



Exploring the Fiscal Policy of Nubuwwah in the Islamic Economic System

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ABSTRACT

Fiscal policy within the Islamic economic system is considered an integral part of the broader economic framework based on Islamic principles. Prior to the advent of Islam the pre-Islamic Arab society already had an economy rooted in trade, agriculture, and wealth ownership, although without formal fiscal regulations. Following the introduction of Islam, fiscal systems were more systematically organized. Zakat became a crucial component in raising funds to assist needy Muslims and develop social infrastructure. Additionally, the jizyah tax was implemented, which applied to non-Muslims residing under the protection of the Islamic state. During the Prophet's era, the Islamic economic approach aimed to achieve social and economic justice through the fair distribution of wealth. Under the leadership of the Khulafa al-Rashidin, Islamic fiscal policies remained grounded in the principles of justice and communal solidarity. For instance, Umar ibn al-Khattab formulated various economic policies to enhance the welfare of the people. Taxes and state revenues were allocated to support social, religious, and public welfare programs. This study is descriptive-analytical in nature, falling under the qualitative category, and employs a literature review approach to primary sources related to Islamic economic thought.



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INTRODUCTION

In the framework of Islamic economics, the term "fiscal" refers to policies and practices related to the management of the finances of a state or economy, governed by Islamic economic principles (A. Hasjmy, 1975). This paper aims to analyze fiscal policy in Islam with a focus on its implementation in three key periods in Islamic history: the Pre-Risalah period, the time of Prophet Muhammad SAW, and the era of the Rashidun Caliphs. The concept of fiscal policy in Islam encompasses various aspects, including revenue collection, expenditure, taxation, and budget management, all of which are expected to align with the values and teachings of Islam.

Fiscal matters refer to all that is related to taxes or state revenue. The fiscal sources are derived from society and are considered by the government as income used to support the expenditures of various sectoral programs (Adiwarman A. Karim, 2010). Fiscal policy is also an economic strategy implemented by the government to create better economic conditions by adjusting government revenues and expenditures. This includes the collection of taxes and the use of those funds to support economic activities, with the goal of managing national income and expenditure to maintain economic stability and encourage economic growth.

Every country has economic resources that are used to carry out governmental functions in various fields and to achieve the well-being of society (Ahmad Yani, 2004). On the other hand, society requires these economic resources to meet their needs and achieve predefined goals. Society needs human resources capable of utilizing and exploring available economic resources to achieve collective welfare.

Imam al-Mawardi, a prominent Muslim scholar, argued that the income of society is closely linked to the concept of property ownership in Islam. According to him, all forms of wealth, including state wealth or public finances (al-Amwal al-'ammah), belong to Allah (Ali Hamzah, 2009). Therefore, public finances managed by the government are considered as property owned by Allah, which should belong to Baitul Mal and be used to enhance the welfare of the Muslim community (Ali Hasan, 2003). State revenues come from various sources, such as fay', ghanimah, zakat, kharaj, 'ushr, and jizyah. Al-Mawardi strengthened his view by referencing verses from the Qur'an, particularly Surah al-Tawbah, verse 60, and Surah al-Hashr, verse.

In general, state revenue sources can be classified into two categories: tax revenue and non-tax revenue (Choudhury, t.t.). This classification is based on several considerations: first, the study of state revenue sources in public finance places taxes as the primary income for the government; second, taxes and their various forms are central to discussions regarding tax imposition by the government and its effects on economic activities; third, sources of revenue in Islamic governance refer to the provisions in the Qur'an and hadith, as well as the results of ijtihad, so few Muslim scholars classify them into tax and non-tax revenue; and fourth, from the perspective of their nature and implementation, these sources of revenue can be categorized as tax and non-tax income.

Islam as a religion regulates how humans fulfill their needs in various situations and times. Specifically, the fulfillment of basic human needs must be based on the values of tawhid, justice, and equality (Departemen Agama RI, 2008). In this context, the role of the state is essential to manage these aspects. To ensure the welfare of the people, the state implements various policies, commonly referred to as fiscal policy. Simply put, fiscal policy refers to government policies related to the state budget (APBN) aimed at achieving set objectives.

In Islam, the government requires funds from the state budget to control public expenditure in accordance with the revenues generated. The budget is directed to support the government's objectives, with a primary focus on maximizing the welfare of all citizens based on the principle of justice. Furthermore, welfare in Islam includes both material and spiritual dimensions, in this world and the hereafter.

The history of fiscal policy implementation in Islam dates back to the time of Prophet Muhammad SAW and the Rashidun Caliphs. During that period, fiscal policy was aimed at achieving the welfare of the people, reducing social inequalities, and distributing wealth fairly. Several fiscal instruments unique to Islam, such as zakat, jizyah, kharaj, and 'ushr, were already implemented in the early development of Islam.

The prominent Muslim economist Ibn Khaldun (1332-1406) had interesting ideas about the role of fiscal policy in stabilizing the economy. He argued that in certain conditions, the best option to maintain macroeconomic balance was to reduce state tax revenue while simultaneously increasing public expenditure (Desiana, 2001). The reason, according to Ibn Khaldun, is that the government plays a crucial role as the largest market, with a multiplier effect that stimulates overall economic activity. By easing the tax burden on the people and injecting fiscal stimulus through government expenditure, the economy could continue to function as aggregate demand would rise. This brilliant idea predated Keynesian macroeconomic theory by about six centuries.

Earlier than Ibn Khaldun, the Muslim scholar Abu Yusuf (731-798 CE) had already formulated ideas regarding the fiscal role of government. As quoted by Adiwarmanto A. Karim, in his monumental work *al-Kharaj*, Abu Yusuf elaborated on the financial responsibility of rulers toward their people (Dian Puji N, 2005). He explained that the government is responsible for meeting public needs through tax administration and wise management of state finances. Thus, the concept of government fiscal intervention for social welfare was introduced by Abu Yusuf about six centuries before Ibn Khaldun.

This paper will analyze how fiscal policy was implemented during three important periods in Islamic history: the Pre-Risalah period, the time of Prophet Muhammad SAW, and the era of the Rashidun Caliphs. This analysis is important to understand the philosophical foundation and historical implementation of fiscal policy in Islam (Ewis Amalia, 2010). Additionally, this study is expected to

inspire the development of fiscal policies that align with Shariah values in the contemporary Islamic world.

RESEARCH METHODS

In this study, a library research methodology with a qualitative approach is employed (Gita Danupranata, 2006). The research process begins with the collection of primary data sources, namely the Qur'an and Hadith, which serve as the primary foundation for understanding the concept of fiscal policy in Islam. The secondary data sources used include books, journals, articles, and other relevant sources related to the research topic (Hasan Ibrahim Hasan, 2003). These sources are selected based on specific criteria, including their relevance to the topic of Islamic fiscal policy, the credibility of the authors, and their contribution to a deeper understanding of the subject matter.

The steps in this literature review process include, first, the selection of literature relevant to the principles and implementation of fiscal policy during the pre-Risalah period, the time of Prophet Muhammad SAW, and the era of the Rashidun Caliphs (Heri Sudarsono, 2004). Second, an analysis is conducted by identifying and categorizing information related to key concepts such as taxation, government expenditure, debt, and other aspects of Islamic fiscal policy. Subsequently, interpretation is carried out by comparing and linking various sources to build a comprehensive understanding of fiscal policy during these periods.

The aim of this research is to describe and analyze the concept of fiscal policy in Islam during the pre-Risalah period, the time of Prophet Muhammad SAW, and the era of the Rashidun Caliphs (Imam Al-Ghazali, 2003). The research focus includes the principles and implementation of Islamic fiscal policy during these periods, addressing aspects such as taxation, government expenditure, debt, and other elements.

The expected outcome of this research is to develop a comprehensive understanding of fiscal policy in Islam and its implementation during the early stages of Islamic development, which can serve as a guide for contemporary fiscal policy.

RESULTS AND DISCUSSION

Research on the History of Fiscal Policy in Islam During the Pre-Prophet Era, the Era of Prophet Muhammad SAW, and the Era of the Rightly Guided Caliphs

The research on fiscal policy in Islam during the pre-prophet era, the era of Prophet Muhammad SAW, and the era of the Rightly Guided Caliphs can be divided into three main sections, each addressing fiscal policy in a different period. To provide a deeper understanding, this exploration is divided into two large sections: first, fiscal policy in various civilizations before Islam, and second, fiscal policy during the time of Prophet Muhammad SAW.

Fiscal Policy Before the Prophet's Era

Fiscal Policy in Pre-Prophet Arabia The pre-prophet era refers to the period before the revelation of Allah SWT to Prophet Muhammad SAW, marking the beginning of Islam's arrival in Arabia. During this period, Arab society still practiced paganism and idol worship, and was not yet familiar with the concept of Islamic monotheism.

The social structure of pre-Islamic Arab society was dominated by a tribal system (kabilah), where people lived nomadically and frequently moved from place to place (Ira M. Lapidus., 1999). Mecca became a strategic trading center in the Arabian Peninsula due to its location along the spice trade route and other commodity routes.

As an active participant in international trade, the Arabian Peninsula had several important cities where commercial activities took place. One of these was Mecca, a holy city for Muslims because of the Ka'bah. Each year, many pilgrims would travel to Mecca to perform the Hajj pilgrimage. In addition to Mecca, the city of Ukaz was another significant trade center, attracting merchants from all over the world. Ukaz was also known for hosting cultural and artistic festivals,

such as poetry competitions. Thus, Mecca and Ukaz were two major cities in the pre-Islamic Arabian Peninsula that played vital roles in the economy and culture.

Mecca was located at the crossroads of international trade routes, linking it to various regions. The land route connected Mecca with Abyssinia - Central Africa - Damascus - Europe, while the sea route connected it to India, the Malay Archipelago, and China via the Strait of Malacca. This geographical advantage placed Mecca in a strategic position in the global economy. The society of Mecca was divided into three groups involved in economic activities: wealthy capital owners, traders managing capital from the rich, and groups of bandits and common people who guarded trade caravans and earned a ten percent commission on the profits.

However, generally, the Arabian Peninsula was described in the Quran as a barren and arid land with limited natural resources. As a result, economic activities were more concentrated on trade than on large-scale agriculture. As explained in the Quran, in the prayer of Prophet Ibrahim AS:

رَبَّنَا إِنِّي أَسْكَنْتُ مِنْ ذُرِّيَّتِي بِوَادٍ غَيْرِ ذِي زَرْعٍ عِنْدَ بَيْتِكَ الْمُحَرَّمِ رَبَّنَا لِيُقِيمُوا الصَّلَاةَ فَاجْعَلْ أَفْئِدَةً مِنَ النَّاسِ تَهْوِي إِلَيْهِمْ
وَارْزُقْهُمْ مِنَ الثَّمَرَاتِ لَعَلَّهُمْ يَشْكُرُونَ

O our Lord, indeed I have settled some of my descendants in an uncultivable valley near Your sacred house, O Lord, that they may establish prayer. So make hearts among the people incline toward them and provide for them from the fruits that they may be grateful. (Quran, Ibrahim:37)

Due to these limitations, economic activity was more focused on inter-tribal trade rather than large-scale agriculture.

Historically, the currency used during the pre-Islamic era (Jahiliyyah) and early Islam consisted of two types: the dinar and the dirham. The dirham, made of silver, came in three variations based on its weight: Bughliyah (4.66 grams), Jaraqiyah (3.40 grams), and Thabariyah (2.83 grams). Meanwhile, the dinar, made of gold, was entirely based on Roman currency circulated in the Levant and Hijaz regions (Johan Arifin, 2009). This Roman dinar was minted in Rome, bearing the image of the king and Roman script. The value of one dinar at that time was equivalent to ten dirhams.

Fiscal policy during the pre-Islamic period was generally simple and lacked detailed planning, as there was no centralized government in Arabia at that time. Fiscal policy was adapted to the economy, which was based on trade between tribes. During this period, there were no established fiscal regulations. The primary source of revenue came from taxes imposed on merchants passing through Mecca, which was strategically located as a trade route. Society was divided into tribes that competed for dominance. The ruler was determined by whoever held the most power, and as a result, there were no permanent rules governing the system of governance, as the ruler could change at any time.

The state's revenue came from trade taxes, war spoils, and sporadic voluntary contributions from tribal members. Meanwhile, government expenditures were largely used to finance war activities and tribal defense.

After Prophet Ibrahim AS arrived and the Zamzam water source was found, Mecca transformed into a bustling settlement. Economic interactions and other activities took place there. The Quraysh tribe, settled in Mecca, were known as skilled traders (M. Nur Rianto Al Arif., 2010). Their prosperity was depicted in the Quran. The discovery of Zamzam made Mecca an oasis and a trade hub, as well as a stopover for caravans in the Arabian Peninsula. The Quraysh tribe became the dominant group controlling trade in Mecca during the pre-Islamic period.

لَا يَلْبَسُ فُرْيَشِينَ الْفِهِمْ رِحْلَةَ الشِّتَاءِ وَالصَّيْفِ فَلْيَعْبُدُوا رَبَّ هَذَا الْبَيْتِ الَّذِي أَطْعَمَهُمْ مِنْ جُوعٍ وَآمَنَهُمْ مِنْ خَوْفٍ

Because of the habit of the Quraysh, (that is) their habit of traveling during the winter and summer (thereby gaining much profit), let them worship the Lord of this House (Ka'bah), who has fed them from hunger and made them safe from fear. (Quran, Quraysh:1-4)

The Quran mentions that the Quraysh tribe regularly traveled for trade (rihlah) to Yemen in the winter and to Syria in the summer. This illustrates the advanced nature of trade carried out by the Quraysh tribe during the pre-Islamic era. When the Hijrah took place, the emigrants (Muhajirin) from Mecca, most of whom were traders, met the Ansar in Medina, who were primarily farmers.

This combination of trading and agricultural skills later created a strong economic force for subsequent Islamic civilization. This episode serves as a valuable lesson that the trade and agricultural sectors are two strategic areas that must be prioritized in building a strong and independent economy for the Muslim community.

Fiscal Policy in Ancient Rome, Greece, Egypt, and India The study of fiscal policy in Roman and ancient Egyptian civilizations was initiated by S.H. Wallace. He stated that tax collection practices were already present in Egypt during Roman colonization. The Romans imposed production taxes on their conquered territories. Additionally, there were taxes on agricultural land that were paid in cash, and taxes on land holdings that were also paid in money. One of the ancient taxes implemented in Egypt and Rome was the personal tax or head tax. Other general taxes included inheritance tax, livestock tax, sales of various commodities, and both domestic and international trade taxes. These tax practices laid the foundation for the emergence of fiscal policy in human civilization history.

In Greek civilization, the state's revenue sources included taxes on all financial transactions. Additionally, voluntary contributions from wealthy citizens were also an important source of state revenue, particularly during times of war. Voluntary contributions from the elite were a form of participation by ancient Greek citizens in funding state activities, in addition to taxes on various economic and financial transactions. Revenue from taxes on financial transactions and voluntary contributions from wealthy citizens supported the governance and defense efforts of ancient Greece.

Analysis of public spending in ancient Greece and Rome shows that, in general, spending was prioritized for physical infrastructure, such as fountains, highways, canals, dams, fortifications, markets, and sports facilities. Revenue and spending decisions were in the hands of the rulers, based on their will. Taxes were generally oppressive. Government spending was often lavish and unproductive, reflecting an underdeveloped concept of responsible and citizen-oriented public spending at the time.

In contrast to Roman, Greek, and Egyptian civilizations, fiscal policy in ancient India can be found in ancient Hindu scriptures such as the Mahabharata, Manu Smriti, Arthashastra, and Shukranti. The Mahabharata mentions that rulers had the right to collect taxes to form a treasury to help the people. Taxes were to be collected gradually, depending on the season, peace, and norms. Shukra in Shukranti argued that a king could levy taxes to protect and guarantee the welfare of the people. The Arthashastra states that taxes were levied gradually, with the king receiving one-sixth of the harvest and one

Ransom Money

In addition to Khums, warfare also provided an additional source of income through ransom money obtained from the release of war captives (non-Muslims). For instance, in the Battle of Badr, many people from Mecca were defeated and captured by the Muslims. Prophet Muhammad (PBUH) then set the ransom at an average of 4,000 dirhams for each captive. However, those who were not ransomed were required to teach ten Muslims how to read.

Zakat

In the second year of Hijri, a verse about zakat was revealed, although its practical implementation occurred only in the fifth year of Hijri. Zakat is an obligatory act for Muslims who are financially capable, according to religious guidelines. Its purpose is to purify wealth and assist those who are less fortunate. During the time of the Prophet Muhammad (PBUH), zakat was collected by

officials appointed by him. The collected zakat was then handed over to the Prophet to be distributed among those entitled to receive it. During the Prophet's time, zakat had already become a source of state revenue (fiscal) and was officially managed. Zakat was used to fund the needs of the community and support the economy.

According to history, the obligation of zakat in Islam was gradually revealed and was made mandatory in the following years:

Second Year of Hijri: The first verse mentioning zakat was revealed in Surah Al-Muzzammil, verse 20. At this stage, zakat was recommended but not yet obligatory.

“Recite what is easy for you from the Qur'an and establish prayer, give zakat, and give Allah a goodly loan.”

Third Year of Hijri: The verse that specifies the rate of zakat fitrah (Surah Al-Baqarah: 267) was revealed, making zakat fitrah mandatory.

“O you who have believed, spend from the good things which you have earned and from that which We have produced for you from the earth. And do not aim for the defective therefrom to spend it, and you would not take it except with disdain. And know that Allah is Free of need and Praiseworthy.”

Prof. Dr. Wahbah az-Zuhaili, an expert in Islamic jurisprudence and exegesis from Syria, in his Tafsir Al-Wajiz, explains:

“O believers, pay zakat from your wealth, which is the best and most lawful from your earnings and from the various types of wealth that are obligatory to be given zakat. And spend from what Allah has produced from the earth, such as agricultural products, fruits, and metals (M. Suparmoko., 1997). Do not give defective goods for zakat, for you would not accept them if paid in trade, unless you are tolerant and indifferent to this out of dislike or embarrassment, and you are content with a portion of your right. How, then, would you give the right of Allah from your wealth?”

Fourth Year of Hijri: The first verse that mandates zakat on wealth (Surah Al-Baqarah: 43) was revealed, making zakat on wealth obligatory.

“And establish prayer and give zakat and bow with those who bow.”

Fifth Year of Hijri: Surah At-Tawbah, verse 103, was revealed, explicitly making zakat obligatory and specifying the categories of recipients.

“Take from their wealth a charity by which you purify them and cause them to grow, and invoke [blessings] upon them. Indeed, your invocations are a relief for them. And Allah is Hearing and Knowing.”

This verse demonstrates the obligatory nature of zakat on all types of wealth. If the wealth is used for trade, the zakat obligation is clear, as it is productive and generating income. It is considered just to help the poor by fulfilling zakat obligations as ordained by Allah. Wealth not derived from trade, such as crops, fruits, or livestock intended for breeding, also has zakat obligations unless its growth is not significant, in which case zakat is not required. This distinction is made because wealth held without financial intent is not equated with wealth typically held for financial purposes, and is viewed as pure ownership.

Thus, the obligation of zakat began to be decreed in the second year of Hijri and became a full obligation in the fourth year of Hijri for wealth zakat, and was explicitly clarified in the fifth year in Surah At-Tawbah, verses 103.

Ushr (Import Tax)

Ushr is a special tax in the Islamic taxation system levied on goods imported into an Islamic state. It applies to both Muslim and non-Muslim traders who bring goods into the Islamic territories. The rate is 2.5% for Muslim traders and 5% for non-Muslim traders, applicable only to goods whose value exceeds the minimum nisab, which is 200 dirhams annually. Payment is made once a year when the goods enter the Islamic domain.

Ushr, as a trade tax in Islam, has a clear legal basis in the Qur'an and Hadith, including Surah Al-An'am, verse 141:

“And He it is who produces gardens trellised and untrellised, and date palms, and crops of different shape and taste, and olives and pomegranates, similar and dissimilar. Eat of their fruit when they ripen, but pay the due thereof on the day of its harvest, and waste not by extravagance. Verily, He likes not Al-Musrifun (those who waste by extravagance).”

Wakaf (Endowment)

Until the fourth year of Hijri, the income and resources of the Islamic state were very limited. The primary source of wealth came from the spoils obtained from the Banu Nadir, a Jewish tribe living on the outskirts of Medina. Although the Banu Nadir were part of the Medina Charter, they violated the agreement and even plotted to kill Prophet Muhammad (PBUH). When the Prophet requested that they leave Medina, they refused. Ultimately, the Prophet besieged and expelled them from the city. The Banu Nadir were only allowed to take their possessions within certain limits, except for their armor.

The wealth left by the Banu Nadir became the property of the Muslims as spoils of war without bloodshed (fa'i). The Qur'an states that most of this fa'i wealth was distributed by the Prophet to the poor Muhajirun and Ansar (Masyhuri, 2007). Some of it was used to meet the Prophet's family's needs. A Muhajir from the Banu Nadir, who had converted to Islam, even donated seven of his orchards, which the Prophet designated as the first land endowment (wakaf) in Islam.

Fa'i (Wealth Acquired Without Warfare)

The official source of state income that does not originate from war is fa'i, which refers to the wealth left by the Banu Nadir, a Jewish tribe living on the outskirts of Medina. The wealth left by this tribe is not categorized as Ghanimah (spoils of war) but is considered fa'i and distributed justly to the entire community.

According to Islamic historical records, the system of Fa'i (wealth acquired without warfare) was legislated in the sixth year of Hijri, after the Treaty of Hudaibiyah. The people of Khaibar peacefully handed over their land and wealth to the Muslims. The fa'i of Khaibar became a precedent for the regulation of future fa'i. This regulation is mentioned in Surah Al-Hashr, verses 6-7, which were revealed after the event of fa'i Khaibar.

Table I
Differences and Similarities between Ghanimah and Fa'i

Type	Similarity	Difference
Ghanimah	Both are obtained from Non-Muslims Both serve as a form of revenue for Muslims	Acquired from Non-Muslims through warfare/loot from the enemy
Fa'i		Acquired from Non-Muslims without warfare. It is not necessarily 1/5 and is not considered war spoils

Kharaj

When the region of Khaibar was conquered, Prophet Muhammad SAW implemented kharaj, which is a tax on land collected from non-Muslims. The conquered land was taken over by the Muslims, while the original owners were given the right to cultivate the land as tenants. As tenants, they were required to give a portion of their harvest to the state. The amount of kharaj collected was fixed at half of the total production. To ensure the system was properly implemented, the Prophet appointed knowledgeable individuals to assess the total harvest. Thus, the implementation of kharaj in Khaibar set a precedent for taxing land owned by non-Muslims under Islamic rule.

Kharaj is a tax on land owned by non-Muslims in a Muslim state. If the landowner converts to Islam, the land becomes their property and is classified as 'usyr land, similar to the land managed in Medina and Yemen. The determination of the kharaj amount is based on the characteristics of the land, the type of crops, and the method of irrigation (Muchdarsah Sinaungan., 1996). The difference between kharajiyah land and 'usyuriyyah land is that kharajiyah land refers to land where only its usage is owned, while the land itself remains the property of the state. Meanwhile, 'usyuriyyah land means the land and its usage rights are owned by the individual.

Jizyah (Tax)

The term Jizyah is derived from the word "jaza'," meaning compensation. Islam mandated jizyah in the 7th year of the Hijrah for the dhimmi (non-Muslims), alongside the obligation for Muslims to pay zakat. This is because both Muslims and dhimmis live under the same Islamic state, enjoying the rights and benefits provided by the state. Jizyah is levied on all people, including the People of the Book, Majusis, Arabs, and non-Arabs. The obligation to pay jizyah applies to adult free men. It is not required from women, children, slaves, or the mentally ill. Allah’s command in Surah At-Tawbah (9:29) states:

“Fight those who do not believe in Allah, nor in the Last Day, nor do they prohibit what Allah and His Messenger have prohibited, and who do not practice the religion of truth (Islam), among those who have been given the Scripture, until they pay the jizyah with willing submission, and feel themselves subdued.”

Jizyah is a sum of money that non-Muslims are required to pay as compensation for their residency in a Muslim state. The amount of jizyah to be paid depends on the decision of the imam or the Muslim leader who makes the agreement with them. Every adult male among the kafir dhimmi is required to pay a specific amount of jizyah. This payment is a fundamental condition in the agreement to grant them the status of kafir dhimmi (Oktaviana & Harahap, 2020). According to Imam Shafi'i, the minimum amount of jizyah to be paid is one dinar, while the maximum amount is not specifically determined. The determination of the maximum amount is left to the discretion of the leader or imam through ijhtihad.

Table II
Similarities and Differences between Jizyah and Kharaj

Type	Similarities	Differences
Jizyah	Both are imposed on non-Muslims.	It is established based on the text of the Qur'an (At-Tawbah:29). It is established based on Sharia (Hadith of Mu'adh, 1 dinar per year for each adult). The obligation to pay Jizyah is lifted upon conversion to Islam. The object is the soul (an-Nafs/Person).
Kharaj	Both originate from war spoils.	It is obligatory to be paid once a year. It is determined based on ijhtihad. The minimum and maximum limits are based on ijhtihad. The obligation to pay kharaj does not end when the landowner converts to Islam. The object is conquered land.

Nawaib

During the time of Prophet Muhammad (PBUH), a special tax was imposed on wealthy Muslims in certain emergency situations. This was implemented just before the Battle of Tabuk in the 9th year of Hijrah, when Muslims faced logistical difficulties during the long journey in the desert heat. To address this, the Prophet ordered the collection of an emergency tax from affluent Muslims, which was then deposited into the Baitul Mal. The purpose of this emergency tax was to cover social needs and the shortage of war funds during a critical situation. Its implementation was limited to emergency conditions, such as the period before the Battle of Tabuk, in order to meet the state's

expenditures for the welfare of the Muslim community. The legal basis for this obligation is found in QS. Ar-Rum (30): 38: "Give to the near kin his due, and to the poor and the wayfarer. That is better for those who seek the pleasure of Allah, and they are the successful."

Sedekah

Sedekah refers to voluntary donations in the form of money, goods, or services given to those in need, without any legal obligation or specific conditions. Sedekah is done based on care and empathy towards others, not for the purpose of gaining rewards or recognition. It is an expression of solidarity and concern for others without expecting anything in return.

Amwal Fadl

Amwal Fadl refers to the property left behind by Muslims who pass away without heirs, or the property of a Muslim who leaves their homeland. Another instrument is nawaib, which is a large tax levied on wealthy Muslims to cover state expenses during emergencies. The application of nawaib was once carried out during the time of Prophet Muhammad (PBUH) to fund the Battle of Tabuk, by collecting a special tax from affluent Muslims. Nawaib aims to cover social needs and the shortage of war funds during emergencies by imposing a high emergency tax on financially capable Muslims.

Kafarat

Kafarat is a penalty that was previously imposed on married couples who engaged in sexual relations during the daytime in the month of Ramadan. The fine was paid into the state treasury and became part of the country's income (Sadono Sukirno., 2004). Although the potential revenue from this penalty may not be significant, kafarat could add to the total income of the state. The application of kafarat in Indonesia would require an in-depth study of its sociological and legal aspects to ensure it aligns with the current context of Indonesian society. Nevertheless, kafarat could become one of the state's sources of income in Indonesia if implemented effectively.

Table III
Classification of State Revenue (Fiscal) in Islam

Jenis Pendapatan Negara	
Tetap	Tidak tetap
Zakat	Khumus
Kharaj	Infaq
Jizyah	Shadaqah
Ushr	Wakaf
	Hibbah
	Kafarah/Inheritance
	Other lawful revenues

Table IV
Pendapatan Negara Pada Masa Rasulullah SAW Berdasarkan Jenisnya

Primary Revenue	Secondary Revenue
Ghanimah	Ransom
Fa'i	Loans
Kharaj	Amwal Fadhl
Waqaf	Nawaib
'Ushr	Other forms of Shadaqah, such as Sacrifice and Kaffarat
Jizyah	Gifts

State Expenditures

Regarding the use of state funds during the period of Prophet Muhammad SAW's governance, these funds were managed systematically for specific purposes. To meet basic needs, including (a)

defense costs such as weaponry, camels, and supplies, (b) distribution of zakat and ushr to those entitled to receive them, (c) payment of salaries for governors, judges, teachers, imams, muezzins, and government officials, (d) payment for volunteer wages, (e) settling national debts, and (f) providing assistance to travelers (from the region of Fadak).

Meanwhile, for secondary needs, these included (a) assistance for those studying religion in Medina, (b) hosting meals for religious delegations, tribal envoys, and state representatives along with travel expenses, (c) providing gifts to foreign governments, (d) freeing Muslims who were enslaved, (e) paying compensation for those unintentionally killed by Muslim forces, (f) settling the debts of deceased poor individuals, (g) providing allowances for the poor, (h) providing allowances to the Prophet's relatives, (i) financing the household needs of the Prophet, and (j) allocating funds for emergencies.

Table V
State Expenditures During the Time of Prophet Muhammad SAW

Primary Expenditures	Secondary Expenditures
	Assistance for those studying religion in Medina
Defense costs such as weaponry, camels, horses, and supplies	Hospitality for religious delegations
Distribution of zakat and ushr to those entitled to receive them in accordance with the Qur'anic provisions	Hospitality for tribal and state envoys and their travel expenses, including expenses for ambassadors
Payment of salaries for governors, judges, teachers, imams, muezzins, and other government officials	Gifts for other governments
Payment of wages for volunteers	Payment for the liberation of Muslims who were enslaved
Settlement of state debts	Compensation for those unintentionally killed by Muslim forces
Assistance for travelers (from the Fadak region)	Payment of debts for those who died in poverty
	Payment of allowances for the poor
	Allowances for the relatives of Prophet Muhammad SAW
	Household expenditures of Prophet Muhammad SAW (only a small amount, 80 dates and 80 grains of wheat for each of his wives)
	Emergency supplies (part of the revenue from the Khaibar war).

After the passing of Prophet Muhammad SAW, he was succeeded by the caliphs who followed him.

Fiscal Policy During the Khulafaur Rashidin Era

1. Fiscal Policy During Abu Bakr Ash-Shiddiq's Reign

During Abu Bakr Ash-Shiddiq's leadership, there were not many changes or innovations in the nation's economic and financial sectors. The situation was still similar to the time of Prophet Muhammad SAW, influenced by Abu Bakr's focus on preserving the existence of Islam and the welfare of Muslims (Samuelson & William D. Nordhaus., 1997). The companions were still engaged in fighting those who refused to pay zakat after the death of the Prophet, as well as those who apostatized and those following false prophets.

These apostates were divided into three groups: First, the group that refused to pray and refused to pay zakat, such as Musailamah al-Kadhdhab. Second, the group that still prayed but refused

to pay zakat, such as Malik bin Nuwairah. Third, the group that refused to pray but was still willing to pay zakat, such as Thulaihah bin Khuwailid, who believed that prayer degraded human dignity. After the death of the Prophet, three groups of apostates appeared, each rejecting Islamic teachings in different ways, particularly regarding prayer and zakat.

Khalifah Abu Bakr ra implemented an equal distribution system for the wealth of Baitul Mal, giving the same amount to all of the Prophet Muhammad SAW's companions without distinguishing between those who embraced Islam early or those who converted later. Therefore, during Abu Bakr's leadership, wealth in Baitul Mal never accumulated for long periods because it was immediately distributed to all Muslims. Even when Abu Bakr ra passed away, only one dirham was found in Baitul Mal. This demonstrates the fair and equal distribution of Baitul Mal's wealth by Abu Bakr ra to all Muslims, regardless of their seniority in Islam.

During Abu Bakr's reign, wealth was not accumulated in Baitul Mal for extended periods because it was promptly distributed to all Muslims. Even when Abu Bakr As-Shiddiq passed away, only one dirham was found in the state treasury (Sugianto, 2000). As the income increased, its benefits were distributed evenly among all Muslims, ensuring no one remained in poverty. This policy resulted in an increase in aggregate demand and supply, ultimately boosting the national income.

Khalifah Abu Bakr Ash-Shiddiq (51 BH - 13 H / 573 - 634 CE) took several steps to perfect the Islamic economy during his reign. Some of the fiscal policies he implemented included:

- a. Attention to the accuracy of zakat calculations
- b. Development of Baitul Mal and responsibility for Baitul Mal (Abu Ubaidah)
- c. Implementation of a balanced budget policy for Baitul Mal
- d. Enforcing the law against those who refused to pay zakat and taxes
- e. Personally, Abu Bakr was a practitioner of trade contracts.

However, there is no record indicating that Abu Bakr Ash-Shiddiq implemented policies related to Khums (one-fifth of war booty). Therefore, it can be concluded that Abu Bakr Ash-Shiddiq did not establish policies concerning Khums during his reign.

2. Fiscal Policy During Khalifah Umar ibn al-Khattab's Reign (40 BH - 23 H / 584 - 644 CE)

During Umar ibn al-Khattab's leadership, the Islamic state experienced significant territorial expansion, which led to a substantial increase in state revenue. Umar decided not to spend all the wealth in Baitul Mal at once but instead planned its expenditure gradually according to needs, even setting aside reserve funds. Although he controlled the distribution of wealth from Baitul Mal, Baitul Mal officials were responsible for zakat and ushr. Khalifah Umar ibn al-Khattab also determined that the executive branch should not interfere in the management of Baitul Mal. The state had an obligation to provide food for widows, orphans, and destitute children, finance the burials of the poor, pay the debts of bankrupt individuals, and provide diyat (blood money) in certain cases.

Under Umar ibn al-Khattab's leadership, the sources of state revenue increased significantly. Umar introduced a state financial system and recruited salaried officers to manage the institution. State revenue grew rapidly, and Baitul Mal was permanently established in the city center and provincial capitals. Baitul Mal served as a financial management institution that collected revenue from various sources, including zakat, taxes, war booty, and others. This system made the state's finances more structured and accountable during Umar ibn al-Khattab's reign.

One interesting economic policy introduced by Khalifah Umar ibn al-Khattab was the imposition of ushr (tax) on non-Muslim traders from outside the Islamic state who traded within the caliphate's territory. Initially, Umar did not impose ushr on them. However, when non-Muslim states imposed a 10% tax on Muslim traders, Umar applied a similar policy to non-Muslim traders in his territory. The aim was to equalize the tax treatment received by Muslim traders outside the caliphate. Thus, Umar imposed ushr as a retaliatory measure against taxes imposed on Muslim traders in non-Muslim territories.

During the reign of Khalifah Umar ibn al-Khattab and the other Khulafaur Rashidin, state revenue sources included zakat, fai, kharaj, and ushr. These sources of income were sufficient to run the government, including meeting the needs of the military sector. There is no record of foreign debt during the time of the Khulafaur Rashidin. They were able to govern and fulfill state needs from

internal revenue sources such as zakat, taxes, war booty, and others, without resorting to borrowing from other countries. This reflects fiscal and economic independence during the reign of the Khulafaur Rashidin.

Several economic institutions developed by Khalifah Umar ibn al-Khattab included Baitul Mal and Diwan, which was a financial record-keeping book for the state. During Abu Bakr’s time, the management of Baitul Mal did not undergo significant changes. However, as the expansion of territory and tax on conquered lands increased state revenue, Umar reformed the administration of Baitul Mal by appointing several Persian officials skilled in bookkeeping to manage and oversee state finances. This reform was based on the suggestion of Homozan, a Persian prisoner who had converted to Islam, who explained the administrative system of the Sassanid Empire to Umar.

Some of the contributions Umar made to develop the Islamic economy included:

- a. Reorganization of Baitul Mal, with the establishment of the first Islamic Diwan, called al-Divan.
- b. The government’s responsibility to provide food and clothing for citizens.
- c. Diversification of zakat objects and zakat rates.
- d. Development of Ushr (tax) and agriculture.
- e. Laws governing land ownership changes.
- f. Categorization of state income into four parts.

With these policies, Umar ibn al-Khattab successfully improved the welfare of the community and strengthened the Islamic economy during his reign.

Table VI

Sources of Income	Expenditures
Zakat and Ushr	Distribution for local use, with surplus stored
Khums and Sadaqah	Welfare of the poor and needy
Kharaj, Fay, Jizyah, Ushr, Rent	Pension funds and loan funds
Income from all sources	Workers, care for orphaned children, and social funds

The Zakat Distribution Policy During the Caliphate of Umar bin Khattab The zakat distribution policy during the reign of Caliph Umar bin Khattab differed from that of Abu Bakr Ash-Shiddiq (Taqiyuddin an-Nabhani., 1996). Umar distributed zakat unevenly, where some recipients received larger portions than others. Umar prioritized those who embraced Islam earlier over those who converted later. According to historians, this policy was influenced by Umar’s own late conversion to Islam, which led him to honor the companions who had embraced Islam before him. This approach contrasts with Abu Bakr, who implemented equality in the distribution of zakat among all Muslims, regardless of their seniority in Islam.

To manage the distribution of Baitul Mal’s wealth, Caliph Umar established several departments deemed necessary: (1) Military Service Department; (2) Judiciary and Executive Department; (3) Education and Islamic Development Department; and (4) Social Security Department. During his reign, Caliph Umar classified the state income into four categories: (1) Income from zakat and 'ushr; (2) Income from khums and sadaqah; (3) Income from kharaj, fai, jizyah, 'ushr (trade tax); (4) Other income sources.

Among the allocations from Baitul Mal, pension funds became the most important expenditure. The next priorities were defense funds and development funds.

3. Fiscal Policies during the Caliphate of Uthman Bin Affan (47 SH-35 H/577-656 AD)

During Abu Bakr RA’s time, Uthman RA served as the state secretary, and during Umar RA’s reign, Uthman RA acted as the country’s economic advisor. This is not surprising, as Uthman

RA was a successful businessman who remained detached from worldly matters. Thus, during the ten years of Umar RA's caliphate, Uthman RA rarely participated in battles and instead often accompanied the Caliph in Medina.

Under the leadership of Caliph Uthman bin Affan, the primary sources of state revenue remained as established by Caliph Umar, including income from zakat, khums (one-fifth of war spoils), jizyah, kharaj, ushr (customs duties), and property owned by the state due to the absence of private ownership. The state expenditures consisted of three main types: social welfare and allowances, routine expenses, and investment expenditures. In general, Uthman continued the economic and financial policies established by Umar bin Khattab.

At the beginning of his rule, Uthman continued and developed the policies implemented by Caliph Umar. In his six years of leadership, the following actions were taken: (1) Irrigation development; (2) Establishment of a police force to maintain trade security; (3) Construction of courts to uphold the law.

4. Fiscal Policies during the Caliphate of Ali Bin Abi Talib (23 SH-40 H/600-661 M)

Caliph Ali bin Abi Talib paid great attention to the use of state wealth and the efforts of individuals and society to combat poverty. Ali adhered to two main principles. First, all Baitul Mal wealth, land, and other sources of income belong to the state and must be distributed among the people based on their needs and rights. Second, everyone must work and utilize these resources according to their efforts (*Pajak dan Retribusi Daerah.*, t.t.). No one has the right to misuse public wealth for personal gain. They must prove their benefit to others while also receiving benefits from others. Therefore, Ali emphasized the optimal use of state wealth and individual hard work to combat poverty.

Some policy changes implemented during Caliph Ali's reign included: (1) Distribution of all income in Baitul Mal, unlike Umar, who set aside reserves; (2) Elimination of naval expenses; and (3) Tightening of the budget.

Table VII
The Era of Prophet Muhammad SAW and the Rightly Guided Caliphs
(Suryanegara, Api Sejarah Jilid Kesatu)

Period	Period of Governmen		Duration of service (years)
	Masehi	Hijrah	
Prophet Muhammad SAW	610 - 632	12 SH – 11 H	23
Abu Bakr RA	632 – 634	11 – 13	2
Umar bin Khattab RA	634 – 644	13 – 24	10
Uthman bin Affan RA	644 – 656	24 – 36	12
Ali bin Abi Talib RA	656 - 661	36 – 41	6

CONCLUSION

Fiscal policy in Islam during the Pre-Prophetic, Prophetic, and the Rightly Guided Caliphs (Khulafa' al-Rashidin) periods reflects the principles of justice, economic empowerment, and social responsibility. However, it is important to delve deeper into analyzing how these fiscal policies directly affected the socio-economic structure of society in each period. During this period, especially under the leadership of Prophet Muhammad and the Rightly Guided Caliphs such as Umar ibn al-Khattab, strategic steps were taken to manage state finances wisely. Below are some conclusions drawn from this paper:

1. Fiscal policies at that time emphasized the importance of economic justice. The distribution of wealth through the zakat and ushr systems became the primary foundation for reducing social inequality and providing support to those in need.
2. The establishment of Baitul Mal as a state financial institution demonstrated efforts to manage state revenues in an organized manner. Baitul Mal became the center for collecting and distributing funds from various sources, such as zakat, taxes, and war booty.
3. Umar ibn al-Khattab's policy of not depleting the entire Baitul Mal at once but instead planning expenditures gradually demonstrated wisdom in managing state finances. The provision of reserve funds also reflected a sustainable and cautious approach.
4. The limitation of executive intervention in the management of Baitul Mal emphasized the principles of accountability and transparency. This ensured that state financial management was conducted with integrity and was not influenced by personal interests.
5. Fiscal policies during that period also set the state's social responsibility in providing food for widows, orphans, and abandoned children, financing the burial of the poor, paying off debts of bankrupt individuals, and paying diyat (blood money) for certain cases.

From the above conclusions, it can be stated that fiscal policy in Islam during the Pre-Prophetic, Prophetic, and Rightly Guided Caliphs periods was not only economic in nature but also contained strong moral and social dimensions. These principles can serve as inspiration for guiding modern fiscal policy while still considering values of justice and economic empowerment.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

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