

The Effect of Sharia Fiscal Policy on Poverty Levels In Indonesia

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Abstract

Sharia fiscal policy has great potential to reduce poverty levels in Indonesia through its various instruments and mechanisms. The effective and sustainable implementation of this policy can help create a more prosperous and just society. Several studies have shown that fiscal policies, including those based on sharia, have a positive influence on reducing poverty rates. Sharia fiscal policy has an important role in maintaining the economy, especially in reducing the poverty rate in Indonesia. This study aims to determine the influence of sharia fiscal policy on the poverty rate in Indonesia in the short and long term. The method used in this study is a qualitative method. The results of this study show that sharia fiscal policies in the short and long term have an influence on reducing poverty levels in Indonesia.

Keywords: Sharia Fiscal Policy, Poverty, Unemployment



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INTRODUCTION

Macroeconomics studies the economy as a whole, including issues such as economic growth, inflation, unemployment, and economic policy. Economic growth and economic development are two key concepts that are often the focus of macroeconomic analysis. Although the two are often used interchangeably, they have important differences. Economic growth and development are two key concepts in macroeconomics that are often related but have significant differences.

Sharia fiscal policy is a comprehensive approach to regulating state finances based on Islamic principles, with the aim of achieving social justice, economic balance, and sustainable community welfare. The poverty rate in Indonesia in 2024 according to data from the Central Statistics Agency (BPS) in September 2024 is 8.57% or around 24.06 million people, which is the lowest figure in history. However, for the first semester of 2025, BPS has not released poverty data in Indonesia.

Indonesia as a country with a high population of 280.73 million people (BPS, 2023). The economy is an activity aimed at improving people's welfare. The high and uneven population in each region causes various problems in the economic sector. (Aji & Sukmana, 2023).

The issue of economic inequality is an issue that needs more attention from the government. Unstable inequality will affect economic conditions in Indonesia. In the long term, it will cause economic conflicts that have an impact on unemployment and reduce economic stability (Aji & Sukmana, 2023; Pratiwi et al., 2017). High economic inequality is one of the problems faced by a government, especially the Indonesian state. Efforts to reduce poverty are not enough just by increasing per capita income, but it is also

necessary to carry out welfare equity through reducing the value of the Gini index (Santosa et al., 2022).

Unemployment is a crucial issue in the economic field that affects the social and economic stability of a country. Every country in the world certainly faces the problem of unemployment, including Indonesia, which always runs various programs to reduce the unemployment rate. The Central Statistics Agency (2023) shows that the unemployment rate in Indonesia reached 7.86 million, out of a total of 147.71 million labor force. This figure decreased by 0.54 percent compared to 2022 which reached 8.42 million people.

However, if we go back to the pre-pandemic period, we find that it turns out that the unemployment rate in Indonesia before the pandemic was also high, even the figure of 7.86 million in 2023 was higher than the figure before the pandemic, precisely in February 2020 which was only 6.93 million people. Unemployment or a person becoming unemployed can be caused by various factors. Limited employment, a lot of competition in the world of work, and the lack of skills to offer to those who want to recruit are also the reasons why the unemployment rate is still so high. This is the basis for an in-depth analysis of the problem of increase and solutions to reduce this unemployment rate.

METHOD

This research is a literature research whose material comes from literature sources, namely, Literature research through literature research. Library research is closely related to theoretical studies and other references to values, cultures, and norms that develop in the social situation being studied. This research is basically also called conceptual research or is a thought that cannot be separated from the philosophical approach of language

analysis and conceptual analysis. Linguistic analysis is used to find the true meaning, while concept analysis is used to find keywords that represent an idea.

This study uses the literature study method which is a qualitative approach to collect, analyze, and interpret data derived from existing literature sources. The purpose of this study is to gain a deeper understanding of the problems of sharia fiscal policy and unemployment in Indonesia by analyzing the factors that affect the unemployment rate including relevant economic, social, and government policy aspects from the last 1 decade. In addition, this study also aims to identify the impact caused by the unemployment rate on the economic and social welfare of the Indonesian people. Finally, the objectives of this study also include identifying gaps in the existing literature and suggesting future research directions that can provide further insights into the causes and solutions to the problems of sharia fiscal policy towards unemployment in Indonesia. Thus, this research is expected to make a significant contribution to understanding and handling complex unemployment problems in Indonesia.

RESULT AND DISCUSSION

1. Sharia Fiscal Policy

Sharia fiscal policy is a set of rules and actions taken by the government to manage state revenues and expenditures, with the aim of achieving economic and social goals in accordance with sharia principles. This policy focuses on the fair distribution of wealth, avoiding usury, and meeting the basic needs of the community.

Although Indonesia is not an Islamic country, Islamic economic principles can be adapted and applied in the country's fiscal policy. For example, zakat and waqf have become part of Indonesia's financial system,

and the government continues to strive to increase the effectiveness and transparency in their management. In addition, the principles of fairness and balance in budget management are also a concern in the formulation of fiscal policy.

The main principles of sharia fiscal policy;

1. Budget balance.

The government is encouraged to manage the state budget with the principle of balance, avoid excessive deficits and maintain economic stability.

2. Proportional Tax.

The tax system in Islam emphasizes justice, where the burden of taxes is imposed on those who have excess wealth and ability.

3. Zakat.

Zakat is an important instrument in Islamic fiscal policy, functioning as a form of worship as well as a means of distributing wealth from the rich to those in need.

4. Productive Spending.

Funds collected from taxes, zakat, and other sources of income must be used for public purposes, such as infrastructure development, education, health, and social welfare.

5. Prohibition of Riba.

Islamic fiscal policy prohibits the practice of riba (interest), which is considered a form of exploitation and injustice in economic transactions.

6. Economic Empowerment.

Islamic fiscal policy also aims to create an economic climate conducive to business growth and community empowerment.

Sharia Fiscal Policy Instruments are in the form of:

1. Zakat: Obligatory worship that is excluded from certain assets that have reached nisab (minimum limit) and haul (one year of ownership).
2. Taxes (Kharaj, Jizyah, 'Ushr): Taxes imposed on land, non-Muslims, and trade.
3. Ghanimah and Fai': The spoils of war and the treasures obtained without war.
4. Income from Waqf Objects: The result of the management of waqf that is used for the public interest.
5. Infak and Alms Fund: Voluntary funds collected to help people in need.

The Government has a role in Sharia Fiscal Policy so that the Government has a central role in implementing Islamic fiscal policy, namely:

1. Managing State Revenue:

Collect and manage state revenue sources in accordance with sharia principles. State revenue in sharia fiscal policy is sourced from several main instruments, namely zakat, infaq, alms, waqf, ghanimah, kharaj, and jizyah. Zakat is an obligation for Muslims who have property to reach the nisab (minimum limit) to be removed from their property. Ghanimah is the spoils of war, while kharaj is a tax on land managed by non-Muslims, and jizyah is a tax imposed on non-Muslims.

2. Channeling the Budget for the Public Interest:

Ensure that the funds collected are used to finance programs that benefit the community. In sharia fiscal policy, budget distribution for the public benefit is carried out with sharia principles, which aim to achieve the welfare of the community as a whole. This includes the management of

state revenues and expenditures in accordance with Islamic law, including the use of zakat, infaq, alms, waqf (ZISWAF), and other sources of state revenue for the public interest.

3. Maintaining Social Justice:

Ensuring that sharia fiscal policy is not only oriented towards economic growth, but also on the equitable distribution of welfare and the reduction of social inequality. Maintaining social justice is an effort to create a just and equal society for all its citizens. It involves various aspects such as fair law enforcement, equitable access to resources and opportunities, and respect for human rights.

4. Supervising Implementation:

Supervise the implementation of fiscal policies to ensure transparency and accountability. Overseeing the implementation of sharia fiscal policy is the process of ensuring that the fiscal policy implemented by the government is in accordance with sharia principles. It involves monitoring, evaluating, and enforcing rules related to state revenue, expenditure, and financial management based on Islamic values.

Differences in Sharia and Conventional Fiscal Policies, (Adiwarman, 2012);

1. Sharia Fiscal Policy

In the time of the Prophet, the Islamic State Budget revenue side consisted of: kharraj, zakat, khums, jizyah, and other revenues, namely from kaffarah (fine).

The purpose of fiscal policy in Islam is to create economic stability, a high level of economic growth and income equality, coupled with another goal

contained in Islamic rules, namely that Islam sets a high place for equality and democracy. In Islam, the concept of welfare is very broad, encompassing life in this world and in the hereafter, and spiritual improvement is emphasized more than material possessions.

2. Conventional Fiscal Policy

In the structure of the State Budget, there are several ways used to raise funds to run the government, including by doing business, namely establishing SOEs, taxes in various forms such as income tax, sales tax, land and building taxes without distinguishing the form of business, as well as by borrowing money. The conventional view of fiscal policy is the concept of welfare of life, which is to get maximum benefits for individuals in the world. Nothing is given to society for the fulfillment of human spiritual needs.

The difference between Sharia and conventional fiscal policies lies in the objectives and the State Expenditure Budget in its acquisition. The management of fiscal policy in Islam, the state has the right to collect taxes and redistribute them in the form of tax facilities fairly and only in the context of government duties. Similarly, the state can manage and distribute zakat, so that the state can play an effective role as an effective agent who is able to apply the rules in the Quran and Hadith as well as the opinions of scholars related to the principles of income distribution.

2. Poverty

In general, poverty is a condition in which a person or group of people is unable to fulfill their basic rights to maintain and develop a dignified life. The concept used by BPS and several other countries is the ability to meet basic needs (basic needs approach), so poverty is a

condition of the inability from the economic side to meet basic needs of food and not food (measured in terms of expenditure).

Poverty is a state when a person or group of people are unable to meet their basic needs, such as food, clothing, shelter, education, and health. Poverty can be absolute (lack of basic needs) or relative (related to a broader standard of living in society). Poverty can also be viewed from various dimensions, including material, social, and financial.

Some of the factors that cause poverty in the community include:

1. Lack of employment:

It is difficult to find a job or earn enough income to meet basic needs.

2. Low level of education:

Lack of access to education and skills training can limit employment opportunities and income.

3. Social and economic inequality:

Discrimination and lack of access to resources can exacerbate poverty.

4. Conflicts and natural disasters:

Conflicts and natural disasters can destroy infrastructure, livelihoods, and cause population displacement.

5. Lack of infrastructure:

Limited access to basic services such as clean water, sanitation, and health services can exacerbate poverty.

The impact of poverty on community life:

1. Poor health:

Lack of access to nutritious food and health services can lead to health problems.

2. Low level of education:

Children from poor families may drop out of school or lack access to quality education.

3. Higher crime rates:

Poverty can encourage people to commit criminal acts to meet their needs.

4. Dependence on aid:

Poor families may become overly dependent on government assistance or charitable organizations.

Concrete efforts or actions to overcome poverty, as follows;

1. Creating jobs:

The government and the private sector can work together to create decent and sustainable jobs.

2. Improving access to education:

Investing in education and skills training can help people get out of poverty.

3. Provide basic services:

The government needs to ensure access to basic services such as clean water, sanitation, and health services.

4. Reducing inequality:

Policies that focus on income redistribution and fairer access to resources can reduce inequality.

5. Provision of social safety nets:

Cash assistance, food programs, and other assistance can help poor families meet their basic needs.

Poverty in Indonesia is still one of the big problems that must be faced by the Indonesian nation from the past until now, because the problem of poverty in Indonesia has still not found a bright spot or has not found the right solution to deal with the problem of poverty. The government has tried various ways to reduce the poverty rate, but the poverty rate is still high. Actually, poverty cannot be eliminated from every human civilization, but the poverty rate can be suppressed and minimized. So that the poverty rate becomes very low. If poverty is low, it shows that the level of community welfare is high.

3. Unemployment

According to the Central Statistics Agency (BPS) in employment indicators, unemployment is a population that is not working but is looking for a job or is preparing for a new business or a population that is not looking for a job because they have been accepted to work but have not started working.

According to Sukirno (1994), unemployment is a situation where a person who is included in the labor force wants to get a job but has not yet gotten it. A person who is not working but not actively looking for work is not classified as unemployed. The main factor that causes unemployment is the lack of aggregate expenditure. Entrepreneurs produce goods and services with the intention of making a profit, but these profits will be obtained if the entrepreneurs can sell the goods and services they produce. The greater the demand, the greater the goods and services they produce. The increase in production carried out will increase the use of labor.

Unemployment is a macroeconomic problem that directly affects human survival. For most people, losing a job is a decline in the standard of living. So it is not surprising that unemployment is a topic that is often discussed in political debates by politicians who often examine that the policies they offer will help create jobs (Mankiw, 2000).

Based on the cause, unemployment can be divided into four groups (Sukirno, 1994):

1. Normal or Frictional Unemployment

If there is unemployment in an economy as much as two or three percent of the total workforce, then the economy is already seen as achieving full employment opportunities. Unemployment of two or three percent is called normal unemployment or frictional unemployment.

These unemployed people are out of work not because they cannot get a job, but because they are looking for another better job. In a fast-growing economy, unemployment is low and jobs are easy to get. On the other hand, entrepreneurs find it difficult to get workers, as a result of which employers offer higher salaries. This will encourage workers to leave their old jobs and look for new jobs that pay higher or are more in line with their skills. In the process of finding a new job, for the time being, these workers are classified as unemployed. These are the ones who are classified as normal unemployed.

2. Cyclical Unemployment

The economy does not always develop steadily. Sometimes aggregate demand is higher, and this encourages entrepreneurs to increase production. More new workers are employed and unemployment is reduced. However, at other times aggregate demand decreased

significantly. For example, in agricultural raw material producing countries, this decline may be due to a decline in commodity prices. This setback has an effect on other related companies, which will also experience a slump in demand for their production. This decline in aggregate demand has resulted in companies cutting back on workers or closing their companies, resulting in an increase in unemployment. Unemployment in this form is called cyclical unemployment.

3. Structural Unemployment

Not all industries and companies in the economy will continue to thrive, some will experience setbacks. This decline is caused by one or more of the following factors: the existence of better new goods, technological advances reduce the demand for these goods, the cost of expenditure is already very high and cannot compete, and the export of industrial production has declined greatly due to more serious competition from other countries. The decline will cause production activities in the industry to decrease, and some workers will be forced to be laid off and become unemployed. Existing unemployment is classified as structural unemployment. It is so named because it is caused by a change in the structure of economic activities.

4. Tech Unemployment

Unemployment can also be caused by the replacement of human labor by machines and chemicals. Weed and grass poisons, for example, have reduced the use of labor to clean plantations, rice fields and other agricultural land. Likewise, machines have reduced the need for labor to make holes, mow lawns, clear areas, and harvest produce. Meanwhile, in factories, there are times when robots have replaced

human work. Unemployment caused by the use of machines and other technological advances is called technological unemployment.

Some of the adverse consequences of unemployment are divided into two aspects (Sukirno, 2000) where the two aspects are:

1. Adverse consequences for economic activity

The relatively high unemployment rate does not allow society to achieve resilient economic growth. This can be clearly seen from the various adverse economic consequences caused by the unemployment problem.

Unemployment has a significant negative impact on the economy of a country's sustainability. Unemployment reduces the total production of goods and services, lowers national incomes, and increases social burdens. In addition, unemployment can also lead to a decrease in government tax revenue, increase poverty rates, and disrupt social and political stability.

2. Adverse consequences for individuals and society

Unemployment will affect individual life and social stability in society. Unemployment can lead to a decrease in an individual's quality of life, increase poverty, and trigger mental health problems. On the social side, unemployment can contribute to increased crime, political instability, and decreased social participation.

In an Islamic perspective, addressing unemployment involves a variety of approaches, including individual, social, and state policy efforts. Some of the solutions recommended in overcoming unemployment with economic empowerment schemes for the people

through; education and skills training, fair management of natural resources, the application of zakat and alms to help those in need, and creating a conducive business climate.

1. Education and Training:

- a. Quality and equitable education, as well as skills training that meets the needs of the job market, is essential to equip individuals with the skills needed in the world of work.
- b. Vocational education and training need to be strengthened to create a skilled and work-ready workforce.
- c. Islamic education emphasizes the importance of seeking knowledge and utilizing one's potential, including in the field of work.

2. Economic Empowerment of the People:

a. Zakat and Almsgiving:

Zakat and alms are important instruments in Islam to help those in need, including those who are looking for work or experiencing economic difficulties.

b. Natural Resource Management:

Fair and transparent management of natural resources by the state, as well as the proceeds used for the benefit of the people, can create jobs and reduce economic disparities.

c. Halal Industry:

The development of the halal industry can be a potential business opportunity and absorb labor.

d. Agriculture and Industrial Sector:

The state can support the agricultural and industrial sectors by providing adequate capital, training, and infrastructure.

e. Ease of Doing Business:

Simplifying business licensing, providing access to capital, and creating a conducive business climate can encourage economic growth and create jobs.

3. Role of the State:

a. Supporting Policies:

The state has an important role to play in creating policies that support job creation, such as pro-growth fiscal and monetary policies, as well as regulations that support investment.

b. Social Safety Net:

Establish a strong social safety net system to provide assistance to individuals facing economic hardship, including those who are unemployed.

c. Provision of Public Services:

Ensuring the availability of quality public services, such as education and health, will help improve the quality of human resources.

d. Supervision and Law Enforcement:

Fair and transparent law enforcement will create a healthy business climate and prevent harmful practices.

4. Individual Roles:

a. Work Ethic:

Every individual is encouraged to have a high work ethic and an unyielding spirit in earning a living.

b. Skills and Expertise:

Developing yourself with the skills and expertise needed by the job market will increase competitiveness.

c. Self-Reliance:

Having an independent attitude and daring to take risks in trying will encourage job creation.

d. Prayer and Tawakal:

Asking for the help of Allah SWT and tawakal (surrendering) after trying your best is part of the faith of a Muslim.

The comprehensive application of Islamic principles in various aspects of life, including the economy, is expected to be a solution to overcome unemployment and improve the welfare of the people. These principles include the values of justice, transparency, cooperation, and equitable distribution of wealth, all of which can drive inclusive and sustainable economic growth.

CONCLUSION

Sharia fiscal policy is a set of rules and actions taken by the government to manage state revenues and expenditures, with the aim of achieving economic and social goals in accordance with sharia principles. This policy focuses on the fair distribution of wealth, avoiding usury, and meeting the basic needs of the community. The management of fiscal policy in Islam, the state has the right to collect taxes and redistribute them in the form of tax facilities fairly and only in the context of government duties.

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