



## Financial Policies Supporting Acceleration of Sustainable Economic and Fiscal Growth in Indonesia

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### Abstract

This paper explores the fiscal policy of a country, as well as the policies that influence the economic growth of a country, since the course of government decision-making would be decided by fiscal policy and government expenditure. A research that uses a qualitative descriptive approach and thus a large literature is required to provide information to the government in order to ensure that the government can avoid delaying market prices. Community security can be accomplished when rates can be set by the government. In addition to fiscal policy that can preserve equilibrium, fiscal policy can have an effect on country's economic development and can establish social justice for all societies, followed by fiscal policy in a country through taxes and other responsibilities in Islam such as Zakat. Waqf, as philanthropy, may also help the government's efforts to raise government revenue and is sponsored by top management in the public financial sector, with the expectation that macro and micro businesses may develop in a country.

**Keywords:** *fiscal, economy, philanthropy*

### A. Introduction

Fiscal policy goals are fundamentally quite influential in terms of government revenue and expenditure in achieving the economic stability of a nation (Aldila Septiana, 2016). Indonesia is a large country and must be able to leverage all existing capacity, so that the economy of the country is supposed to be balanced when fiscal management is optimum (Warjiyo & Solikin, 2017). The current fiscal policy of a country has not been optimally handled in such a way that there is still a risk of a budget deficit, so that the philanthropic element has not been optimally controlled by the government, that the government must pay special attention to it, so that the fiscal policy undertaken by the government will better regulate the economy of the country as a control of the state and economic stimulus (Bafadal et al., 2018). In

general, the issuance of fiscal policy can determine the direction and goals in determining national development and economic stability (Warjiyo & Solikin, 2017). For the purposes of fiscal policy in Indonesia, poverty alleviation is in line with the goals of the Republic of Indonesia, as set out in the Constitution of 1945, namely the advancement of general welfare.

## **B. Research Method**

The tool used by the authors is using a qualitative descriptive approach to investigate the degree to which the implementation of financing policies that promote the acceleration of sustainable economic and fiscal growth in Indonesia as a whole is sponsored. This study is focused on literary analysis, both books and papers, web literature and other literature used, both in the form of primary, secondary and tertiary data (Umrati & Wijaya, 2020). In addition, the related data are processed in order to establish a policy that can support the acceleration of sustainable economic and fiscal growth in Indonesia.

## **C. Fiscal Policy in Indonesia**

Fiscal policy priorities have a direct effect on government revenues and expenditure in order to achieve the economic stability of the country and development (Suleman et al., 2020). Fiscal policy can, in general, set directions and goals for evaluating national growth and economic stability (Ananda, 2020).

Fiscal policy in Indonesia, if enforced optimally by the government, can achieve national economic stability and can support the country's economic growth and influence the rate of investment (Faried & Sembiring, 2019), can also help to build job opportunities. Make equal justice for the Indonesian people as broadly as possible and most importantly. When employment opportunities are opened in a country, unemployment can be minimized (Yunanto & Medyawati, 2015). In terms of fiscal growth, growth is very dynamic, and the fiscal role of government spending is to maintain investment stability for the government so that national efficiency can be achieved.

Fiscal policies implemented by the government require taxation, where taxation can be optimally controlled to raise the economic aggregate. In addition, efficient tax management will increase the country's economy, while investment and technical developments will boost the country's economy.

## **D. Financing Policies Supporting the Acceleration of Economic and Fiscal Growth**

One of the steps that the government may take to promote economic and fiscal growth in Indonesia is through the development of comprehensive employment

opportunities. Jobs opportunities can be created in a number of ways, including by growing small and medium-sized businesses and developing the skills of employees through skills training and removing barriers to work by promoting the licensing of companies. By growing investment, which will enable private businesses to invest in the long term and promote the control of company licensing.

Several fiscal policies implemented by the government, especially in the regions, in particular capital expenditure for the agricultural sector, will increase farmers' incomes. In addition to promoting non-agricultural capital spending, private investment may also be promoted. With private investment, this private investment may also stimulate the rise in non-agricultural domestic products. In order to minimize the unemployment rate, poverty may be reduced in line with the rise in gross regional output. So that the aim of Islamic fiscal policy is to stabilize the price of a country, so that prices can be controlled from upstream to downstream, the price game can be suppressed, and then there will be job opportunities that will open up for both private and foreign investment, so that economic development can be achieved and so that the welfare of society can be affected.

#### **E. Other Policies Supporting the Economy and Fiscal**

The state of Indonesia is one of the countries where the majority of the population is Muslim, so that the government can take advantage of all the potential that exists, in particular with regard to social justice for all Indonesian people, Muslims are obliged either to have a relationship with their god or to have a relationship with the surrounding society, so that they can contribute to the state. Among those who support policies that can improve the economy and the fiscal situation of a nation, namely the state, which must pay attention to problems of a *dharuriyyah* (primary needs) nature, particularly basic needs, this can be focused on optimizing the management of *Zakat* and *Waqf* in Indonesia.

##### **1. Management of Productive Zakat.**

According to Chapra, the rules on the restriction of the right of any human being to realize his or her interests are required to be capable of understanding justice without harming anyone. This is focused on the reality that everything in this universe belongs to Allah, while in essence human beings recognize only the things entrusted to them, so that if any human beings have the benefit of Allah in terms of deposits, they must give it to others in need (Chapra, 2000), as in Koran Ch.:Al-An'am, Vr.: 53. Allah also affirms that the wealthy, which have the benefit of Allah, let him share his wealth, so that the wealth not only revolves around a community of the wealthy, as stated in the Koran, Ch.:Al-Hashr, Vr.: 7.

In the context of Indonesia, the government has tried to lay down policies in the form of legislation so that the economy can work on the basis of the Sharia rail system as decided. This initiative can be seen in the presence of Islamic banking rules, *Waqf* rules, *Zakat* management laws and a variety of other regulations. However, the law on the administration of *Zakat* did not stipulate the responsibility to pay *Zakat* to the Muslim communities.

According to Khan, *Zakat* plays an important role in growth and employment. This can be seen if there is a probability that savings will decrease in the short term due to Islamization in the economic sector, such as the introduction of *Zakat* instruments in society, so the opposite will happen in a short time, namely that the *Zakat* instrument will increase growth and savings in the long term in order to resolve traditional economics. In addition, the distribution of *Zakat* income can also have a beneficial impact on improving the economic conditions of the community. This can be achieved by providing them with the ability to do constructive things. This *Zakat* is regarded as a productive *Zakat*. Productive *Zakat* will improve their potential so that they can, at the end of the day, save on the productive efforts that come from the distribution of *Zakat* (Khan, 1995).

*Zakat* acts as an essential factor of income distribution in the Islamic economic system. Thus, the State must interfere in the implementation of compulsory *Zakat* in order to improve the economic status of underprivileged groups of people, and without government interference, fairness in distribution will not be accomplished on its own. As a consequence, the existence of *Zakat* will cause unproductive capital owners to use it for investment purposes. This investment flow triggers the multiplier effect to increase profits. The existence of the multiplier effect is therefore a positive function of the *Zakat*.

The effect of *Zakat* can be seen in the relationship between *Zakat*, increased investment, and increased revenue. Increased investment and income can generate job opportunities, which, in turn, will minimize both unemployment and non-business resources, thus increasing the number of jobs. This shows that *Zakat* is a good instrument not only for the equal distribution of profits, but also for the efficient allocation of resources. Based on the effect of *Zakat*, it can be defined as follows: *muzakki*  $Y = C + S + Z$  shifts to  $Y = C + I + Z$ , while *mustahik*  $Y = C$  shifts to  $Y + Z = C + S$  can also shift to  $Y + Z = C + I$  and at one time *mustahik* shifts to *muzakki* (Choudhury, 1986).

## 2. Productive Waqf Management

From the time of the Prophet Muhammad, then the period of the Companions and the Abbasid dynasty, and the government after that, *Waqf*

management in Islam was carried out until now in many Muslim countries in the world, such as Egypt, Turkey, Tunisia, Malaysia and Indonesia, as well as in many other countries (Ali, 1988). Istanbul, Turkey, about 1576, is a representation of the relationship between nature, man and God through the establishment of the *Waqf*. Thousands of *Waqf* institutions have been set up for the public service and personal funds have been donated to ensure that these institutions operate in a sustainable manner. Through the establishment of *Waqf*, these personal properties have become thousands of villages, hundreds of towns, roads linking districts, bridges, and so on. Studies show that three-quarters of "Empire Ottoman" land is *Waqf*; half of Ajajair's agricultural land is *Waqf*; one-third of Tunisia's land is *Waqf*; and one-third of Egypt's agricultural land is *Waqf*. In addition to the fixed asset *Waqf*, cash *Waqf* also received a wide reception at its time (Laffan, 2016).

The above example describes a circumstance or environment in which people compete for charity, such as a free hospital, education, and others. All of these facilities are fostered, structured and built on the basis of the *Waqf* concept. For example, the financial needs of the oldest Islamic Education Institute in the world, Al-Azhar in Egypt, are completely regulated by *Waqf*.

The term *Waqf* is etymologically derived from the Arab the word "*waqafa yaqifu waqfan*", which means "to hold back." The plural form of *Waqf* is "*wuquf*" and "*awqaf*". This word has many definitions, namely "to stand, stop and hold back". The synonym of the word "*al-Waqfu*" is "*al-habs*", which means "to hold back." As the phrase: "*waqaftu kadza ay habastuhu*", means: "I donate this, meaning: I keep it". *Waqf* also has the sense of "*al-man'u*" (prohibition), as is the word "*waqaftu al-shay'a ay mana'tuhu*" (Ferayanti et al., 2019). More clearly, the word *Waqf* has various meanings following the purpose and use of the word itself, between the meanings of *Waqf*, namely: "*al-Sakan, al-man'u, al-habs*".

The majority of scholars agreed to describe *Waqf* in the mean of "*al-habs*", which means to hold back, since the term *al-habs* is closer to the meaning of *syarak*. In the meantime, according to the terminology of *Waqf syarak*, it is the holding of objects and the use of outcomes, namely the holding of objects and the use of their advantages in the way of Allah. As a result, *Waqf* is a kind of worship by dividing part of the property that is owned to become public property that will be used to meet the needs of the public. The reward of *Waqf* continues to flow, even though *waqif* is gone (Al-Alabij, 1989). *Waqf* can also mean, as a religious entity, that it is used as a way of channeling property to be used in compliance with religious provisions. The donation of assets also plays a very

important role in enhancing legal, economic and cultural life. Islam therefore considers the act of *Waqf* to be one of the highly recommended acts of worship.

### **3. Optimization of Efficient Public Financial Management**

Public finances or national economy can increase social welfare if they are properly handled by the government (Indraddin & Irwan, 2016). According to the continentalism, the organization participates in the fiscal process in order to achieve economic growth (Choudhury, 1986). According to Samuelson (Khan, 1995), the role of government in the economic system is growing national economy as government roles are expressed in government actions, including direct control, state financial and monetary policies and development.

Not all the practices of the Muslim community should come from the elements of the Shari'a and be based on the instructions of God, both from the Koran and Al-Hadith. In the meantime, public finance (*al-amwal al-'ammah*) is a branch of the economy that plays a role in public procurement, maintenance and spending, and this is being carried out by the government in the welfare of the people.

Public finance in the sense of the Shari'ah is an inseparable part of human life in social interaction, in particular the relationship between the state and the people. In a way, this relationship has its own meaning as a type of economic operation that will be accountable to God in the future. Human rights, economic reality and responsibility to Allah are therefore the basis for economic actors, including the authorities, so that the economic activities carried out can not be isolated from the fact that the intention of charity is a business objective. This fact that underlies economic activity must be conceptualized from the spiritual epistemology in the sense that economic activity is closely connected to the spiritual principle. The State must therefore foster the infrastructure required for economic growth and general welfare.

Technological developments also play an important role in bridging the speed of the economy. Public service becomes a collective responsibility and must be standardized in the public interest. The government must also pay attention to the supply of energy required by the public, in particular by subsidized electrical energy. In addition, public health must also be considered by opening up sufficient and cheap hospitals. If there is a budget deficit to meet the public interest, a new tax or a public loan may be created. This strategy was also followed by the Prophet to fund war interests and other public needs.

Moving investment in the stock market also plays an important role in Islamic finance for private and public sector financing. The first best risk-sharing tool is the stock exchange, which is considered to be the most advanced

risk-sharing system on the market. This will provide both the business sector and the public sector with the means to collect long-term money. In addition to the traditional stock exchange, other capital markets offer a forum for trading securities linked to securities properties. Shares traded by these securities will be traded on the market through competitive bidding by a group of investors, including individuals, Islamic banks, and institutional investors, such as pension funds or insurance funds, and corporate treasuries. These investors are trading these shares in primary and secondary markets (Iqbal & Mirakhor, 2011).

The recent development of *sukuk* (Islamic bonds or certificates of ownership) is a first step in this direction. *Sukuk* can play an important role in raising funds for public projects because *sukuk* can be structured in a number of ways to meet various needs. Government construction projects can be funded by *sukuk*, which can provide investors with shareholdings during the funding period; in exchange, the investor shares the risk and the exchange of the project. For example, the government might issue *sukuk* against a single infrastructure project or against a set of several construction projects of varying durations. Some instances of *sukuk* are used to fund infrastructure projects in different Muslim countries.

In Islamic societies, the state pays most, if not all, of taxes and finances, and all necessary capital outlays by private-public programmes. The State shall build a project, be a bridge, power plant or airport, and sell shares or certificates of ownership; in other words, the State shall use the *sukuk* for funding, with the lenders or the *sukuk* holders, and shall collect the proceeds from the project as dividends or returns. Similarly, a number of ventures can be paired with equity interests of the same amount (Askari et al., 2015).

## **F. Conclusion**

Fiscal policy in Indonesia, if applied optimally by the government, can be a driving force in national economic stability and can support the country's economic growth and influence the rate of investment. *Zakat* management and productive *Waqf* play a very important role in promoting the role of the nation's economy as well as the optimal management of public finances or state finances. The state must therefore make all things simpler, in particular the infrastructure required for economic growth and general welfare. Technological developments also play an important role in bridging the speed of the economy. Public service becomes a collective responsibility and must be standardized in the public interest.

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