

Analysis of Public Expenditure Strategy on Social Fund Sector for Poverty Reduction of Indonesia Islamic Economic Perspective

Fatimatuzzahro, and Sri Herianingrum

Master of Science in Islamic Economics, Universitas Airlangga, Surabaya, Indonesia

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Abstract: This paper aims to find a strategy of public expenditure on the social funds sector in poverty alleviation of Islamic economic perspective in Indonesia. This paper uses a comprehensive descriptive analytical methodology using data from documents sourced from the Ministry of Finance of Indonesia and the way Islam in developing the economy under the theory of public expenditure of social funds sector, the cause of poverty of Islamic economic perspective, the direction of policy and government strategy and Islamic strategy in poverty alleviation. From the analysis, it is found that the Government's strategy is to direct the fiscal policy that supports the livelihood of underprivileged people, especially public expenditure which is targeted social assistance, while the strategy in Islamic perspective is the empowerment of Islamic economy, the deepening of shariah financial market and the strengthening of research and education as well as the optimization of the function of *zakat*. The optimization of sharia economic strategy is expected to decrease the percentage of expenditure on the social funds sector, so that public expenditures can be optimized in other sectors of education and health, as well as reducing the debt and can increase economic growth in Indonesia.

1 INTRODUCTION

A developing country has a problem that is still a homework for its government, namely the level of poverty. One of them is Indonesia. Indonesia is one of the developing countries that has a number of poor people to reduce poverty.

According to the National Team for the Acceleration and Eradication of Poverty (TNP2K), in March 2017, the level of poverty in Indonesia was 10.64 percent of the total population of Indonesia, or around 27.77 million people. In national calculations, Indonesia's poverty rate in 2014-2017 continued to experience decrease.

However, when calculated on all populations that fall into the category of almost poor and slightly above the poverty line, the national poverty rate actually increases. According to the Central Statistics Agency (BPS), the population is almost poor and a little above the poverty line is not included in the category of poor people.

Based on the World Bank's analysis, Indonesia's economic growth (GDP) since the last decade has been able to reduce poverty from 2015 by 11.22 percent to 10.70 percent by 2016. But last year,

poverty reduction was so slow that only 0.16 percent. Considering these matters; the 2005-2025 Long Term Development Draft (RPJP) study, the President's Vision and Mission, the high level of inequality and poverty reduction trends so far, and the problems and challenges that will be faced in the next five years, the main target of those matters is to reduce poverty rates to 7.0 - 8.0 percent in 2019. The government also needs to know clearly the main causes of population poverty and the possibility to reduce the budget in APBD every year so as not to cause high debt.

This phenomenon becomes interesting to be observed and also provides important evidence that poverty in Indonesia, is basically a problem that must be constantly considered because the main purpose of a country is the prosperity of its people. Therefore, the perspective of the economic aggregate in viewing poverty should be complemented by other indicators, namely the Shariah economic perspective, including the real effort to increase the private capacity of the society itself so as to become more independent and productive. In addition, the Government also needs to know clearly the main cause of the poverty of the

population and the possibility to reduce the budget in APBD each year and reduce the causes of high debt.

2 LITERATUR REVIEW

2.1 Poverty Terminology in Islam Perspective

An expert on Islamic economics, Yusuf Qardhawi (24: 1995) devotes considerable attention because Islam pays attention to the poor. This problem of poverty is considered to have some potential to be a factor causing the disruption of social order. The emergence of conflicts in various regions of the world including in Indonesia today as one of the causes of poverty is the uneven distribution of wealth. Islamic economists provide a standard of poverty line within the framework of Islamic economics. Determination of this standard becomes very important because in Islam there is an obligation associated with the treasure, the obligation to issue charity of the treasure. With this clear indicator can be known to whom empowered and obliged society to issue *zakat*, and it is aimed at economically powerless people then this society is entitled to receive *zakat* according to Allah in al-Qur'an surah At-Taubah:34.

2.2 Public Expenditure Industrial Sector Issues

An important public financial study in Islam can be found in the work of Zafar Iqbal, the Islamic Perspective on Public Finance. This work reveals a comprehensive public finance addressing the theory of economic justice in economics, tax theory, budget theory, public sector commercial finance organizations and corruption. This paper compares these theories with Islamic and Western perspectives, and provides a comprehensive analysis of poverty alleviation.

According to the 2016 Jaelani in the preparation of the State Budget (APBN) in 2017, in addition to considering the Basic Macroeconomic Assumptions also based on 2017 fiscal policy, it will be directed to support sustainable economic growth, job creation, poverty alleviation and inequality reduction which in turn leads to the realization of welfare for the whole community. This paper focuses on providing support in achieving economic growth,

while in this study is to find poverty alleviation strategies in the perspective of Islamic economics.

M. Nejatullah Siddiqi through his work, Teaching Public Finance in an Islamic Perspective, explained comprehensively about Islamic public finance and its application in the context of modern economics in Muslim countries. This paper focuses on finding strategies for poverty alleviation based on public spending on the social fund sector in Indonesia from an Islamic economic perspective. According to the type of expenditure classification, the realization of the central government expenditure budget is broken down into 10 types which describe the government's task in carrying out the services and functions of the government in order to achieve national development goals. The realization of government spending and the social funds sector always increase such as in the year 2016 percentage of social funds as much as 8%. Another indicator is needed that helps reduce the government budget by still targeting the decline of poverty level.

2.3 The Cause of Poverty in The Islamic Economic Perspective

According to Irfan Ul-Haq (1996) in the study of M. Shabri Abd Majid (2017), at least there are four main causes of poverty in the Islamic perspective:

1. The poverty experienced by Muslim society is caused by their disobedience to Islamic Law. This happens because there are a group of people who eat the wealth of orphans (Q.S. al-Maun: 1-7).
2. Poverty occurs because the act of human hands itself in accordance with the Word of Allah SWT. (Q.S. as-Shura: 30) which explains about the calamity that befell the man because of his own actions
3. Poverty is caused by rich people who are not responsible for people who do not have property (Q.S. al-Ma'arij: 18).
4. Poverty is caused by the practice of discrimination in the allocation of natural resources exploration by a group of irresponsible persons (Q.S. al-Fajr: 18).

3 METODOLOGY

The method of analysis used in this research is a type of literature study research by looking for theoretical references that are relevant to the case or problem found and interview with expert Islamic economic and general chairman in National Agency

for Amil Zakat Institution (BAZNAZ). The theoretical references obtained by way of literature study research are then analyzed comprehensively using data from documents sourced from the Indonesian Ministry of Finance and Bank Indonesia from 2016-2017 and ways of Islam in developing the economy in terms of the social fund sector public expenditure theory, causes of poverty in Islamic economic perspective, direction of government policies and strategies and Islamic strategies in poverty alleviation.

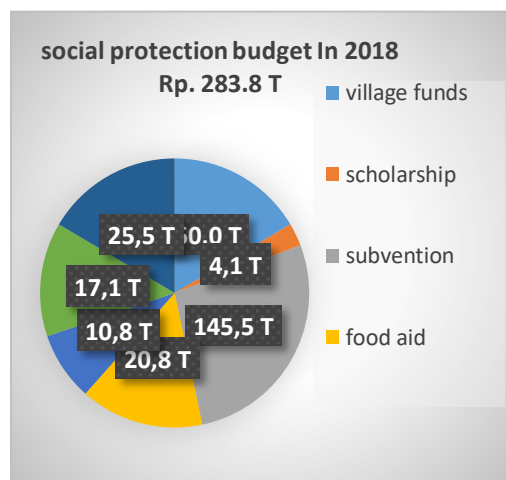
4 RESULTS AND DISCUSSION

4.1 Policy Directions and Government Strategies in Poverty Level Derivation

According to the National Medium-Term Development Plan (RPJMN 2015-2019) In the next five years, the policy direction to be taken is to improve the competitiveness of Micro Small Medium Enterprises (SMEs) and cooperatives so as to grow into a sustainable, upgraded or enhanced company) to support national economic independence. For that strategy will be implemented are as follows: 1. Improving the quality of human resources; 2. Increased access to financing and expansion of financing schemes; 3. Increase value-added products and marketing reach. Taking into account the characteristics and needs of the less fortunate, efforts to reduce inequalities are made with inclusive development and more affirmative policies in the RPJMN 2015-2019, namely: a) Developing a comprehensive social protection system, b) Improving basic services for inadequate communities capable, c) Developing sustainable livelihoods for the poor through employment and entrepreneurship development. This activity needs to be supported by a reliable planning database in an integrated information system that serves as a forum for data and information exchange for all actors, both at the central and regional levels, and strengthens the capacity of government apparatus at the central and regional levels in planning and budgeting more precisely target.

This figure show that the social protection budget used by the Indonesian government. There is a social protection budget in 2018, its shown in figure 1

Figure 1: Social Protection Budget in 2018.



Source: APBN 2018 Information.

From the diagram it can be seen that public expenditure in the social funds sector has spent IDR 283.8 T. Public spending can be reduced if the rich can help the less wealthy. Therefore, the National Agency for Amil Zakat Institution (BAZNAZ) establishes the national zakat index to measure the value of the management of national zakat. Zakat institutions (BAZNAS) form a chart component as a follow:

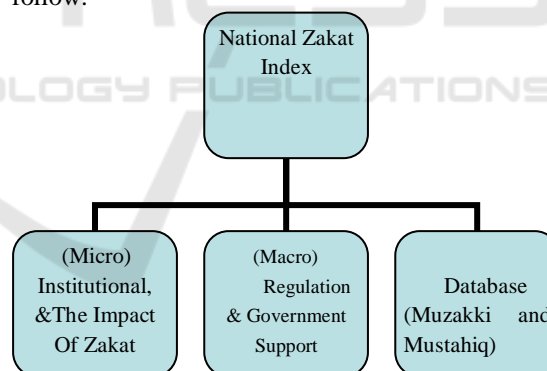


Figure 2: National Zakat Index.

Source: Badan Amil Zakat Nasional (Baznaz), 2017.

Every Muslim must pay zakat as described in the Qur'an and the hadith emphasizes the point of view of Muzakki and there is a threat to those who refuse to pay zakat. Whereas Allah Almighty has said in Al-Baqarah: 261 that those who have given alms of wealth in the way of Allah will be multiplied 700 times. Currently, according to National Agency for Amil Zakat Institution (Baznaz) there has been an increase in zakat income from 2013 to 2017 which continues to increase as shown below:

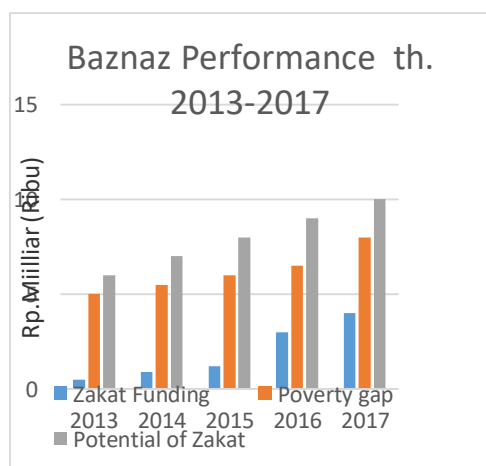


Figure 3: Baznaz Performance.

Source: Processed from Data BPS and Zakat Funding (BAZNAZ)

From the graph above can be concluded that the potential of zakat continues to increase, but optimization needs to be improved so that the performance of BAZNAZ can close the social gap. According to Muhammad Rifki (2008) in his book Sharia Financial Accounting explained that *zakat* has a role for the distribution of welfare. The function of zakat encourages productive flowing property and zakat functions in the distribution of income, i.e. land, property, house, gold and money that has fulfilled the *nisab* of *zakat* hence obliged to be issued to encourage flowing treasures. By zakat, the redistribution of the economic resources of the wealthy to the less prosperous will be achieved, so that the government can allocate the public expenditure budget to the education and health sectors for the welfare of society.

4.2 Islamic Economic Strategy in Poverty Reduction

Islamic economics has given new hope to the Indonesian economy, according to chairman of the board of commissioners of Financial Services Authority, Wimboh Santoso said that sharia banking assets grew by 20.65% at the end of February 2018. This indicates that public awareness and trust regarding sharia economy. Here is a chart on the principles of sharia economy.

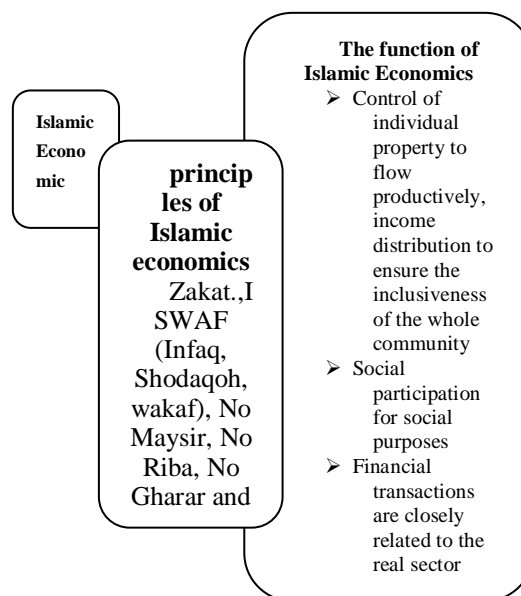


Table 4: Islamic Economic.

Source: Indonesian Council of Ulama and Bank Indonesia, 2017

According to Ahmed (2004) in Azis (2016) the instruments in poverty alleviation is *zakat*. According to him, several countries of the season such as Libya, Malaysia, Pakistan, Saudi Arabia and Yemen collect and spread *zakat* through government initiatives. These countries have shown that good *zakat* and administration structures can raise awareness of the importance of *zakat* among Muslims. Then the next development is to integrate *waqaf* and *zakat* with Islamic microfinance which then proves that good coordination between zakat and *waqaf* institutions, government agencies, non-government organizations, social organizations and civic organizations is essential to create community welfare and alleviate poverty.

The Islamic economic system with *muamalat* transactions has shown its development flourish over the last two decades not only relevant to the empowerment of Muslims but also relevant to be developed in the national economic recovery effort in general. It is said that because a number of principles which are the conclusions of the Qur'an and Hadith it seems appropriate to be the antidote for the acute problems in the national economic system that has been running. The concept that all property belongs to God is essential, and man possesses it only in a false sense, and the belief in accountability of its origin and future use is a matter that significantly distinguishes between Islamic economics and capitalist and socialist.

From the results of the interview with Abd. Salam Nawawi as an expert of Islamic economic and general chairman of East Java in Baznas explains that the management of *zakat* funds in alleviating poverty is by providing *zakat* funds for distribution and utilization. That the distribution of *zakat* is defined as the distribution of *zakat* to *mustahik* in a consumptive way, namely assistance that is directly consumed in daily life, for example food, clothing, and so on. While the utilization of *zakat* is defined as the distribution of *zakat* to *mustahik* oriented to productive aspects, namely the distribution in the form of productive goods, such as sewing machines, business capital assistance, and so forth. He also said that with the assistance given to *mustahik*, it could not fully reduce the poverty rate in one of the cities in Indonesia, namely East Java, but it was very beneficial and could reduce the burden on the lives of the *mustahik*. This fact is caused by *zakat* distribution programs which are more directed to consumptive matters. In addition, the value of assistance provided is also relatively small because the funds collected are still limited, while the number of people who need help is very large. Why is this said, because it depends on the *mustahik* how to manage or utilize the assistance. Then by the *Zakat Amil* Agency (BAZ) the *zakat* fund is realized in the form of giving skills and capital to be given to the *mustahik* after the eight basic needs are fulfilled.

So from the results of interviews it can be suggested that *zakat* management by the government is logical, due to several considerations, namely: 1. To guarantee certainty and discipline in paying *zakat*. 2. Maintain the inferiority complex of the *zakat mustahik* when dealing directly with the obligatory *zakat* (*muzakki*). 3. To achieve efficiency, effectiveness and the right target in collecting *zakat* assets according to priorities in a place.

4.3 The Special Strategy of Islamic Economic Development

The development of a sustainable economy and Islamic finance of Indonesia that is sustainable in accordance with the values of sharia. According to Bank Indonesia 2016, a special strategy is needed in the development of sharia economy with the achievement of the target to increase sharia business assets. These strategies include:

1. Empowerment of Sharia Economics in local policy, by preparing human resources that are human, polite and humble, so required supporting infrastructure, institutional and also *halal* supply.

2. The deepening of sharia financial market which is a national policy with the target of high level of financial market achievement, supported by instrument, infrastructure, regulation and investor base which expert in their respective fields.
3. After the national policy is established, it is also necessary to strengthen the assessment and education research that has covered international coordination and cooperation.

With the growth of Sharia asset that has grown 20.65% by the end of February 2018 has contributed to the empowerment of sharia economy. If this continues to increase then the optimization of the strategy successfully executed, so as to reduce the percentage of spending on the social funds sector. Therefore, public expenditures can be optimized in other sectors of education and health as well as reduce debt and can increase economic growth and welfare of the people of Indonesia.

5 CONCLUSION

The government's strategy in directing fiscal policy that supports the livelihoods of disadvantaged people, especially public spending is the target of social assistance. Improve protection, productivity and fulfillment of basic rights for the underprivileged and the strategy in the perspective of Islam are the function of *zakat* to encourage property that flows productively and the function of *zakat* in the distribution of income in Islamic economics. These two things should get great attention. Production does not accumulate a group of people. The strategy to increase *zakat* income by conducting *zakat* management is carried out by the government because it is proven to help reduce poverty. For specific strategy is that the Government must improve the empowerment of Islamic economics by deepening the Islamic Financial Market. The Government must strengthen education assessment and research. Well-managed optimization makes public spending optimized for other education and health sectors as well as reducing debt and increasing Indonesia's economic growth.

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