

# Fiscal Policy: In Conventional and Islamic View

Yani Suryani<sup>1</sup>, Desi Ika<sup>2</sup>

<sup>1,2</sup>Universitas Harapan Medan, Indonesia

Corresponding Author: Yani Suryani

## ABSTRACT

This article aims to provide an explanation of fiscal policy according to conventional and Islamic views. In writing this article a library study method is used. The first step in analyzing conventional fiscal policy and Islamic fiscal policy is to collect literature - literature and studies - studies related to fiscal policy both conventional and sharia. The second step is to identify the next problem of classifying the problem and presenting the discussion and making conclusions. The results of discussions on fiscal policy according to conventional and Islamic views there are similarities and differences in objectives. In terms of analyzing and designing fiscal policy is an equation between conventional and Islamic. Realizing a prosperous society is the goal of economic activities, so that public policy is needed as a means to realize these goals. The difference lies in its content or substance. In addition, the concept of a prosperous society according to conventional views is different from the Islamic view. Well-being in conventional view aims to obtain the highest benefit for a person in this world. While in the Islamic view, the concept of welfare is not only an achievement achieved in the world but covers the life in the hereafter accompanied by the fulfillment of spiritual needs that take precedence over the fulfillment of material needs.

**Keywords:** Fiscal Policy, Conventional and Islamic

## INTRODUCTION

The direction and objectives of a country in relation to government spending plans and income in the form of taxes can be done using fiscal policy. Planning for the expenditure and income of a country is regulated or made by making changes to the

amount of tax and tax design. For example, in Indonesia, the drafting of the RAPBN containing financial plans is a Fiscal Policy. Where the main topic in the discussion of RAPBN is economic growth. In other words, economic growth as an instrument of macroeconomic policy is the main target of fiscal policy that can be used or allocated in solving important problems such as unemployment and poverty.

Improving the welfare and fulfilling the needs of the people in a country that applies the principles of Islamic economy becomes the responsibility of the state. Where in the principles - Islamic economic principles give recognition to human freedom in the application of the value of tawhid, rights in property ownership for benefit, prohibition of hoarding property and the necessity to distribute property which is very in accordance with the fitrah of human needs. (Heri Sudarsono, 2004) Islam has given rules to a country how to meet human needs. The welfare and needs of the people are guaranteed by the state manifested in various policies called fiscal policies. (Lilik Rahmawati, 2016)

The use of the term fiscal began in the 20th century when capitalist countries intervened in the economic sector through budgetary policies in solving economic crises or economic depression. (Rasiam, 2014) Broadly speaking, fiscal policy is a policy carried out by the government related to state revenues and expenditures in order to achieve the goals that have been determined.

As the global economy develops today, Muslims are faced with various challenges in implementing a global

economic system where the economic and political conditions of Muslims are still influenced by developed countries. Nevertheless, Muslims have high hopes of influencing the world economic system in which the western capitalism system has shown its weaknesses. Likewise, Islamic fiscal policy has the hope to be applied in the Islamic economic system. This means that the implementation of fiscal policies in accordance with the principles of Islam can be applied in its entirety not in part so that sharia-compliant procedures or mechanisms can be applied perfectly to manage the distribution of economic resources fairly.

## LITERATURE REVIEW

### a. Definition of Fiscal Policy

The meaning of policy according to Harold D. Laswell and Abraham Kaplan as a plan to achieve a predetermined goal. (M. Irfan Islamy, 2013) While fiscal is 1) related to finances; 2) in relation to the state or government finances. (Winardi, 2005) Thus, a tool used in managing demand by modifying economic activities through tax control and government spending is called fiscal policy.

Fiscal Policy. This policy covers expenses and details, and state revenue through taxes. With government expenditure, aggregate demand can increase and further increase national income. On the contrary, taxes are a tool of the government to be able to do expenses. But the tax would limit the accretion of the private economy, because it would reduce income (Paul A Samuelson and William Nordhaus, 1996).

The government's economic strategy to improve the economy by making changes to the source of revenue and government spending is referred to as Fiscal Policy. In other words, the actions taken by the government in order to overcome problems related to the economy by making changes to the tax system or state spending are called fiscal policies.

### b. Fiscal Policy Function

Fiscal function in conventional view is a function in the economic field related to the capacity of the government in obtaining resources to finance government spending, then distribute the budget it has so that it realizes an efficient budget. Where taxes and budgets are fiscal tools that can be used.

In the view of Islam, to achieve the goal in accordance with the principles of Islam is to realize high welfare while remaining in the faith can be needed fiscal policy as a tool.

### c. Fiscal Policy Objectives

From an Islamic perspective, sharia-compliant economic principles must remain or be contained in fiscal policy objectives. The purpose of fiscal policy is to realize an established economy, equitable income, a growing economy can also open up jobs as wide as possible. In addition, analysis of the implementation of fiscal policy in the market economy system is carried out to look at the implications or effects of zakat distribution on resource distribution and economic stabilization level.

### d. Fiscal Policy Procedures

Some activities that can be done in the implementation of fiscal policy are:

1. Increase or decrease the amount of government spending.
2. Raise or lower the tax rate
3. Increase / decrease the amount of government spending and tax rates carried out jointly.

### e. Usefulness of Fiscal Policy

The pace of the economy can be influenced by fiscal policy, this is one of the uses of fiscal policy. In addition, the main uses of fiscal policy are to lower the unemployment rate and keep prices stable. In the face of a complicated situation related to rising prices - prices are needed a proper blend in the use of fiscal policy along with other policies, namely monetary, price-bending and trading activities.

## **METHODOLOGY**

### **a. Scope of Research**

The scope in writing this article is an analysis of fiscal policy in conventional perspectives and Islamic perspectives.

### **b. Analysis Method**

This article writing analysis method uses literature and literature study methods. With this method, the author will explore or seek answers to problems related to how fiscal policy is in conventional view and how fiscal policy is in Islamic view. The first step in analyzing conventional fiscal policy and Islamic fiscal policy is to collect literature - literature and studies - studies related to fiscal policy both conventional and sharia. The second step is to identify the next problem of classifying the problem and presenting the discussion and making conclusions.

## **FINDINGS**

The findings in the writing of this article is an in-depth study of the zakat fiqh has been carried out by the islamic scholars today, namely Yusuf Qardhawi advocated that the subjects and objects of zakat and the purpose of the distribution of zakat to be changed. But in relation to the amount of zakat and nisabnya zakat can not be changed. Whereas by making changes to the amount of zakat, the mixing of zakat with taxes in the application of fiscal policy and in achieving its objectives will be easy to do.

## **RESULTS AND DISCUSSION**

To finance state spending in achieving economic improvements used by state revenues derived from taxes, this is a goal of implementing fiscal policy. In the Islamic view, fiscal and budgetary wisdom has the aim that society can develop on the basis of equitable distribution of wealth that is appropriate or balanced between worldly values and ukhrawi.

### **a. Differences in Fiscal Policy and Fiscal Policy in Islam**

#### **1. Conventional Fiscal Policy**

For example, improving the economy in a better direction is a goal to be achieved in Indonesia's national economic development. It has been known that the growing economy is one of the main discussions contained in the RAPBN discussion as a process to be ratified into the APBN. In order to find solutions to problems faced by the country, especially related to poverty alleviation and unemployment, a good and stable economic condition is needed that is growing over time. That is why economic growth is a major topic and is used as a goal in fiscal policy.

In conventional economic view, view economic growth as a serious problem that must be resolved immediately where if a country has rapid economic development will have wider employment opportunities and can offer higher incomes for each of its citizens. So that the distribution of jobs and income is no longer a problem for the country that later along with the process of economic development will be achieved the distribution of economic resources evenly fulfilled the principles of justice. Thus, the level of national production can be increased through increased investment, the use of goods and services by the public or consumption carried out by the public and trade abroad. This can be done through the implementation of macro-economic and fiscal policies.

#### **2. Islamic Fiscal Policy**

The solution to the problem in the economic sector is the distribution of assets that meet the principles of justice. Where in Islam sees fiscal policy as one of the plots to realize the distribution of economic resources fairly and evenly as the word of Allah SWT in Q.S. Al Hasr verse 7. Thus fiscal policy cannot run properly without the support of other mechanisms that are in accordance with the islamic principles. This means that in realizing it requires the application of a comprehensive Islamic shari'a.

In this case, the state has a role to ensure the fulfillment of individual needs

both in the economic field and in other fields both primary and secondary needs. As for the fiscal policy exemplified by nabiyullah Rosulullah SAW and Khulafaurrasyidin, the fiscal policy in the Islamic economy can be divided into three parts, namely the first part of the state revenue policy derived from Muslims which includes Zakat, Ushr, wakaf, Amwal Fadla, Nawaib, Khumus and Kafarat; The second part of the country's acceptance comes from non-Muslims which include Jiyah, Kharaj and Ushr; and the third part of the spending policy is the distribution of state opinions to people who are entitled to receive them according to the criteria in the Qur'an QS. At-Taubah Verse 90.

### **b. Equation of Conventional Fiscal Policy and Islamic Fiscal Policy**

The similarity of fiscal policy and conventional and Islamic views lies in both analyzing the application of economic policies and drafting and implementing economic policies. Thus it can be said that public policy is a means that can be used to achieve the goal of achieving the maximum welfare of people's lives. Where in conventional view has the concept that the welfare of life is the highest advantage obtained by individuals in the world. While in the Islamic view, the concept of welfare is not only an achievement achieved in the world but includes the hereafter accompanied by the fulfillment of spiritual needs take precedence over the fulfillment of material needs.

### **CONCLUSION**

Fiscal policy objectives in conventional and Islamic perspectives have similarities and differences. The similarities are both conventional perspectives and Islamic perspectives, both of which analyze the application of economic policies and develop and implement economic policies. Thus it can be said that public policy is a

means that can be used to achieve the goal of achieving the maximum welfare of people's lives. In other words differences in fiscal policy in the conventional and Islamic view lies in the content or substance, namely seen from the sharia side or the application of sharia principles in the implementation of fiscal policy, the design of state revenues and expenditures as well as the economic direction line underlying the fiscal implementation. Moreover in conventional view has the concept that the intended well-being of life is the highest advantage obtained by individuals in the world. While in the Islamic view, the concept of welfare is not only an achievement achieved in the world but includes the hereafter accompanied by the fulfillment of spiritual needs take precedence over the fulfillment of material needs.

### **REFERENCES**

1. Adiwarmar Karim, 2002. Ekonomi Islam Suatu Kajian Ekonomi Makro, (Jakarta: IIT Indonesia, 2002), p. 105-106
2. Heri Sudarsono (2004). Konsep Ekonomi Islam Sebagai Suatu Pengantar. Yogyakarta: Ekonosia. p. 124
3. Lilik Rahmawati (2016). Sistem Kebijakan Fiskal Modern dan Islam. *OECONOMICUS Journal of Economic*. Vol 1 No. 1
4. M. Irfan Islamy, 2013. Prinsip – Prinsip Perumusan Kebijaksanaan Negara. Jakarta, Bumi Aksara. p. 15-16
5. Paul A Samuelson dan William Nordhaus, Makroekonomi (terj: Haris Munandar, Freddy Saragih, Rudy Tambunan) Jakarta, Erlangga, 1996
6. Rasiam (2014), Kebijakan Fiskal Dalam Islam. *Jurnal Khatulistiwa – Journal of Islamic Studies*, Vol. 4 No1
7. Winardi, 2005. Kamus Ekonomi (Inggris – Indonesia). Bandung: Alumni. p. 210

How to cite this article: Yani Suryani, Desi Ika. Fiscal policy: in conventional and Islamic view. *International Journal of Research and Review*. 2021; 8(2): 343-346.

\*\*\*\*\*