

BASIC CONCEPT, MANAGEMENT, AND BUDGETING OF PUBLIC FINANCE IN ISLAMIC EDUCATION

Yafi'u Yahya¹, Agus Saron^{2*}

¹ Prodi Sastra Inggris Fakultas Ilmu Budaya Universitas Diponegoro Semarang Indonesia

^{2*} Fakultas Hukum Universitas Diponegoro Semarang Indonesia

^{1*} yafiuyahya2005@gmail.com

Abstrak

This study provides conceptual, contextual, and correlational explanations of public finance in Islamic education. In order to investigate public finance in Islamic education from the perspectives of idea, background, and correlation, this study employed a qualitative methodology. Descriptive analysis was employed in the study data analysis. The procedure involved gathering data up until the point of fieldwork, at which point the researcher started the process of analysis and completed it. This study came to the conclusion that transparent and accountable management of public finances, or state finances, is necessary, particularly when it comes to execution, accountability, and conducting. Since public finance management is both religious and economic, it ought to be able to raise general welfare. Even though Indonesia's state budget management system has undergone reforms recently - including the adoption of a state finance constitution, a shift from a balanced and dynamic budget system to one based on performance - and other changes point to the government's serious attempts to manage public finances. The changes in budget types - from routine and development budgets to routine budgets alone-also reflect these reforms. By considering the public interest in providing facilities and supporting infrastructure, as well as by managing state revenues in accordance with applicable laws and without engaging in irregularities when obtaining income and spending for the public, budget management in public finance, or state finances, seeks to create public welfare. The state's responsibility in overseeing public finances is to uphold the law and give the populace social security. Public facilities and facilities are required to accomplish this purpose, as is close oversight by qualified and reputable state authorities to guarantee that public revenue is distributed in an appropriate and equitable manner.

Keywords: public finance, Islamic education

INTRODUCTION

In economic studies, the term public finance or state finance, as expressed by Harvey S. Rosen and Ted Gayer, emphasizes efforts to rationalize the role of the state in economic life based on market failure and the need to modify the distribution of income resulting from the market mechanism process following norms, general and distributive justice (Rosen & Gayer, 2008). According to Bernard Salanie (2000), another hypothesis shows the study of social welfare functions to be maximized by public authorities (state) (Salanie, 2010; Glazer & Rothenberg, 2011).

Musgrave and Alan Peacock traced public finance studies conducted in the 1950s showing a belief in the importance of maximizing social welfare which was published through several classic articles on public finance in 1958, then several important materials in these studies are still debated by economists today. The study of public finance has become the dominant theoretical approach alongside other approaches or fills the literature with more public sector issues (Musgrave & Peacock, 2008).

The development of the social welfare approach has become a major part of the study of public finance, because of the initial contributions to tax theory made by

previous economists, for example (Edgeworth, 2007; Ramsey, 2007; Pigau, 2011; Samuelson, 2004). Public goods theory, and the application of social welfare functions in public economics, which strengthen and develop previous theories through important approaches in various literatures on optimal taxation (Mishra, 2010).

Current global economic developments have implications for the welfare of the country. The borders and power of nation-states are increasingly fading, dispersing to localities, independent organizations, civil society, supra-national bodies (such as NAFTA or the European Union), and multinational corporations. Mishra states that globalization has limited the capacity of nation-states to carry out social protection (Hettich, 2004).

In line with the latest economic developments, global economic challenges that are expected to be faced in 2020 include (1) global economic uncertainty triggered by economic slowdowns or crises in various countries; (2) the risk of commodity price fluctuations on global markets, especially crude oil prices; (3) commitment to participate in supporting the ASEAN Economic Community (AEC); and (4) implementation of the development agenda (Hettich, 2004).

Meanwhile, domestic economic challenges that are expected to be faced in 2020 include (1) slowing acceleration of economic growth; (2) domestic financial market risks; (3) balance of payments imbalance; and (4) reducing social inequality (Hettich, 2004).

In facing the ASEAN Economic Community (AEC), economic activities carried out may not pay attention to ethical issues which can result in fellow economic actors having clashing interests, so this condition may create forces that can destroy other economic actors. Therefore, Islamic business ethics becomes a frame of reference as a form of morality for economic actors. This business ethics can prevent market distortions so that various forms of prohibitions on economic practices provide *maslahah* for human life as a whole.

Because of this, the role of the state in managing public finances is very important considering that the level of social welfare is still low, poverty is still felt by the public, corrupt practices occur in every area of government, unequal distribution of income, low economic growth, and various budget irregularities. These problems require resolution, one of which is viewed from the perspective of Islamic public finance.

This study of global economic challenges in budget management from an Islamic public finance perspective uses a qualitative approach to reveal phenomena and realities that can be explored scientifically regarding public financial management. Therefore, this study cannot be separated from understanding the history of Islamic economic thought, especially public finance, so this textual study is complemented by a study of social reality and its historical dynamics (Abdullah, 2007).

Meanwhile, the study of Islamic public finance is more historical rather than analytical descriptions and places it in economic discussions (Aghnide, 2009).

Ben Shemesh has written *Taxation in Islam* as a form of translation of several parts of *Kitab al-Kharaj* written by Abu Yusuf, Yahya Ibn Adam, and Qudamah (Shemesh, 2005). Abdul Azim Islahi wrote in *Contributions of Muslim Scholars to Economic Thought and Analysis (11-905 A.H./632-1500 A.D)* (Islahi, 2004).

Adiwarman Azwar Karim wrote about the History of Islamic Economic Thought (Karim, 2006). Irfan Rana in Economic System under Umar the Great (Rana, 2007), and S.A. Siddiqui wrote Public Finance in Islam (Siddiqui, 2005).

This study also includes an exploration of philosophical analysis at a certain time in the past and present, thus methodologically applying a historical approach.³¹ This historical approach is a track record of previous periods, which in this case contains public financial management practices.

The collected data will be analyzed using content analysis methods and critical historical methods.⁴⁵ The collected data will be selected and put together into factual relationships that form understandings, and then the description will be presented in descriptive-analysis and descriptive-narrative form so that a conclusion will be obtained from the presentation made.

This research aims to explain the basic concepts of public finance, public financial management, performance-based budgeting, APBN management, and good governance.

METHOD

This research uses a qualitative approach with a descriptive research type. This research data analysis uses descriptive analysis related to *police finance* in Islamic education in terms of concepts, basic foundations, and correlations. The process is carried out from the moment the data is collected, so that when in the field, the researcher starts carrying out the data analysis process until the research ends. That is, related things to *finance* in Islamic education in terms of concepts, basic foundations, and correlations are analyzed in depth.

RESULT AND DISCUSSION

1. Basic Concepts of Public Finance (Public Finance)

Public finance is a science that studies the economic activities of the government as a unit (Musgrave & Peacock, 2008). In another view, Rosen & Gayer, public finance is a science that studies the use of funds by the government to fulfill payments for government activities. Therefore, the definition above makes the term public finance synonymous with the terms state finance, public economy, and public sector economics (Rosen & Gayer, 2008).

In Rossen's view, "*public finance is the branch of economics that studies the taxing and spending activities of government*" (public finance is a branch of economics that examines taxation activities and government spending) (Rosen & Gayer, 2008). The important issues in the study of public finance are not financial issues even though they relate to financial aspects, but rather the main issues related to real sources. Public finance studies use positive and normative analysis. The positive analysis emphasizes issues with the microeconomic functions of government, how the government carries out and manages the allocation of resources and the distribution of income. In another important part, the government's macroeconomic function is related to the use of taxes, expenditures, and monetary policy on the level of unemployment resolution and price levels (Hettich, 2004).

Public finance is the study of government intervention in regulating markets (marketplace) (Rosen & Gayer, 2008). With a different view, according to the Continental School orientation, public finance is the study of how society participates through political and fiscal institutions to achieve fiscal patterns and goals. The understanding of public finance according to the Continental School is also followed by Buchanan (Rosen & Gayer, 2008).

The term public finance for economic studies in Indonesia usually uses the term state finance. In Soetrisno's (2011) view, state finance is a science that studies or examines expenditures and revenues made by the government and the state. Meanwhile, in M. Suparmoko's view, state finance is part of economics which studies government activities in the economic sector, especially regarding revenues and expenditures along with their influences on the economy (Suparmoko, 2003).

In "Anglo-Saxon" countries, public finance or state finance as a science is seen as a branch of economics, while in mainland Europe, state finance is seen as a branch of political science. According to Nurdjaman Arsjad, et al., in the literature in "Anglo Saxis" countries, state finance is often called "public finance", the term "public" is often confusing and is not a precise term. The terms '*public finance*' is usually interpreted as "government". According to Suparmoko and Cullis & Jones, "public sector" and "government" are identical, it has even been said that the study of state finance is identical to the study of the role and activities of government in the public sector (Suparmoko, 2003).

In a broad sense, the term "public" does not only describe government activities, but also describes "*utility*" (which handles the needs or livelihoods of many people), and also the activities of charitable associations (charitable associations). The term "public finance" as explained above is interpreted in a narrow sense, namely "government finance", while the meaning of "finance" (finance) describes all activities (government) in seeking sources of funds (sources). of funds) and then how these funds are used (uses of funds) to achieve government goals (Suparmoko, 2003).

Based on the description of the meaning of public finance, this discipline at least has a scope that includes: (1) state expenditure; The mechanism through which government spending develops financial operations in the economy following supply and demand patterns. In carrying out its functions, the government not only uses money, but also includes economic resources including the use of human, natural resources, equipment, capital, and other services; (2) state revenue; discusses several sources from which the state obtains income/funds; (3) state administration; concerns all financial activities including all issues regarding state administration; (4) stabilization and growth; discuss the government's economic policies at a particular time and situation; (5) the influence of the state revenue and expenditure budget on the economy, especially its influence on achieving the goals of economic activities, such as economic growth, price stability, income distribution, and increased efficiency, as well as the creation of job opportunities (Suparmoko, 2003).

State finance has a compact, single, and homogeneous body of knowledge, the subject matters contained in state finance as a study and science are: (1) State Expenditures (Government Expenditures); (2) Sources of State Revenue where taxes are the most important source of revenue (Government Revenues and Taxes); (3) State Loans and Repayment (Government Borrowing and Indebtedness); (4) Fiscal Administration or Fiscal Technique (Fiscal Administration or Technique) which discusses state financial law and administration; (5) Financial Balance between the

Central Government and Regional Governments (Intergovernmental Fiscal Relationship), a study in state finances that is increasingly important and prominent; and (6) Fiscal Policy which studies the role and influence of state finances on national income, distribution of national income, employment opportunities, prices and also the efficiency of resource allocation (Suparmoko, 2003).

In Rossen and Gayer's view, the scope of public finance includes public finance, state, and ideology, economic welfare, public expenditure (public goods and externalities, political economy, education, cost-benefit analysis, social insurance, income distribution, taxation, and so on (Rosen & Gayer, 2008).

Thus, public finance or state finance is a study of what normative economics should be or is. For example, if we want to achieve certain goals such as economic growth or a more equal distribution of income, then we must determine a policy that we must implement to achieve these goals.

Public finance, like other social sciences, is positive and normative. Public finance as a scientific study can be divided into "positive public finance" and "normative public finance". "Positive" public finance is the study of facts, circumstances, and relationships between variables relating to government efforts in seeking funds and using funds, for example how the current tax system and tax structure are, examining the current state and budget system, and so on. So, in "positive public finance", we try to describe, explain and predict what happens in state finances.

Meanwhile, "normative" public finance is the study of state finances regarding ethics and value judgment, namely how state financial activities, taxation, spending, and state loans can create efficient resource allocation, macroeconomic stabilization, equal distribution or distribution of income, and so on. So, the study of "normative public finance" revolves more around problem areas of state financial policy (*fiscal policy*). This is influenced by ideological views, which are differentiated into two main approaches, as explained by Rosen & Gayer (2008), namely: the *organic view of government*, and the *mechanistic view of government*.

In this case, government policies related to revenues and expenditures to improve economic stability need to be carried out in the form of fiscal policy. According to Soediyono fiscal policy or fiscal politics are actions taken by the government in the field of state budget in the form of revenues and expenditures to influence the course of the economy (Soediyono, 2005).

Samuelson explains that government has played an increasing role in modern mixed economic systems. This is reflected in the growth of government spending, equalization of income by the state, and direct regulation of economic life. Meanwhile, changes in government functions are reflected in government activities including direct supervision, social consumption of public goods, stability of state financial and monetary policies, government production, and welfare spending (Samuelson, 2004).

Therefore, mainstream economic theory provides a framework for analyzing public finance. Therefore, this theory can be rationally used to study public finances in an area of microeconomic application. As is the case in other branches of economics, the normative framework of public finance includes welfare economics, an economic theory that focuses on the study of social welfare for government economic alternatives. In this case, according to Rossen, economic welfare focuses on the conditions under

which the allocation of economic resources achieves Pareto efficiency (Rosen & Gayer, 2008).

As for Islamic economics, the study of public finance can be traced to the epistemology of the Koran. The epistemology of the Qur'an regarding all socio-scientific systems is used to develop an Islamic political economic theory, as a description of the embeddedness of the interactive-integrative process of forming behavior and institutions. This is called a letter process which is an alternative reference for the circular cause-and-effect model and the continuity of the unity of reality. The epistolary process is essentially a form of methodology that emerges and develops circularly due to a theological worldview (Choudhury, 2003).

In political-economic studies, the theorization and practice of Islamic law and the existence of regulations through the institutionalization of *shura'* during the Islamic scholastic period have regulated power, welfare, production, and distribution in society. There is no conceptualization of science or the development of popular institutions and restrictions that appear to regulate the development of thought and empowerment at this time. So, Muslim society develops itself from the principles of monotheism originating from the Qur'an (Choudhury, 2003).

The study of Islamic political economy is of public interest. The institutions of *ijma'* and *shura'* are the main concepts in monitoring decision-making in government. The social supervision institution, *al-hisbah*, proposed by al-Mawardi, Ibnu Taimiyah, and other figures is a source of price control that requires an endogenous ethical transformation regarding policy-market interrelation. 26 Meanwhile, public finance (*public finance*, *al-amwal al-'ammah*) is a branch of economics that discusses the procurement, maintenance, and expenditure of resources needed to carry out government tasks. Public finance is also related to the financial aspects of government business (Azmi, 2002).

Public finance in the context of sharia is an inseparable part of human life in *mu'amalah*, especially in state-people relations. In a sense, human relationships with other humans have a free space, but this relationship has transcendent value as a form of economic activity that will later be accountable to Allah. So, human freedom, economic reality, and accountability to Allah become the framework for economic actors, including those in power, so that the economic activities carried out cannot be separated from intentions (actions) - business goals. This reality is what underlies economic activity which must be conceptualized from *epistemology* in the sense that economic activity is closely related to the concept of divinity, namely Allah as Absolute Reality (Choudhury, The Foundation of Islamic Political Economy, 2012).

Therefore, the state must provide the infrastructure necessary for economic development and general welfare. This institution is also obliged to regulate and finance the expenditure required by public services. Public services are a social obligation and must be standardized on the public interest. On the other hand, according to al-Mawardi, if there is a budget deficit to meet public interests, new taxes can be imposed or loans can be made to the public. This policy was also carried out by the Prophet to finance war needs and other public needs (Al-Mawardi, 2006).

2. Management of Public Finance and APBN in Indonesia

With the increase in state financial resources, a good public financial management system becomes much more important to guarantee the quality of budget

expenditures and reduce the risk of corruption. As the amount of public financial resources that the government will spend increases, the demands on planning, budgeting, and budget implementation procedures will also become greater. Modernization of systems, processes, and institutions in the budget cycle is needed so that increased spending achieves the priority targets of government development programs, such as alleviating poverty and increasing economic growth. Furthermore, quality and results-oriented public financial management is needed to maintain public support for increased government spending and revenues (Rosen & Gayer, 2008).

Indonesia has made great progress in establishing a legal framework for public financial management and increasing transparency. The enactment of the Law on State Finance, the Law on State Treasury, the Law on State Financial Audit, and the Law on National Development Planning are important steps that have brought Indonesia towards international standard financial practices (Soediyono, 2005).

The Ministry of Finance has undertaken a major reorganization to improve and enhance its functions. All of these laws have now been implemented, and the most obvious is in creating a central government budget that follows international financial classification standards (GFS), establishing a Single Treasury Account (TSA), as well as unifying development and routine budget items that were previously separate. Although recent public financial management reform has shown progress, weaknesses in the public financial management framework still occur, especially in terms of planning and budgeting, budget implementation, accounting and reporting, and external accountability. Even though a general legal framework is now available, it still faces serious challenges in strengthening these reforms through correct implementation and reorganizing the underlying processes (Soediyono, 2005).

So far, several main indicators regarding government budget performance have not improved, especially regarding budget realization indicators. The realization of central government expenditure always deviates from the initial plan. Subsidies and budget transfers to local governments tend to be estimated too low, resulting in excess spending overall (Suparmoko, 2003).

Three main reasons can explain difficulties in efficient budget implementation: (i) weak budget preparation; (ii) rigid budget implementation; and (iii) implementation barriers. First, weak budget preparation, especially the much lower estimate of oil prices, has led to budget revisions that could be up to three times. Second, the government still implements a budget implementation process that tends to be rigid. Detailed control over inputs aims to ensure that the composition of the budget is in line with political priorities and that the budget will not be changed during implementation. The expenditure document (DIPA), even though it is now issued at the beginning of the budget year, is based on a budget per post (line item) so it is less flexible to make adjustments in the composition of inputs needed to carry out an activity. Third, the slow disbursement of the budget is closely related to further issues related to institutional capacity. In particular, the capacity to complete the procurement process on time with procedures following increasingly stringent procurement provisions (Soetrisno, 2011).

Republic of Indonesia Law Number 17 of 2003 concerning state finances significantly reforms the budgeting system that has been implemented for decades in Indonesia. In short, the factors that encourage reform in the budgeting sector are: (1) several aspects of the budgeting process in Indonesia hinder the distribution of budget funds to various programs; (2) Revenue estimates and state budget projections are not prepared within a macro framework; (3) There is no unified framework for budgeting

considering that routine and development budgets are prepared separately; (4) The existing budgeting system results in a lack of information regarding the results of a program (program results); (5) Budget implementation and monitoring are still weak; (6) The budget allocation structure is quite detailed, indirectly reflecting strong control, but in its realization it is suspected to give rise to various irregularities (KKN) and budget leaks (Suparmoko, 2003).

The most important points of budgeting reform include (1) Implementation of a budgeting approach with a medium-term perspective; (2) Blending (*unifying*) or integrating the routine budget and development budget; (3) Implementation of performance-based budgeting (Soediyono, 2005).

Before the enactment of Law No. 17/2003, state spending was differentiated into routine spending and development spending (dual-budgeting). Routine expenditure is defined as expenditure for operational needs to carry out routine government activities. Routine expenses include personnel expenses, goods purchases, interest payments, subsidies, and other expenses. Meanwhile, development expenditure is defined as expenditure that produces added value to assets, both physical and non-physical, which is carried out within a certain period (Krippendorff, 2011).

Development expenditure is expenditure related to projects which includes capital expenditure and supporting expenditure. Capital expenditure includes land acquisition, procurement of machinery and equipment, construction of buildings and networks (infrastructure), and other physical and non-physical capital expenditures. Meanwhile, supporting expenditure allocated to support project implementation consists of salaries/wages, materials, official travel, and other supporting expenditure (Soediyono, 2005).

The separation of the routine budget and the development budget was originally intended to emphasize the importance of development, but in its implementation, it has shown many weaknesses. First, duplication between routine spending and development spending is due to a lack of clear separation between organizational operational activities and projects, especially non-physical projects. Thus, performance is difficult to measure because existing fund allocations do not reflect actual conditions. Second, the use of "dual budgeting" encourages dualism in preparing the list of estimated output budget items (MAK) because for one type of spending, there is an MAK created for routine spending and another MAK set for development spending. Third, analysis of program expenditures and costs is difficult because the routine budget is not limited to operational expenditure and the development budget is not limited to investment expenditure. Fourth, projects that receive a development budget are treated the same as work units, namely as accounting entities, even though the project is only temporary. If the project is completed or stopped there is no continuity in accountability for the assets and liabilities of the project. Apart from causing inefficiencies in financing government activities, this also causes unclear links between the output/outcomes achieved and organizational budgeting.

Furthermore, as mandated by Law No. 17 of 2003, the budgeting system refers to practices that apply internationally. According to the GFS (Government Financial Statistics) Manual 2001, the state budgeting system implicitly uses a unified budget system, where there is no separation between routine and development expenditure so that the classification according to the economy will be different from the previous classification. In this case, state expenditure according to economic classification is grouped into (1) compensation for employees; (2) use of goods and services; (3)

compensation from fixed capital related to production costs carried out independently by government organizational units; (4) debt interest; (5) subsidies; (6) grants; (7) social benefits; and (8) other expenses in the context of transfers in the form of money or goods, and purchasing goods and services from third parties to be sent to other units.

Budget management is very important to achieve economic development goals. Economic development is very important for prosperity. Globally and especially in advanced industrial countries, economic growth has strengthened social integration and solidarity and expanded people's capabilities and access to health services, education, housing, and social protection. However, according to Edi Suharto's analysis, in many developing countries, globalization and free market economics have widened disparities, caused environmental damage, eroded local culture and language, and exacerbated poverty.

The policies of privatization, free markets, and 'structural adjustment' emphasized by international institutions have pushed developing countries into a situation where their poor populations live without protection. Even though economic growth is important, it does not automatically protect people from the various risks that threaten them. Therefore, several developing countries have begun to implement social policies involving the organization of social security schemes, although they are still limited and linked to the status and category of workers in the formal sector.

In Faridi's analysis,⁴⁸ Public finance cannot be separated from the reality of the role of the state and government in every public policy discussion. Whereas conventional theory focuses more on the idea of social goals based on individualism and personal interests, Islamic public finance has an approach based on a view of the overall life goals of every Muslim and the urgency of the state's role in Islamic society.

3. APBN System with Performance-Based Budget

In line with the mandate of Law No. 17/2003, performance-based budgeting will also be fully implemented in the public sector, so that the use of the budget can be assessed for its benefits and usefulness for society. As is understood, so far we have implemented traditional budgeting also known as line-item budgeting. This line-item budgeting has some important characteristics, including the main objective is to carry out financial control, is very oriented towards organizational input, and is determined using an incremental approach (increases gradually), and it is not uncommon in practice to use "the ability to spend or absorb the budget" as an important indicator for measuring organizational success.

In practice, the characteristics above contain many weaknesses. In a government regime that is full of corruption, characteristics related to the aim of exercising financial control are often implemented only in administrative aspects. This is possible because it is supported by other characteristics, namely being very oriented towards organizational input. Thus the budget system does not provide performance information, making it very difficult to control performance.

Another weakness is related to the characteristics of budget determination using an incremental approach, namely setting a budget plan by increasing a certain amount on the previous or ongoing budget amount. Through this approach, an in-depth analysis of the success rate of each program is not carried out. The result is that there is no logical and rational information available about the budget allocation plans for the

coming year. Who or which unit gets how much is often based on historical records alone and is not oriented toward organizational goals.

Another weakness relates to the use of the “ability to spend budget” as an indicator of success. What often happens in practice is the behavior of bureaucrats who always try to spend the budget without being related to the results and quality. Of course, this situation gets worse if it is related to the character of bureaucrats, who according to Niskanen tend to be budget maximizers.

As a result of the various weaknesses above, the big problems faced by the line-item budgeting system are effectiveness problems, efficiency problems, and accountability problems. Even if the system is transparent, the information that can be received by the public is not very important, because it only relates to organizational input.

As a response to the problems with the line-item budget system above, Law No. 17 of 2003 introduced a performance-based budgeting system. Performance-based budgeting is a budgeting system that is oriented toward organizational output and is closely related to the organization's vision, mission, and strategic plans. Performance budgets allocate resources to programs, not to organizational units alone, and use output measurements as indicators of organizational performance. He further linked costs to the organization's output as an integral part of his budget file.

The aim of determining output measurement which is linked to costs is to be able to measure the level of efficiency and effectiveness. This is also a tool to be able to implement the principle of accountability because what is accepted by the public is ultimately the output of a bureaucratic activity process.

Performance measures in a performance-oriented budget system are also useful for people's representative institutions (DPR/DPRD) when carrying out policy formation functions, budget determination functions, and supervisory implementation functions. For top management on the executive side, it is useful for carrying out management control and quality control and can be used for employee incentive systems. And ultimately the community can provide clarity about government performance and accountability (Salomo, 2005).

4. APBN Management and Good Governance

In the framework of accountability for structuring state finances, the structuring of state finances refers to the following norms and principles: first, transparency and accountability of state finances. Transparency regarding state finances is one of the requirements for realizing good, clean, and responsible government. Considering that government management is a means of evaluating performance achievements and the government's responsibility to improve the welfare of the community, state finances must be able to provide clear information about the goals, targets, results, and benefits obtained by the community from a budgeted activity or project. Apart from that, any funds obtained must be used responsibly (Hakim, 2006).

Second, state financial discipline. The preparation of state finances must be carried out based on the principles of efficiency, appropriateness, timeliness, and accountability. The choice between routine expenditure and development/capital expenditure must be classified so that there is no confusion between the two budget characteristics which can lead to waste and leakage of funds. Planned income is a

rationally measurable estimate that can be sought for each source of income, while budgeted expenditure in each post/article is the highest limit for expenditure (Hakim, 2006).

Third, state financial justice. Government financing can be carried out through a tax and levy mechanism which is borne by all levels of society, for this reason, the government is obliged to allocate its use fairly so that it can be enjoyed by all groups of society without discrimination in providing services.

Fourth, efficiency and effectiveness of state finances. Available funds must be used as well as possible to produce maximum service improvements and welfare for the benefit of the community. Therefore, to be able to control the level of efficiency and effectiveness of the budget, in planning it is necessary to determine the goals, targets, results, and benefits that will be obtained by the community from a programmed activity or project (Hakim, 2006).

Fifth, the format of state finances. State finances are prepared based on a deficit budget format. The difference between income and expenditure results in a budget surplus or deficit. If a surplus occurs, the state can form a reserve fund, whereas if a deficit occurs, it can be covered through loan financing sources and/or the issuance of state bonds following applicable statutory provisions (Bappenas, 2006).

State finances prepared using a performance approach contain the following: (1) Expected targets according to the expenditure function; (2) Expected service standards and estimated unit costs of the relevant activity components; and (3) The share of state financial revenues that finances general administration, operations and maintenance expenditures, and capital/development expenditures.

To measure the government's financial performance, expenditure analysis standards, performance benchmarks, and cost standards were developed. Expenditure analysis standards are an assessment of the reasonableness of the workload and costs of an activity, and what is meant by performance benchmarks is a measure of success achieved in each organizational unit of government apparatus, while what is meant by cost standards is the cost unit price that applies to each area (Hakim, 2006).

In the framework of accountability for structuring state finances, several criteria have been developed for sources of state revenue, namely: (1) Criteria for results must be sufficient, requiring revenue collection results to be large and sufficient for government needs. Therefore, it is not so much the type of reception, but the result and potential; (2) Criteria for fairness and equity, seen in terms of dimensions, namely: perpendicular (level or amount of income); horizontal (the source of the levy is charged); and geographical (concerning the location where the levy is imposed). This criterion is based on the principle of benefit and the principle of carrying capacity. The principle of benefit requires that the amount of the levy be equal to the benefits received, while the principle of carrying capacity is that the imposition must be based on a person's ability to pay a levy; (3) Administrative capability criteria, each type of acceptance varies in administrative tools. Some are modern (central taxes), while regional taxes and levies are usually simple; and (4) Criteria for the impact of taxes on the economy, to pay attention to the effects on resource allocation, because there are levies that can reduce production and investment capacity, while others encourage production and investment activities. In terms of efficiency, it is a levy that encourages economic activity. (Arsjad, 2012).

In Islamic public finance, emphasized al-Mawardi, income government funds in the state treasury are kept in separate posts (systemic administration) and spent based on their respective needs (Al-Mawardi, 2006). If a particular category post is insufficient to meet the expenditure planned by that category, the authorities can borrow the expenditure budget from another post (Arsjad, 2012).

The initial system of financial administration was what is now known as financial federalism. Financial operations are carried out, in general, by local financial units in their provincial branches. Revenue from each province is used to meet the financing of that province. If local funding is less than local income, the governor sends the remainder to central finance. On the other hand, if financing exceeds income, excess funds from other provinces or central finance are diverted to meet the shortfall (Al-Mawardi, 2006).

Thus, the asset distribution system which is the responsibility of state financial institutions is managed based on existing financial conditions and the authority of these institutions to distribute them following their respective objectives. For al-Mawardi (Al-Mawardi, 2006), the responsibility of financial institutions for state revenues must be distributed for the benefit of society. In al-Mawardi's view 58 Assets that are the rights of financial institutions are classified into two parts, namely assets that are only kept in the state treasury for certain purposes and assets that are government financial assets obtained from various sources of state revenue.

In public financial spending, there are priority criteria that aim to fulfill community needs which come from government revenues. Fulfilling these needs is *fardh kifayah* for the entire community and the government should fulfill them.

In the context of public welfare, as indicated by Syatibi, there are other criteria for public spending, namely sharia objectives which must be protected to improve the welfare (*mashlahah*) of society. If typologized, there are three categories of public interest, namely primary (*dharuriyat*), secondary (*hajiyyat*) and recommendation (*tahsiniyat*). Meanwhile, the objectives of sharia that must be protected by the government include the maintenance of religion (*din*), soul (*nafs*), reason (*'aql*), offspring (*nasl*), and property (*mal*). (Al-Syathibi, 1975). Syathibi's economic philosophy suggests that public finances are managed in the form of government spending to protect these goals.

In Islamic public finance, zakat is one of the financial instruments used for public spending as part of government revenue sources issued to meet community needs (8 *mustahiq* groups). Al-Mawardi illustrated the relationship between government income and expenditure, that every decrease in public wealth is an increase in state wealth and every decrease in state wealth is an increase in public wealth. This shows that public spending is an effective tool for diverting economic resources. The statement also suggests that public spending will increase society's overall income. So, government spending becomes an instrument in efforts to improve community welfare (Al-Mawardi, 2006).

KESIMPULAN

Management of public finances or state finances should be carried out in a transparent and accountable manner, especially in its preparation, implementation, and accountability. Public financial management has economic and religious dimensions, so it should be able to improve community welfare. Currently, although the mechanism or

management of the APBN in Indonesia is undergoing reform, including the existence of laws and regulations regarding state finances, changes in budget management from a balanced and dynamic budget system to a performance-based budget system, changes in the type of budget from routine budgets and development budgets to routine budgets only, and other changes show that the government is making serious efforts to manage public finances

Budget management in public finance or state finance aims to create community welfare by paying attention to the public interest through the provision of facilities and supporting facilities, as well as managing state revenues following applicable regulations and not committing deviations in obtaining income and expenditure to the community.

The state's role in managing public finances aims to create justice and provide social security to the community. To realize this goal, public facilities and facilities are needed as well as strict supervision by competent and credible state officials in ensuring the distribution of community income appropriately and fairly.

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