



A. T. Business Management Review

Academy of Taiwan Business Management Review

Volume 11* Number 2* AUGUST 2015

ISSN 1813-0534

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The journal is listed in Cabell's, Ulrich's, and the Journal

Rank List of Australia Research Council with ERA

ID 40538. It is ranked "B" by ABDC

(Australian Business Deans Council)

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Maqasid Al Shariah Analysis of Budget Deficit Policy In Indonesian Economy

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ABSTRACT

Budgeting for a state or a country seems to be the most important part to handle administration and government policy in term of socio economic reason. In practice, a lot of government tends to subscribe a balance budget whereby it is striving to balance between revenues and expenditures accurately. Unfortunately, this balancing post uses a debt and foreign aid charged by interest to cover any shortage in revenues. In the real context, the budget deficit management based on debt is still controversial and considered inappropriate with developing country conditions which their economies are unstable and fluctuated. Unfortunately, many countries in the world including Muslim-populated countries subscribe budget deficit system whereby the sources of its fund are backed up by debt. The focus of this paper is to analyze two main sensitive issues of the Indonesian economy in the light of *Maqasid Al Shariah*. This study employs a method of literature review and combined with data analysis. Actually, Islam has a very rich literature legacy in administrating public sector economy and it becomes important theory and framework as a stance or point of view to analyze the prevailing system. The high interest rate payment is the main issue of public sector expenditure. Indonesian government seems no choices to resolve its public sector economy and relies too much on debt management. For social welfare expenditure there has been a misallocation in emphasizing budget expenditure whereby oil and petroleum subsidy consume almost majority of the total welfare expenditure in Indonesian public sector economy.

Keywords : Government Budgeting, Budget Deficit, *Maqasid Al Shariah*

INTRODUCTION

Budgeting for a state or a country seems to be the most important part to handle administration and government policy in term of socio economic reason. It is a requirement as well as necessary condition for a country or government to manage all sectors not only its economy but also social-political condition. Normally, an elected government or politician in office will allocate amount of budget on particular posts and it must be maintained as a regular program that gives more benefit for the people. Public budgeting is closed to public good and public interest therefore every vision and planning of government attempts to ideally bring it into the reality. Samuleson (1954; 1969) explain the distinction between private and public goods determine the underlying rationale for public expenditure: Public goods are non-rival (consumption by one person does not reduce the supply available for others) and non-excludable (users cannot be prevented from consuming the good).

In practice, a lot of government tends to subscribe a balance budget, whereby it is striving to balance between revenues and expenditures accurately. Unfortunately, this balancing post uses a debt and foreign aid to cover any shortage in revenues. Budget deficit is a gap between public revenues and expenditures (Khaf, 1999). In most cases, modern economics comes up with debt and foreign aid management for a country. This system refers to developed countries especially US economy system by implementing a debt management. The instruments used by government are usually classified into two namely public borrowing and foreign debt. In the public borrowing government issues a certificate of debt or bond and then people will purchase it, people get interest payment periodically or coupon as an incentive. Similarly, foreign debt is based on interest; government will borrow the fund from any country donor or international institution like IMF, Paris Club and World Bank. Therefore, all kind of debt causes indebtedness for country and although they can cover deficit budget but it seems to be running behind interest obligation.

In the real context, the budget deficit management based on debt is still controversial and considered inappropriate with developing country conditions which their economies are unstable and fluctuated. Therefore budget deficit financed from debt is a trap for long term economy and able to create a burden for the next generation. Many studies (for example see Khan 2015) show that debt based financing is much riskier than the other instruments for several parties involved, because the other parties are not willing to participate in sharing risk when there is a default. Even though, government as legitimate authority can guarantee any default or misuse of debt, but debt in the long term will camouflage and becoming a burden.

Until recently, many countries in the world including Muslim-populated countries subscribe budget deficit system whereby the sources of its fund are backed up by debt. Therefore, this is very interesting topics to be discussed in the area of *Shariah* oriented public policies to find out the reason

behind this policy and examine this policy. Indonesia is chosen because it represents the largest Muslim countries in the world, albeit ruled by secular constitution. At least, from the public sector economy management the study will look at the behavior of its budgeting and critically evaluate the policy.

The focus of this paper is to analyze two main sensitive issues of the Indonesian economy in the light of *Maqasid Al Shariah*. These two things are relating to (1) the allocation of revenue-expenditure analysis whether it is pro-all people (*Maslahah*) or just some parties (*Mafsadah*), (2) the management of budget deficit always depends on debt both domestic public borrowings and foreign aids which involve usury/interest. In detail, this paper consists of 4 chapters separated discussing each part. First chapter is introductory part explain about the background of study, the significance of problem and the reason behind study. Then, second chapter will discuss the relevance of *Maqasid Al Shariah* and public sector economy especially the need of budget deficit. Chapter 3 discusses debt from Islamic perspective. Chapter 4 attempts to deliberate a critical evaluation on budgeting and government budget deficit policy in case of Indonesian economy. The last but not least, chapter 5 will summarize the discussion from chapter 1 until chapter 4.

MAQASID AL SHARIAH AND PUBLIC SECTOR ECONOMY

The goal of *maqasid al shariah* is to realize the prosperity for all people in the world and hereafter. This welfare will happen when humans can maintain and achieve the objectives required by *maqasid al shariah* comprising five aspects: religion (faith), life (*nafs*), intellect (*aql*), lineage/progeny (*nasl*) and wealth/property (*mal*). Moreover, the guidance used to determine government policy should be based on *Maqasid Al Shariah*, consisting of 5 level of needs: primary (*dharuriyyah*), secondary (*hajiyyah*) and tertiary (*tahsiniyyah*).

The role of *maqasid al sharia* to achieve welfare through the government policy and its aspects is very important. In the scope of government (*ulil amri*), *maqashid al shariah* has a role to ensure that public policies taken by the government remain in compliance with the goals required under the *maqashid al shariah*, because the obligation to apply *maqasid al shariah* is not only an individual duty, but also become government responsibility. Instead, the government as a leader in a country has an obligation to ensure that *maqashid al shariah* can be achieved and applied in all aspects of life.

The government is obliged to make decisions relating to public policy, *maqasid al shariah* should be placed as a importance reference of government policy-making. Program, decision and objective taken should aim to prosper the people. People welfare standard is fulfilled when *maqasid al shariah* can be maintained and realized.

In achieving prosperity, one of the goals is *hifdzul al-maal*, that is how every individual can protect their property properly. The meaning of "protect" is not only how individuals can protect their property properly, but also individual can also produce and spend property through a good and *halal* (permissible) way. From the government side, the government is responsible to create a stable, safe and conducive economic condition. The goal of *hifdzul maal* can only be created in the economic condition which is safe and conducive.

For instance, in a chaotic economic situation, the crisis and recession, often there were riots and crimes such as robbery and thievery. In such situation, the goal of *hifdzul al-maal* cannot be achieved, and this failure is not only due to crimes committed in society, but also the fault of governments which fail to maintain safe and stable economy conditions. Therefore, in enhancing *maqashid al shariah* aspects for social life can not merely rely on one party interest, but must be supported by all elements, especially represented through government policy and attitude of the public.

The achievement of *maqashid al shariah* is related between one and the other, meaning that if one aspect of *maqashid shariah* has been fulfilled, then the next goals will be achieved by accordingly. The achievement of one *maqasid shariah*, will not be realized if the goal of other *maqashid al shariah* cannot be realized. *Hifdzu al-maal*, is the last goal in *maqashid shariah*. To achieve this goal, previously required several stages in the *maqashid shariah* that must be realized first, that is *hifdzul ad-diin*, *hifdzul al-aql*, *hifdzul an-nafs*, and *hifdzu an-nasl*.

Currently, one of the many economic problems faced by the governments is budget deficit. Alternatives to overcome the budget deficit are by creating debt, either debt to the public or debt to other countries. The problem might take a place is that this instrument has many future problems, such as inheriting debt to the next generation if it cannot be managed properly. From the modern economic perspective, taking loan or debt in any form is the only way out to cover the budget deficit. In practice, the many governments in different countries still make the public debt as the sole instrument to balance the budget deficit. If that is viewed from the level of need, financing the budget deficit through public borrowing, including the primary government spending especially for the allocation of civil service salaries. Such allocation should be classified in the category of primary needs (*hajiyyah*) from *maqasid al shariah* perspective.

Since the debt or public borrowing remains a main policy for the budget deficit solution, a

debate about the pro and contra of this policy arises. The proponent of budget deficit argues that debt as the main instrument to fill the deficit is accepted as long as such debt is managed properly. There will be no objection in continuing it as a main instrument, gradually the amount of debt is getting bigger. On the other hand, the opponent of budget deficit policy argues that the debt instrument is very improper to implement as an alternative to the budget deficit, because the amount of debt repayment is large and the government always bears debt repayments with interest / ussury through issuing new debt. In addition, loans/debt from creditor countries (mainly developed countries) have been a tool to colonize the indebtedness countries (developing countries) by intervening the policies through some of the requirements proposed when the signing of the debt contract.

DEBT FROM ISLAMIC VIEW

The practice of public borrowings in the Islamic government has existed since the time of the Prophet Muhammad, even the Prophet *pbuh* ever owe to a Jew. At that time the Prophet borrowed only if the situation forced, especially to fulfill the needs of the *sahabah* who become poor due to migrate (*hijrah*) to Medina. In study of *fiqh*, debt (*qardh*) is a contract *tabarru* 'which has a social dimension and mutual assistance among fellow Muslims and people. Therefore, the debt will not be paid unless the only principal, because no matter how and in any additional form is imposed on debt should be called *Riba*.

Imam Al-Ghozali basically allows the government to make public borrowing, but on condition that the state was forced to do this when no more income that can be generated. Permissions to take debt for country by the prophet does not mean that national debt should be unchecked heap, but the national debt should be made only in urgent situations and must be managed properly so that the country's debt can be repaid without any addition of new debt (Basri, 2006).

If the budget deficit is already in a condition where there is no more revenue from all sectors and public borrowing is the only solution, then Imam al-Ghazali provides several requirements, namely: *First*, there must be real needs to be fulfilled, if not the larger welfare will destroyed. *Second*, the empty state treasury was not caused by a leakage in the use of public funds or there has to be no corruption. *Third*, there is no abuse of public funds by the related authorities. *Fourth*, the state/government revenue has been fully allocated and the funds collected through tax and any other legitimate sources are not enough to fulfill existing government spending. In other words, public finances have been utilized and employ available state resources based on *maqasid al shariah* principle. By fulfilling all these requirements, the authorities in Islamic economy are allowed to take public borrowing.

From the Islamic economic perspective, there are several solutions that might be implemented as a solution to the budget deficit for several different cases. The first condition is when there is a natural disaster or famine and the government needs a huge fund to save the people. In this condition, the Government first is allowed to impose progressive taxes or additional taxes to the rich or borrow to the Central Bank which is a Government Bank with short-term loans without interest. Governments can also issue an interest-free loan that is intended for groups who just want to save money for the sake of the future without expecting profits of interest or donations from groups who have a high sense of nationalism are willing to sacrifice for the sake of religion and society. If the sources of financing are not insufficient to fund the government expenditure budget, then the government is allowed to propose loans to other parties. If there is no alternative but to borrow at an interest-based loan, (an emergency) it might be selected with the condition that the loans being made must be settled immediately.

The second condition is when there is a routine budget deficit. If a budget deficit occurred is allocated for routine spending, such as payment of civil service salaries, allowance and subsidies for health, education, fuel (petroleum) and others, then the government should motivate the owners of the funds to provide loans without interest, using *qardhul hasan* contract, because result of the loan is only used solely for social goal.

There is no profit/additional payment to owners of money, the government would only return the principal debt to the owner without any capital gains. Imam Al-Ghozali argues for routine budget deficit, government can utilize the role of *zakat*, *infaq* and *sadaqoh*. It can also be applied in the present to fund the subsidies for the poor, both in health, education and others. The government can maximize the role of *zakat*, *infaq* and *sadaqoh* through agencies namely *amil zakat* which is professionally managed. These charity institutions can collect funds which are still not yet optimized existing.

The last condition is when a deficit occurs for development sector. If the government budget deficit is targeted to development purpose such as infrastructure, highway, public road, airport and seaport, financed from routine budget. Productive public borrowing should be made by the government with an agreement with creditors. This type of cooperation can be performed using instruments *Shariah* bonds (*sukuk*), employing contract like *salam*, *ijarah*, *istisna*. In addition, the government also can develop on the basis of *sukuk* which pooled securitization using security

portfolio asset basis with *ijarah*, *murabahah* and *istisna'* contract. Alternatively, besides sukuk, several instruments can also be selected using a mechanism of project financing, namely build-operate transfer (BOT), which is considered highly relevant to finance projects of public procurement. This mechanism has been successfully implemented in several countries including: the Suez Canal, Egypt, development projects in Turkey, HUBCO Power Project-Pakistan, and North-South Highway, Malaysia. In this way, the government will not be burdened by debt that is not productive (Khan & Iqbal, 2004).

THE CRITICAL EVALUATION ON BUDGETING AND GOVERNMENT BUDGET DEFICIT POLICY IN CASE OF INDONESIAN ECONOMY

To begin the discussion it is essential to state the stance of views in order to examine the budgeting and deficit policy in case of Indonesian economy. Though Indonesia is not Islamic constitutional state or governed by Islamic rule, the majority of citizens living in Indonesia are Muslim and therefore it is assumed that they should be Islamic-minded or at least its policy makers recognize Islamic values as the way of life. Therefore, ideally in the scopes of economic policy it is assumed that its goals should target Muslim community itself rather than the other purposes. The goals of an economic system are essentially determined by its world-view, which discusses questions about how the universe came into existence, the meaning and purpose of human life, the ultimate ownership and objective of the limited resources at the disposal of human beings, and the relationship of human beings to each other (involving their rights and responsibilities) and to their environment (see Chapra, 1993: page 4).

As a consequence, Indonesian government has responsibility to set up an economic development which is in line with *Maqasid Al Shariah* as the ultimate goal and of course to attain this goal must refer to right means which is permissible in Islam. According to Chapra (1993: page 6) looking at the current condition for instance mere maximization of total output cannot be the goal of a Muslim society, however maximization of output must be accompanied by ensuring efforts directed to spiritual health at the inner core of human consciousness, and justice and fair play at all levels of human interaction. Further interpretation, only development of this kind would be in conformity with the *maqasid al-Shari'ah* or goals of the *Shari'ah* (referred to hereafter as the *maqasid* or the goals).

Unfortunately, Indonesian government neglects the values of Islamic ways and tends to embrace the secular positive views which adopt the western system in many sectors especially economic development policies. Economists or policy makers prefer to postulate and borrow the western paradigm analysis instead of using Islamic views to overcome economic problem like budgeting policy here. Indeed, all economic reason in the policy making process always refer to secular world view whereby they conceive the best system and neutral value. Therefore, policy makers come up with high risk policy to manage the resource allocation and solve the economic problem. Their analysis to look at a policy is based on very limited parameters and it leads to biased result. Particularly, the policies in the areas of public sector economy are very risky if there is something wrong in the planning and its implementation it will create more problem in the future and the next generation will also bear it.

Ideally, as the Muslim country, Indonesian government should work for all Muslim interest and not certain parties. Though Indonesia is not an Islamic state but the government policy should represent the Muslim needs and aspirations. In terms of economic policy, Indonesian government policy must be in line with Muslim interest. To achieve this goal, it does not mean creating new Islamic constitution or revolving Islamic state, but implementing and executing the Muslim interest into policy. In the economy, its government has very significant role to build its economic function through public sector economy.

According to Chapra (1979) in Iqbal and Khan 2004, the economic function of Islamic state is to (1) eradicate poverty and create full employment condition and high economic growth (2) promote stability in the real value of money (3) maintain law and order (4) ensure social and economic justice (5) arrange social security and foster just distribution of income (6) harmonize international relation and ensure national defense. Such function is the subject of government expenditure and to ensure and implement this vision government has a right to use budget from government revenue.

On the other hand, Siddiqi (1996) in Iqbal and Khan 2004 explains in detail about the right public expenditure in contemporary Islamic state and separates into three main parts. Firstly it is permanent part of expenditure whereby government in office must allocate regularly, including (a) defense, (b) law and order, (c) justice, (d) need fulfillment, (e) *da'wah*, (f) enjoining right conduct and forbidden wrong, (g) fulfillment of such social obligation. Secondly, expenditure necessary in the light of shariah (in present circumstances) is secondary part budget in an Islamic state whereby government must handle and ensure into reality it but not as urgent as first part, including (a) protection of the environment, (b) supply of the other necessary public goods excluding first part list, (c) scientific research, (d) capital formation and economic development, (e) subsidies for priority private activities,

(f) expenditure necessitated by stabilization policy. Thirdly, it is tentatively expenditure on activities assigned by people which is to facilitate society and group conducting beneficial activities for them.

The Analysis of Expenditure Allocation

To analyze the expenditure allocation or public sector economy it is necessary to look at the state administration in Indonesia. The system of public administration is divided into two main categories which are central government and local-regional government. Indonesia is a united-country which enforces wide-autonomous governance for provinces and municipalities within limited-authority. Almost all decisive legislation and executive policy is still determined by central government including national public budgeting. The main expenditure classification is categorized into two, central government expenditure and local-regional budget expenditure. For the local government, they are allowed to manage their budget according to necessity and priority condition in line with law and regulation. In practice, local council as well as major or province governor together with province representative parliament will held an official forum or plenary session to determine the budget.

Table 4.1 The Comparison of Government Revenue, Expense, Budget Deficit/Surplus, Debt and Interest Payment between Indonesia and The Other Countries (*In Percent*)

Country	Revenue (% of GDP)		Expense (% of GDP)		Cash surplus or deficit (% of GDP)		Debt and interest payments	
	2000	2012	2000	2012	2000	2012	Total debt (% of GDP)	Interest (% of revenue)
							2012	2012
Indonesia	18.3	15.4	16.2	15.7	-3.7	-1.7	28.4	10.9
Malaysia	17.5	22.1	16.5	21.6	-4.1	-4.5	53.3	9.4
Iran, Islamic Rep.	23.4	29.1	16.9	22.5	1.8	0.5	..	0.6
World	26.2	23.6	26.7	28.5	-0.4	-4.9	..	5.6

Source: World Bank, 2014

Most *realized*-actual government expenditure is spent by central government and few of it is utilized for local-regional government where it can be seen from the trend shown by table 4.2 bellow. Therefore, it indicates that central government has strong authority in the public sector economy. Based on the data available from 2008 until 2013, the posts of expenditure of central government subdivided into two main classifications, namely (1) current expenditure and (2) development expenditure. The total portion of first classification / current expenditure is much greater than development expenditure, meaning that the government budget is mainly expended for public administration (including military and civil officer salary, goods and services for government body), subsidies and interest rate payment, (referring to table 4.2). Generally speaking, Indonesian government emphasizes on three aspects of public sector economy which are (1) ensuring sustainable governance by funding public administration, (2) social welfare by prioritizing subsidies for poor people and eligible parties and, (3) recovering and sustaining debt by paying interest rate.

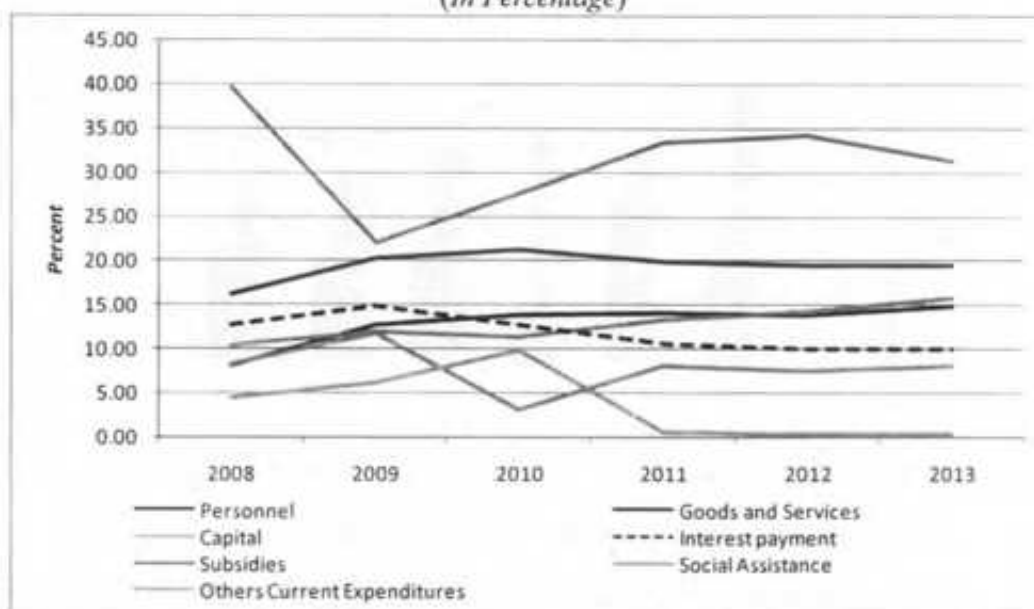
Table 4.2 Realized-Actual Government Expenditure (*Billion Rupiah*)

Actual - Realized Government Expenditure	(In Billion Rupiah)					
	2008	2009	2010	2011	2012	2013
Total Government Expenditure	985731	937382	1042117	1294999	1491410	1650564
A. Central Government Expenditures	693356	626812	697400	883722	1010558	1137163
<i>A.1. Current Expenditures</i>						
Personnel	112830	127670	148078	175738	197864	221689
Goods and Services	55964	80668	97597	124640	140885	169723
Capital	72773	75871	80287	117855	145104	180864
Interest payment	88430	93782	88383	93262	100516	113035
Domestic Interest	59887	63756	61481	66825	70211	98711
External Interest	28543	30026	26903	26437	30305	14324
Additional Interest						
Subsidies	275291	138082	192707	296358	346420	355045
Oil Subsidies	139107	45039	82351	165161	211896	210000
Non Oil Subsidies	136185	93043	110356	130197	134525	145045
Social Assistance	57740	73813	21673	71104	75621	92136
Others Current Expenditures/Others Expenditures	30328	38926	68681	5765	4148	4670
<i>A.2. Development Expenditures</i>						
Rupiah Financing						
Project aid						
B. Regional Budget Expenditures	292434	308585	344728	411325	480645	513260
<i>B.1. Balance Budget</i>	278715	287252	316711	347246	411293	430355
Revenue Sharing Funds	78420	76130	92184	96909	111537	88463
General Allocation Funds	179507	186414	203572	225534	273814	311139
Special Allocation Funds	20787	24707	20956	24804	25941	30752
<i>B.2. Special Autonomy</i>	13719	21334	28016	64079	69352	82906
Suspend	-58721	0	-17	-48	207	140

Source: Bank Indonesia Database, 2014: www.bi.go.id

It is very important to compare 4 main posts in the Indonesian central government expenditure to analyze the trends of policy in public sector economy. By comparing it then the patterns of public policy might be evaluated in which sectors the government expenditure has been allocated in much portion. According to the latest date released by Bank Indonesia from 2008 until 2013, there has been a changing policy shifting interest payment post toward subsidy for oil, non oil and social assistance. Between 2008 and 2013, almost 15 % of total central government budget is to pay interest rate payment that is already due and Indonesian government must minimize and reduce subsidy for people. Then, starting at the beginning of 2009 interest rate payment has gradually declined from about 15 percent and stayed around 10 percent. On the other hand personnel expenditure of government salary has remained stable since 2009 until 2013 around 20 up to 30 percent and for good and services expenditure it has stayed around 10 percent until 14 percent (refers to Graph 4.3).

Graph 4.3 The Trends of main Posts in Indonesian Central Government Expenditure
(In Percentage)



Main Posts Of Current Government Expenditure	2008	2009	2010	2011	2012	2013
	(in percent)					
Personnel	16.27	20.30	21.23	19.89	19.58	19.49
Goods and Services	8.07	12.83	13.99	14.10	13.94	14.93
Capital	10.50	12.07	11.51	13.34	14.36	15.90
Interest payment	12.75	14.91	12.67	10.55	9.95	9.94
Subsidies	39.70	21.96	27.63	33.42	34.28	31.22
Social Assistance	8.33	11.74	3.11	8.05	7.48	8.10
Others Current Expenditures	4.37	6.19	9.85	0.65	0.41	0.41

Source: Bank Indonesia Database, 2013: www.bi.go.id

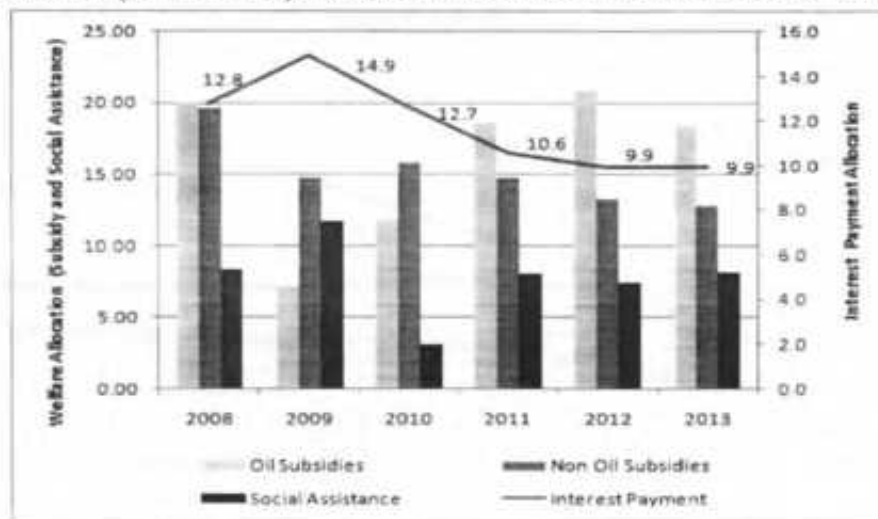
Relating to the concept of the role of state in Islam and *Maqasid Al Shariah*, the effort of Indonesian government is to administer country by sustaining public administration and allocate a huge amount of budget (personnel expenditure and goods and services for public administration). This endeavor to enforce the concepts like what Chapra (1979) and Siddiqi (1996) has stipulated, by employing personnel to handle the country duties like defend the countries for army force, ensure the justice, law and order for police department together with justice department and administer public administration for civil officers. On the other side, Indonesian government also ensure social welfare by allocating subsidy for all people, although this policy is quite controversial because there are three components of subsidy which are oil, non-oil and social assistance and in the fact most of subsidy has gone to oil or petroleum especially when the Indonesia rupiah depreciated to US Dollar.

Particularly, for social welfare expenditure there has been a misallocation in emphasizing budget expenditure whereby oil and petroleum subsidy consume almost majority of the total welfare expenditure in Indonesian public sector economy from 2008 until 2013 (refer to Graph 4.3 and 4.4). Subsidizing oil price is wrong decision because it is consumed mostly by rich people. Petroleum is fuel for cars, motor cycle, machinery engine and industrial vehicles which belong to middle-up society; they get benefit too much on lower oil price in the market. However, according to statistical bureau around 50 % of total population in Indonesia is living under poverty line whereby they cannot afford

further basic needs like education. Oil subsidy targets political stability and industrial-protection reason instead of helping poor people. Normally when the oil price suddenly goes up there will be instability in politic and many people protest this policy and leads to chaos.

Indonesian government should allocate more expenditure since 2014 for non oil subsidy and social protection, like food and education as well as social assistance like healthcare. For business sector, if government subsidizes oil for production process in order to compete against international products, this policy will be still in line with *Maqasid Al Shariah* because there is rational argument and many people can benefit for it. However, it must have priority where the others especially deserve it to sustain the future generation. Eventually, oil subsidy is withdrawn gradually up to March 2015.

Graph 4.4 The Comparison between Interest Payment (Domestic+External) and Social Welfare Consisting of Subsidies (Oil+Non Oil) and Social Assistance Allocation to Central Government Budget



Source: Bank Indonesia Database, 2013: www.bi.go.id

The changing of public expenditure from oil subsidy oriented to be pro-social program especially education, healthcare and food cannot quickly solve Indonesian social problem especially mal-nutrition, illiterate, bad-sanitation and poverty. It is mainly the budget of government as well as regional local government is insufficient to cover all need and social programs. In the fact, Indonesia is one of the richest natural resource in the world, abundantly all can be found in Indonesia from metal, gold, oil until plantation product. Thus, critical question arises why deficit budgets to provide social program must be financed through the debt both domestic and international sources. Debt-based financing for government budget costs much in the economy because Indonesian government must bear the interest rate itself at least 15 percent of central government expenditure every year. There are two issues pertaining to inability to solve social problem, namely corruption crimes practiced by political leaders, bureaucracy and public officials and mismanagement of natural resource.

Critical Evaluation on Budget Deficit

The high interest rate payment is the main issue of public sector expenditure when the due takes a place. Indonesian government seems no choices to resolve its public sector economy and relies too much on debt management. It is actually the high costs that must be paid when take loan from any sources. Every year Indonesian budget management runs behind debt dependence and most of them come from international aid (refer to table 4.1). However, the budget deficit is utilized for the regular expenditure and not emergency or very important needs like what Islam has stipulated is that during the government of the prophet (pbuh) and Abbasites' era has borrowed money from public it is because of important needs whereby the country cannot provide immediately for example to defend the country and there was voluntary mechanism to provide public facilities by using philanthropic program (Kahf, 1999).

Table 4.5 Indonesian Budget Deficit (2008-2013) (In Billion Rupiah)

Years	2008	2009	2010	2011	2012	2013
Government Revenue and Grant	981.609	848.763	995.272	1.210.600	1.338.110	1.438.891
Government Expenditure	985.731	937.382	1.042.117	1.294.999	1.491.410	1.650.564
Budget Deficit	(4.122)	(88.619)	(46.845)	(84.399)	(153.300)	(211.673)

Source: Bank Indonesia Database, 2014: www.bi.go.id

From Islamic perspective, the government decision to take debt based on usury/interest is very dilemmatic because indeed the purpose of debt itself is in line with *Maqasid Al Shariah* but the means are prohibited clearly in Qur'an. Rational speaking, debt is not the way out to solve the problem and instead of creating new problem for future generation. In the light of *Maqasid Al Shariah*, debt should be taken by employing proper way, for example like what Islam has taught, partnership program whereby involve private sectors to participate in government projects without having debt schemes.

The debt management is considered as the best way to cover and maintain the balance of public sector economy because government argues that in order to support potential revenue, debt is very useful. Even, Indonesian government issues *sukuk* (Islamic bond) as the secondary sources of debt-based financing in order to manage the government budget balance between revenue and expenditure (refer to Table 4.4).

Table 4.6 Outstanding Government Securities (Billion Rupiah) 2011

Year of 2010	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Government Debt Securities	577665	577303	571649	580019	585666	596741	604191	620023	619742	617267	617097	615498
Government Bonds	556315	555453	547899	554749	558371	568146	574396	589078	589797	587972	587302	585703
Government Islamic Securities	15169	23203	27544	29289	31939	32413	32927	36118	36118	38500	38500	38500

Source: Bank Indonesia Database, 2011: www.bi.go.id

In brief, Islam allows people and government to take a debt in case of necessities for the purpose of emergency needs. Of course, its means must be guided by Islamic values, although Indonesia is not Islamic state its policy makers can think and analyze that the debt is not solving the problem. Alternatively, a lot of partnership concept that can be applied to replace debt management from Islamic perspective is available. It will help the government to avoid interest payment. Hopefully, by removing debt from public sector management, more subsidies can be allocated for the needy especially in providing free and quality education, creating new jobs for the poor and building new infrastructure.

CONCLUSION

Indonesian government has responsibility to set up an economic development which is in line with *Maqasid Al Shariah* as the ultimate goal and of course to attain this goal must refer to right means which is permissible in Islam. In terms of budgeting policy, Indonesian government seems to have no option but adopt the western system in many sectors especially economic development policies. As the Muslim populated-country, Indonesian government should work for all Muslim interest and not certain parties.

The high interest rate payment is the main issue of public sector expenditure. Indonesian government seems no choices to resolve its public sector economy and relies too much on debt management. Although its allocation has gradually decreased, from Islamic perspective, the government decision to take debt based on usury/interest is very dilemmatic because indeed the purpose of debt itself is in line with *Maqasid Al Shariah* but the means are prohibited clearly in Qur'an. Rational speaking, debt is not the way out to solve the problem and instead of creating new problem for future generation. In the light of *Maqasid Al Shariah*, debt should be gradually avoided by replacing with proper alternative, for example like what Islam has taught, partnership program whereby involve private sectors to participate in government projects.

For social welfare expenditure there has been a misallocation in emphasizing budget expenditure whereby oil and petroleum subsidy consume almost majority of the total welfare expenditure in Indonesian public sector economy. Subsidizing oil price is wrong decision because it is consumed mostly by rich people. Petroleum is fuel for cars, motor cycle, machinery engine and industrial vehicles which belong to middle-up society; they get benefit too much on lower oil price in the market. Indonesian government should allocate more expenditure since 2014 for non oil subsidy and social protection, like food and education as well as social assistance like healthcare.

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