) Abu Yusuf's Fiscal Policy in Al-Kharaj

According to Abu Yusuf, the primary responsibility of government is to realize and protect the welfare of its citizens. He consistently emphasized the importance of meeting people's needs and pursuing welfare-oriented development for the sake of general welfare. According to traditional economic theory, the government's capacity to levy taxes and impose tariffs on import subsidies forms the basis of fiscal policy.

Fiscal policy is sometimes referred to as public finance policy, and deals with the maintenance and payment of resources necessary to meet government and public demand. Therefore, fiscal policy is seen as a tool for demand management that aims to influence the level of economic activity through tax and spending policies (Rrahayu et al., 2022).

In this paper, the strength of Abu Yusuf's views is on fiscal policy or often called public finance. With his high powers of observation and analysis, Abu Yusuf elaborated on the financial problems and identified several steps that should be taken to improve the welfare of the population and economic growth. Besides Outlining the various principles of taxation and the state's obligation to ensure the welfare of its citizens, he offered several recommendations on how to source funding for long-term development projects such as building bridges and dams and digging large and small canals and digging large and small canals. Then, state revenues and expenditures have a close relationship with fiscal policy.

In Al-Kharaj, Abu Yusuf explained the items of state revenue in detail, but not sequentially. In fact, he himself did not give a special title regarding the revenue post. It is only from the title that he wrote, it can be understood that it is part of state revenue.

Although the focus of Al-Kharaj is taxation, Abu Yusuf spoke at length about this source of revenue. Although he only details one type in a special article that discusses zakat, namely zakat on livestock, there are other sources of income that are kept in the zakat post, such as agricultural zakat which is explained together with the explanation of agricultural taxes (kharaj), trade zakat together with usyur (customs duties) (Rrahayu et al., 2022).

➢ Historical Abu Yusuf

Abu Yusuf made important contributions in the field of public finance, especially in terms of the duties of the state ruler or government. He emphasized that the primary responsibility of the government is to provide for the basic needs of the people and pursue economic development to improve welfare. Indonesia is currently experiencing a number of economic problems, resulting in a prolonged economic crisis due to inappropriate fiscal policies.

The Abbasid Caliphate reached its peak from 170 to 193 AH, when Caliph Harun ar- Rashid held the reins of power and prosperity reached unprecedented levels. Caliph Harun ar- Rashid built the Baitul Mall and varied the revenue streams of the state during his reign, including kharaj, jizyah, zakat, fa'i, ghanimah, 'usyr, waqf and sadaqah. A figure named Abu Yusuf is credited with writing about state finance during the Caliphate of Harun ar-Rashid so that it can be used as a reference for state finance today.

The book of al-Kharaj was compiled during Abu Yusuf's tenure as qadi al-qudah in response to questions from Caliph Harun ar-Rashid regarding state finances, particularly with regard to taxation issues and the management of state revenues and expenditures in accordance with Islamic law. This was done to ensure that people were not treated unfairly and to meet their needs.

The cooperation of the Caliph and Abu Yusuf highlights several important points. First, the state makes a concerted effort to meet the needs of the community and prevent the strong from abusing their power against the weak. This is in contrast to capitalist economic theory, which views economic liberalization as the main engine of the economy. Second, it has been shown that the cooperation and shared vision of the pillars of the state-idiology, politics (the caliphate of Harun ar-Rashid), law (Abu Yusuf as a judge), and economics (the book of al-Kharaj as a guide to managing state finances)-created a strong state economy and improved the welfare of the people. Politics comes from idiology, and politics will give birth to law. Laws would ensure a fair and equitable economy, which would benefit the people. The revenue of the Abbasid funds during this period was 70,150,000 dinars (Rrahayu et al., 2022).

➢ The Role and Objectives of Fiscal Policy in Islamic Economic Perspective

By equalizing material and spiritual values, the principles governing budgeting and fiscal policy seek to create a society built on a fair distribution of wealth. By placing spiritual and material values on an equal footing. In its most basic form, fiscal policy can be defined as the efforts made by a country to maintain stability within the country. The three objectives of fiscal policy in Islam are as follows:

a) In its application, Islam has always set a high level for the realization of equality and good democracy among other principles and laws.

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b) In addition, Islam prohibits the payment of interest on any kind of loan. Based on this, it is expected that the Islamic economy will refrain from using interest instruments in any way to balance the supply and demand of the money market, or the balance of supply and demand for money. Therefore, Islamic governments need to look for alternative ways to replace the interest rate to achieve the desired level of equilibrium in reaching the point of balance. A penalty rate for idling one's cash (possessions) is one alternative method (Markavia et al., 2022).

c) The Islamic economy was established to support and encourage the economic development of the poor and to spread and promote the teachings of Islam globally as widely as possible. As a result, a portion of government spending will be used for projects that improve the welfare of Muslims and non-Muslims who still lack a stable economic base and are in accordance with Islamic sharia.

The ancient scholars have given general rules based on the provisions of the Qur'an and Sunnah in guiding government spending policies. These rules include: (Zainun Nasiqoh, 2022).

a) Must be within the framework of "maslahah" in implementing government spending.
b) Avoiding hardship and harm should be done first, rather than carrying out repairs.
c) There is a rule called "al-ghiurm bi al-gunmy" which means as a rule that reviews related to bearing the burden that must be prepared if you want to get benefits (must be prepared to bear losses if you want to be lucky).
d) There is also a rule called "maa laa yatimm al-wajib illa bihi fahuwa wajib" which means that something that is obligatory must be carried out without the support that other supporting factors cannot be built, so the enforcement of the supporting factors becomes obligatory.

In Sharia Economics, the government's general spending policy is divided into three parts, including:

1) Spend on government-owned operational needs on a regular basis.
2) Public expenditure can be carried out by the government if there is a source of funds available.
3) General expenditures that coincide with community-approved projects and their financing systems.

## CONCLUSION

In Islamic economics, fiscal policy refers to a type of government action in which social development is always based on the welfare of the general public. Where the application of material and spiritual values at the same position constitutes a process of societal development that is always based on the law of balanced distribution of wealth. Spiritual principles at the same level. There are differences between the two principles used in Islamic fiscal policy and the principles that guide Islamic fiscal policy. The principles in revenue or income will differ from the principles used in the state expenditure system because of the different orientations of the expenditure system.

Fiscal policy during the Prophet's development and progress of the country depends on how the government system is in the country. The fiscal policy leads to policies made by the government in referring the economy in a country into a system of income and expenditure in the form of taxes.

Abu Yusuf made important contributions in the field of public finance, especially in terms of the duties of the state ruler or government. He emphasized that the primary responsibility of the government is to provide for the basic needs of the people and pursue economic development to improve welfare. Indonesia is currently experiencing a number of economic problems, resulting in a prolonged economic crisis due to inappropriate fiscal policies.

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