



Risk-Based Fiscal Policy: Adopting a Shariah-Compliant Model for Indonesia's Economic Resilience

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Abstract (English)

Amid global economic uncertainty and the limitations of debt-reliant conventional fiscal policies, Indonesia requires a robust framework to enhance economic resilience. Existing approaches often fail to address equitable resource distribution and ethical risk management. This study aims to develop a risk-based fiscal policy model integrated with Shariah principles to address this gap. Employing a qualitative library research method with secondary data analysis from 2021 to 2025, the study formulates a tripartite model comprising sovereign sukuk for infrastructure, zakat for social safety nets, and mudharabah-musyarakah partnerships for public investment. The findings indicate that this integrated approach significantly mitigates fiscal risks by replacing interest-based debt with asset-backed and profit-sharing mechanisms. Projections suggest the model can reduce the debt-to-GDP ratio from 40.9% to below 35%, lower the Gini coefficient to under 0.35, and sustain economic growth above 5%. This research contributes a comprehensive framework for policymakers, offering a practical pathway toward a more equitable, inclusive, and stable economic system aligned with Maqasid al-Shariah.

Keywords:
fiscal policy;
Sharia
principles;
economic
resilience;
sukuk; zakat.

Abstrak (Indonesia)

Di tengah ketidakpastian ekonomi global dan keterbatasan kebijakan fiskal konvensional yang sangat bergantung pada utang, Indonesia memerlukan kerangka kerja yang kuat untuk meningkatkan ketahanan ekonomi nasional. Pendekatan yang ada saat ini sering kali gagal menangani distribusi sumber daya yang adil serta manajemen risiko yang etis. Penelitian ini bertujuan mengembangkan model kebijakan fiskal berbasis risiko yang terintegrasi dengan prinsip Syariah untuk mengatasi kesenjangan tersebut. Menggunakan metode penelitian kepustakaan kualitatif dengan analisis data sekunder periode 2021–2025, studi ini merumuskan model tripartit yang meliputi sukuk negara untuk pembiayaan infrastruktur, zakat sebagai jaring pengaman sosial, dan kemitraan mudharabah-musyarakah untuk investasi publik. Temuan menunjukkan bahwa pendekatan terintegrasi ini secara signifikan memitigasi risiko fiskal dengan menggantikan utang berbasis bunga melalui mekanisme berbasis aset dan bagi hasil. Proyeksi mengindikasikan model ini mampu menurunkan rasio utang terhadap PDB dari 40,9% menjadi di bawah 35%, menurunkan koefisien Gini hingga di bawah 0,35, serta mempertahankan pertumbuhan ekonomi di atas 5%. Penelitian ini memberikan kontribusi kerangka kerja komprehensif bagi pembuat kebijakan sebagai solusi praktis menuju sistem ekonomi yang lebih adil, inklusif, dan stabil sesuai dengan Maqasid al-Syariah.

Kata kunci:
kebijakan
fiskal;
prinsip
syariah;
ketahanan
ekonomi;
sukuk; zakat



Introduction

Amid global economic dynamics marked by uncertainty such as financial market volatility, geopolitical crises, and the aftermath of the pandemic – risk-based fiscal policy has become increasingly crucial for maintaining stability and economic resilience. Indonesia, as the country with the largest Muslim population in the world, holds a unique opportunity to integrate Shariah principles into fiscal policy to establish a system that is more equitable, transparent, and resilient to economic shocks.(Almubaroq et al., 2025) Shariah principles, including risk-sharing, the prohibition of *riba* (usury), and the utilization of *zakat* and *sukuk*, offer an alternative approach that not only emphasizes fiscal stability but also promotes social justice and economic sustainability. This paper aims to develop a risk-based fiscal policy model grounded in Shariah principles as a strategy to strengthen Indonesia's economic resilience. It explores how Shariah-compliant instruments can be integrated into macro-fiscal risk management to address the limitations of conventional approaches, such as debt dependency and inequitable resource distribution.(Kornitasari et al., 2023)

Recent studies highlight the increasing importance of risk-based fiscal policy in macroeconomic management. For instance, the International Monetary Fund emphasizes the relevance of scenario-based fiscal risk management in anticipating economic shocks, as evidenced by the global economic contraction of 4.4% during the COVID-19 pandemic.(Fund, 2022). However, conventional approaches often fail to incorporate ethical considerations and fair risk distribution core tenets of Islamic economics. Research by Latifah indicates that Shariah principles, such as *mudharabah* and *musyarakah*, can enhance financial inclusion and support sustainable development through the empowerment of micro, small, and medium enterprises (MSMEs)..(Latifah, 2022). Similarly, Marpaung et al. argue that Islamic economics can reduce interregional inequality through wealth distribution mechanisms based on justice-oriented instruments such as *zakat* and *infaq*..(Marpaung et al., 2024). Another study by Anggraeni and Sofiyani confirms the effectiveness of *zakat* in wealth redistribution, particularly in poverty alleviation, as measured by the allocation-to-collection ratio (ACR).(ANGGRAENI & Sofiyani, 2024). Meanwhile, Awainah et al. highlight the potential of *sukuk* as an infrastructure financing instrument that supports economic growth and societal well-being.(Awainah et al., 2024)

Shariah-based fiscal policy is not merely an economic instrument but a profound means of upholding social cohesion through equitable wealth distribution. Grounded in the higher objectives of Shariah (*maqasid al-shariah*) particularly the preservation of wealth (*hifz al-mal*) and the promotion of justice (*'adl*) it views economic activity as inseparable from ethical and spiritual responsibilities(Hidayat et al., 2025). By prohibiting *riba*, which prevents exploitative accumulation, and mandating redistributive mechanisms such as



zakat, infaq, and sadaqah, Shariah fiscal policy actively counters wealth concentration and fosters a balanced society where resources circulate for the benefit of all. This approach transcends conventional fiscal objectives of efficiency and stability, instead pursuing *falah* (true well-being in this world and the hereafter) by strengthening social solidarity, reducing inequality, and reinforcing the *ummah's* unity through shared prosperity and mutual responsibility (Nurdiana et al., 2025).

Nevertheless, recent literature also highlights several limitations in the application of Shariah principles within fiscal policy. Kompasiana (2025) notes that conventional fiscal policies during the pandemic tended to rely heavily on debt, resulting in inefficiencies in stimulus distribution and exacerbating economic inequality. The explanation of the prohibition of *riba* as a foundation for fiscal policy remains very rudimentary. Further research by Abidah et al, reveals that the integration of Shariah principles with modern risk management remains limited, primarily due to low levels of Islamic financial literacy and the complexity of regulatory frameworks. (Abidah et al., 2022). In addition, although *sukuk* has been utilized to finance strategic projects, its implementation continues to face obstacles such as a lack of harmonization between Shariah frameworks and macro-fiscal policy. These gaps indicate the absence of a comprehensive framework that integrates Shariah principles with fiscal risk management in the context of Indonesia.

Therefore, this study aims to address these gaps by proposing a risk-based fiscal policy model that adopts Shariah principles to enhance Indonesia's economic resilience. A qualitative approach will be employed, involving literature analysis and case studies to develop a conceptual framework, followed by a quantitative evaluation to measure the model's impact on indicators of economic resilience, such as debt-to-GDP ratio and welfare distribution. The specific objectives of this study are: (1) to analyze the potential for applying Shariah principles in risk-based fiscal policy; (2) to design a conceptual model that integrates Islamic risk-sharing mechanisms with fiscal management; and (3) to evaluate the model's impact on Indonesia's economic resilience.

The key contribution of this research is to offer an innovative framework that combines Shariah principles with fiscal risk management, providing practical solutions for policymakers to reduce debt dependency, enhance the equity of resource distribution, and strengthen national economic stability. The results and discussion section will elaborate on the findings of the proposed model, assess its strengths and challenges, and conclude with the relevance of this approach within the Indonesian economic context.

Method

This study employs a qualitative approach using the library research method to formulate a risk-based fiscal policy model that adopts Shariah



principles in order to strengthen Indonesia's economic resilience. This method enables the researcher to gather comprehensive data from various written sources to analyze relevant theories, concepts, and practices, while identifying research gaps as a foundation for developing a new conceptual framework. Data were collected from secondary sources, including indexed academic journals, scholarly books, official government reports, online articles, and credible institutional websites published between 2021 and 2025 to ensure both relevance and currency.

The data collection process was conducted through systematic searches across several databases, including Google Scholar, UIN Repository, Neliti, and official websites such as those of the Ministry of Finance and KNEKS (National Committee for Islamic Economy and Finance). Keywords used in the search included "*risk-based fiscal policy*," "*Islamic economics*," "*Shariah risk-sharing*," "*sukuk*," and "*zakat*." Selection criteria were based on topic relevance, source credibility, publication recency, and the presence of content related to Shariah principles and fiscal policy. The collected data were then classified by thematic categories, such as Shariah principles, fiscal risk management, and their impact on economic resilience.

Data analysis was carried out using a qualitative content analysis approach, which involved categorization, synthesis of findings from the literature, and the development of a conceptual framework. The proposed model integrates key Shariah principles such as risk-sharing, the prohibition of *riba* (interest), and the optimization of *zakat* and *sukuk* – within fiscal policy. To ensure the validity of the model, it was compared with existing theories and practices discussed in the literature. In addition, to strengthen the analysis, the study incorporates secondary quantitative data, including indicators such as debt-to-GDP ratio, economic growth, and welfare distribution, which are analyzed descriptively to evaluate the model's potential impact on Indonesia's economic resilience.

Results and Discussion

Potential Implementation of Sharia Principles in Risk-Based Fiscal Policy

Shariah economic principles hold strategic potential to enhance risk-based fiscal policy through a fair, inclusive, and sustainable approach. One of the core pillars is the concept of risk-sharing, whereby Shariah-compliant contracts such as *mudharabah* and *musyarakah* allow proportional distribution of risk between investors and entrepreneurs. This mechanism promotes investment efficiency and broadens access to financing for productive sectors such as micro, small, and medium enterprises (MSMEs) and public infrastructure projects. This stands in stark contrast to interest-based systems, which often concentrate risk



on one party. Furthermore, the prohibition of *riba* (interest) distances fiscal policy from reliance on interest-bearing debt, which poses long-term fiscal vulnerabilities. Instead, financing is conducted through asset-backed and profit-and-loss sharing mechanisms, which are not only more stable but also more aligned with the principles of fiscal sustainability. (Saini & Hasan, 2024). Zakat serves as an effective instrument for wealth redistribution, helping to reduce social inequality and strengthen the foundations of societal welfare. If optimally managed through digital platforms and institutional integration, zakat can form a key component of fiscal strategies aimed at systematic and equitable poverty alleviation. On the other hand, *sukuk* Islamic bonds enable governments to finance infrastructure and social projects without increasing the burden of interest-bearing debt. Based on tangible assets and transparent return mechanisms, *sukuk* strengthen fiscal resilience while reducing financing volatility. (Pujiyanti et al., 2025). Comprehensive integration of these Shariah principles into fiscal policy not only establishes a more stable and shock-resistant fiscal foundation, but also reflects the values of *maqasid al-shariah* – the preservation of religion, life, intellect, lineage, and wealth. Thus, Islamic economics offers both an ethical and practical framework for designing fiscal policies that are responsive to uncertainty, while also promoting equitable, sustainable, and inclusive economic development.

Mudharabah and musyarakah contracts in Islamic economics offer strategic alternatives for financing public projects based on the principles of efficiency, equity, and risk-sharing. In a mudharabah scheme, a partnership is formed between the government as the capital provider (*shahibul maal*) and the private sector as the project manager (*mudharib*), where profits are shared according to a pre-agreed ratio, while losses are borne solely by the capital provider, provided there is no negligence. This approach is particularly relevant for the development of public facilities, as it allows the private sector to innovate in project execution without placing a direct burden on the state budget. (Fitria et al., 2025). On the other hand, a musyarakah contract presents a more balanced partnership model, in which both parties contribute capital and share profits and risks proportionally. This creates a high degree of transparency and accountability in project management, such as in the renewable energy, transportation, or healthcare sectors. These contracts not only reduce fiscal pressure on the government but also enhance the quality of project implementation, as performance-based incentives are structurally embedded within the private sector. (Suardi, 2021). Moreover, such schemes promote financial inclusion by opening opportunities for Islamic financial institutions



and business actors to actively participate in national development. In the Indonesian context, these approaches have been implemented on a limited scale, such as in the development of solar power plants in Nusa Tenggara through musyarakah arrangements, and the revitalization of educational facilities through mudharabah partnerships between the government and Islamic financial institutions (Holle & Manilet, 2023). Given the increasing complexity of fiscal challenges and the urgent need for infrastructure development, the utilization of Shariah-based instruments such as mudharabah and musyarakah can serve as an integral component of value-based public finance reform. These schemes are not only theoretically sound but also practically applicable in achieving sustainable, equitable, and participatory development in line with the objectives of *maqasid al-shariah*.

Sovereign sukuk has become a strategic fiscal instrument in reducing Indonesia's reliance on conventional interest-based debt financing. With issuances reaching approximately IDR 125 trillion in 2021, sovereign sukuk has proven effective in providing development funds through asset-based and profit-sharing mechanisms that inherently avoid *riba* while simultaneously strengthening long-term fiscal resilience. This instrument not only offers a more stable and sustainable financing alternative but also supports national economic recovery by channeling funds into strategic projects such as toll roads, airports, and renewable energy infrastructure (Abdul Aziz Mizanul Amal, Abdurrahman Faiz & Sari, 2024). The allocation of funds to these sectors generates significant multiplier effects on economic growth, expands employment opportunities, and enhances national productivity. Furthermore, the upward trend in sukuk issuance over the years has strengthened the position of Indonesia's Islamic financial market, while also broadening the government's financing portfolio in a more ethical manner that aligns with Shariah principles (Putri et al., 2024). Thus, sovereign sukuk not only helps reduce the fiscal burden of interest payments but also contributes to the achievement of sustainable development and macroeconomic stability through a more equitable, transparent, and inclusive financing framework.

Zakat is a fundamental pillar of the Islamic economic system, playing a strategic role in reducing social inequality and promoting the welfare of society, particularly among the poor and vulnerable groups. As a wealth redistribution instrument, zakat operates on the principle of transferring wealth from financially capable individuals or entities to those in need (*mustahik*), thereby fostering a more just and inclusive socio-economic balance (Aini & Nasution, 2024). The effectiveness of zakat in fulfilling this function is often measured



through the Allocation to Collection Ratio (ACR), which indicates the proportion of collected zakat funds successfully distributed to beneficiaries. A high ACR reflects the efficiency and accountability of zakat management institutions in ensuring that funds are delivered promptly and purposefully to the intended recipients. Zakat's function is not limited to consumptive purposes, such as food assistance or direct allowances; it also plays a productive role in driving economic activity by providing capital funding for micro, small, and medium enterprises (MSMEs). (Irham & Fadly, 2024). These productive zakat programs contribute to income generation, job creation, and long-term poverty reduction. Nevertheless, the implementation of zakat in Indonesia still faces several challenges, including low public awareness of paying zakat through official institutions, suboptimal management and distribution systems, and weak coordination among zakat organizations. (Mutia & Setiadi, 2024). Therefore, institutional strengthening, transparent management, digital technology integration, and public education are essential agendas to maximize zakat's potential as a Shariah-based fiscal instrument capable of addressing structural social inequality. With sound management and adequate policy support, zakat can serve not only as an expression of spiritual obligation but also as a systemic solution for achieving equitable, inclusive, and sustainable economic development in Indonesia.

This study demonstrates consistency with a number of previous findings in the Islamic economics literature while offering significant conceptual advancements within the context of risk-based fiscal policy. It supports the findings of Awainah et al. (2024), who emphasized the effectiveness of *sukuk* in financing strategic infrastructure projects, and aligns with Anggraeni and Sofiyani (2024), who affirmed the role of *zakat* as a wealth redistribution instrument capable of enhancing socio-economic justice. Furthermore, this study reinforces the urgency of optimizing Islamic instruments as inclusive fiscal solutions. However, this research also introduces a critical departure from earlier studies. Its primary innovation lies in positioning Islamic economic instruments—such as *sukuk*, *zakat*, *mudharabah*, and *musyarakah* within a risk-based fiscal policy framework, an approach that remains underexplored in the existing literature. In contrast to Latifah (2022), who focused on the role of Islamic economics in supporting micro-level financial inclusion, this study expands the scope by exploring the application of *mudharabah* and *musyarakah* contracts in large-scale public project financing. Additionally, this research offers an alternative approach to the limitations of conventional fiscal policy during the COVID-19 pandemic, as criticized in Kompasiana (2025), by



proposing a value-based Islamic fiscal solution that is more sustainable, equitable, and resilient to economic shocks. Therefore, the main contribution of this study lies in the development of an integrative theoretical framework that combines Shariah principles with fiscal risk management an approach that is highly relevant for addressing Indonesia's contemporary and future economic resilience challenges.

Conceptual Model of Sharia-Based Risk-Based Fiscal Policy.

An effective conceptual model of Shariah-based financing to support risk-based fiscal policy rests on three interrelated pillars: *sukuk*, *zakat*, and the application of *mudharabah* and *musyarakah* contracts. The first pillar, *sukuk*, serves as an asset-backed financing instrument that enables the government to fund infrastructure development without incurring interest-bearing debt. Through this scheme, project risk is not borne solely by the government but is proportionally shared between the *sukuk* issuer and investors, fostering a more equitable, transparent, and fiscally sustainable system. The second pillar is *zakat*, which functions as a wealth redistribution instrument within a social safety net framework.(Semaun, 2025). *Zakat* funds collected from the public support empowerment programs targeting the poor and vulnerable, thereby reducing social inequality and reinforcing macroeconomic stability. The effectiveness of *zakat* as a fiscal component becomes even more evident when it is managed productively for instance, in financing micro, small, and medium enterprises (MSMEs) or vocational training programs which directly contribute to inclusive economic growth. The third pillar involves the use of *mudharabah* and *musyarakah* contracts for financing strategic public projects. These schemes enable partnerships between the government and the private sector based on profit-sharing and risk-sharing principles.(Ghufron, 2022). In a *mudharabah* contract, the government acts as the capital provider while the private sector executes the project; in *musyarakah*, both parties contribute capital and share profits and losses according to a mutual agreement. This approach not only enhances the efficiency of project implementation but also fosters active private sector participation in national development.(Umam & Tama, 2024). These three pillars collectively support the creation of a fiscal system that avoids *riba* (interest) and *gharar* (excessive uncertainty), while upholding economic justice, fiscal sustainability, and resilience to macroeconomic risks. By integrating Shariah principles into the fiscal policy framework, Indonesia holds the potential to develop an ethical, inclusive, and adaptable financing model in response to global economic dynamics.



Although *sukuk*, *zakat*, and *mudharabah-musyarakah* contracts are often discussed separately, the true strength of the proposed Shariah-based fiscal model lies in their interdependence, forming a cohesive tripartite system capable of mutual reinforcement and systemic risk mitigation. Should a deficit occur in one instrument for example, if *zakat* collection falls significantly below its national potential (estimated at IDR 327 trillion in 2023 but historically far below target due to low public awareness and institutional challenges) the shortfall could temporarily reduce funding for social safety nets and empowerment of vulnerable groups, potentially weakening short-term macroeconomic stability (Kamalina, 2025). However, the model incorporates fully Shariah-compliant risk mitigation mechanisms through resource reallocation across pillars without violating prohibitions on *riba* or *gharar*. *Zakat* shortfalls can be compensated by directing a portion of sovereign *sukuk* proceeds toward similar productive empowerment programs, or by accelerating *mudharabah-musyarakah* projects that generate rapid returns to indirectly replenish social funding. Conversely, if *sukuk* issuance is disrupted by market volatility, intensified productive *zakat* programs can stimulate grassroots economic growth thereby expanding the future investor base for *sukuk* while *mudharabah* contracts allow the government to temporarily absorb risk as *shahibul maal* while adhering strictly to profit-and-loss sharing principles. These mechanisms are grounded in Islamic risk management concepts such as *takaful* (mutual guarantee), *ihtiyat* (prudential reserves), and *tabadul al-manfa'ah* (mutually beneficial exchange), ensuring that a deficit in one pillar does not trigger systemic vulnerability but instead activates compensatory flows from the others (Ghufron, 2022). Thus, the tripartite model not only achieves holistic integration of the three instruments but also significantly enhances overall fiscal resilience while remaining faithful to the *maqasid al-shariah* objectives of wealth preservation (*hifz al-mal*) and justice (*al-'adl*).

A Shariah-based fiscal policy model that integrates *sukuk*, *zakat*, and *mudharabah-musyarakah* contracts offers a strategic solution to various inefficiencies inherent in conventional fiscal approaches, particularly those that became prominent during crises such as the COVID-19 pandemic. In the context of stimulus distribution, conventional mechanisms often proved to be poorly targeted, disproportionately benefiting groups with access to formal financial systems, while marginalizing the poor and vulnerable. Here, *zakat* plays a critical role as a systematic wealth redistribution instrument grounded in values of justice and social empathy, enabling more targeted and inclusive aid



allocation. *Zakat* not only serves as an effective social safety net but also strengthens the foundation of fiscal justice within society.(Mahfudz et al., 2023). Simultaneously, *mudharabah* and *musyarakah* contracts offer fair and efficient alternatives for public project financing by promoting risk-sharing between the government and private sector. These schemes reduce dependency on debt-based financing, improve project implementation efficiency, and create healthy incentives for private sector participation in national development. Meanwhile, *sukuk* provides a Shariah-compliant financing instrument that is free from *riba* (interest) and backed by real assets, thereby supporting long-term fiscal stability.(Syah, 2025). A distinct advantage of these Shariah-based instruments lies in their emphasis on transparency and accountability throughout all stages of fund management from collection to distribution which inherently minimizes opportunities for corrupt practices that often undermine fiscal efficiency.(Ismail, 2025). By adopting this model, Indonesia can not only enhance the effectiveness of stimulus distribution and strengthen fiscal resilience but also align its national fiscal policy with the values of social justice and economic sustainability. The integration of Shariah principles into fiscal architecture will foster greater social inclusion, expand access to productive financing, and accelerate the transformation toward a risk-resilient, adaptive, and more equitable fiscal system.

The integration of risk-sharing principles in Islamic economics with scenario-based risk management approaches yields a fiscal policy model that is not only adaptive to economic uncertainties but also upholds the values of justice, transparency, and sustainability as mandated by Islamic teachings. In Shariah principles, risk-sharing—as embodied in *mudharabah* and *musyarakah* contracts ensures that the burdens and benefits of economic activities are distributed proportionally according to the roles and contributions of each party. This contrasts with conventional systems, which often allocate risk unilaterally, primarily to the government, thereby increasing pressure on the national budget.(Abdul Wahab & Mahdiya, 2025). When combined with scenario-based risk management—an approach that incorporates simulations of crises such as recessions, inflation surges, or external shocks into fiscal planning—a more responsive, structured, and anticipatory fiscal policy framework emerges. Governments can dynamically adjust financing strategies and budget allocations while remaining committed to Shariah values such as the prohibition of *riba*, contractual transparency, and equitable distribution of benefits and losses.



Practically, this model can be implemented through asset-backed *sukuk* issuance tailored to project-specific risks, productive *zakat* management based on regional needs assessments, and strengthened public-private partnerships using *mudharabah* and *musyarakah* contracts that are flexible in response to prevailing economic conditions. Such synergy transforms fiscal policy from being reactive and fragmented into a robust, long-term instrument for safeguarding national economic resilience. (Ratnasari et al., 2025). Moreover, this model fosters harmony between modern risk management needs and the spirituality and ethics of Islamic finance, positioning fiscal policy not merely as a technocratic tool but also as a manifestation of social compassion and moral responsibility toward the welfare and continuity of the nation and the ummah. (Damanik et al., 2025).

The integration model of Shariah principles within scenario-based fiscal risk management demonstrates a strong alignment with several findings in the existing literature. As noted by Handoko et al. (2023), the use of *mudharabah* and *musyarakah* contracts has proven effective in enhancing investment efficiency through fair risk-sharing and optimal incentives for project implementers. Moreover, the scenario-based approach underpinning the risk management dimension of this model is consistent with the recommendations of the IMF (2022), which underscore the importance of macro-risk forecasting in formulating resilient and anticipatory fiscal policies. Nevertheless, this model offers a significant conceptual novelty. Unlike previous studies that typically examine Islamic financial instruments in isolation, this model holistically integrates Shariah principles into a macro-fiscal policy framework, creating a synergy between Islamic ethical values and contemporary risk management practices. While Awainah et al. (2024) focus primarily on the use of *sukuk* for infrastructure financing, this model broadens the application to encompass all dimensions of fiscal risk—including social safety nets and public investment strategies. Furthermore, the approach fundamentally diverges from conventional models, which are often technocratic and value-neutral. Rather than neglecting ethical considerations, this model places distributive justice, transparency, and sustainability at its core, directly responding to critiques of inefficiency and inequality in the conventional fiscal system as highlighted by Kompasiana (2025). Accordingly, this model not only aligns with established theoretical foundations but also enriches academic discourse by introducing an inclusive, ethical, and contextually Islamic alternative that is well-suited to address Indonesia's development and fiscal governance challenges.



Impact of the Model on Indonesia's Economic Resilience

The Shariah-based fiscal model that integrates instruments such as *sukuk*, *zakat*, and *mudharabah-musyarakah* contracts demonstrates strategic potential in significantly reducing Indonesia's debt-to-GDP ratio from 40.9% in 2021 to below 35% in the medium term.(Kamalina, 2025). This projection stems from the fact that the conventional fiscal system has long relied on fixed-interest debt financing, which places substantial pressure on the national budget through interest payments and debt rollover risks, particularly during periods of global market instability. In contrast, *sukuk*—as an asset-backed Islamic financing instrument based on profit-and-loss sharing mechanisms—offers greater transparency and certainty in funding productive projects while avoiding additional fiscal burdens caused by interest rate volatility. Meanwhile, *zakat* serves as an effective alternative funding source for social protection programs, safety nets for vulnerable populations, and poverty alleviation initiatives.(Muiz, 2024). If Indonesia's national zakat potential, estimated at IDR 327 trillion in 2023, can be fully optimized, a substantial portion of the government's social expenditures could be financed without resorting to new debt issuance. Additionally, *mudharabah* and *musyarakah* contracts enable public project financing through government-private sector partnerships, with risk and profit shared proportionally. This reduces the government's fiscal burden while enhancing project efficiency and long-term sustainability. Unlike projections by international institutions such as the World Bank—which estimates Indonesia's debt ratio will rise to 40.1% by 2025 and 41.4% by 2027—the implementation of this Shariah-based model offers a viable pathway to reverse this trend .(Kamalina, 2025). By diversifying funding sources, strengthening non-debt revenue streams, and reforming fiscal governance grounded in distributive justice, this model has the potential to create a healthier and more shock-resistant fiscal space. However, achieving a substantial reduction in debt levels requires consistent policy implementation, harmonized regulation, digitization of zakat collection, incentives for Shariah-compliant investment, and cross-institutional synergy in managing national fiscal risks holistically and in compliance with Islamic principles.(Saini & Hasan, 2024). With a well-calibrated strategy, this fiscal model stands not only as an alternative but as a transformative solution for achieving inclusive and sustainable fiscal sovereignty.



Economic inequality remains a structural challenge in Indonesia's national development, as reflected by the Gini coefficient, which reached 0.381 in 2024.(Statistik, 2025).

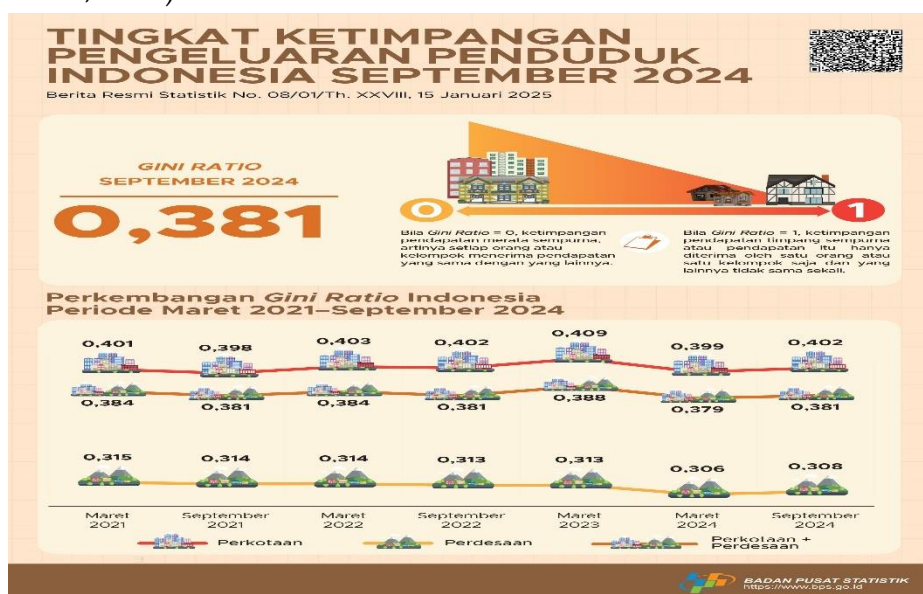


Figure 1. Infographic: Indonesia's Household Expenditure Inequality Level, September 2024.

In this context, the development of a fiscal model based on Islamic economic principles offers an alternative solution that not only aligns with the values of social justice but also has tangible potential to reduce income inequality and enhance inclusive societal welfare. This Sharia-based fiscal model integrates three key instruments zakat, sukuk, and profit-sharing financing contracts such as mudharabah and musharakah into the national fiscal policy framework, thereby creating a mechanism oriented not only toward growth but also equitable distribution.(Pujiyanti et al., 2025). Zakat, as a central pillar of wealth distribution in Islam, plays a vital role in channeling resources from the financially capable segment of society to the **mustahik**, or those in need. When managed optimally and professionally, zakat functions not merely as a tool for social assistance but also as a powerful instrument for economic empowerment – particularly through **productive zakat programs** that support MSMEs and the microeconomic sector. In turn, this can sustainably raise the income levels of poor and vulnerable groups.

On the other hand, sovereign sukuk serves as a strategic instrument for financing productive infrastructure projects, particularly in underdeveloped and marginalized regions. Infrastructure development funded through sukuk such as roads, bridges, educational facilities, and energy access helps unlock

economic potential and improve interregional connectivity, thereby reducing development gaps.(Amaliyah et al., 2023). In the long term, this fosters more equitable economic opportunities and lowers regional disparities in welfare. Meanwhile, the application of financing schemes based on *mudharabah* and *musyarakah* contracts encourages public participation in productive investment without the burden of interest. Through equitable partnerships between the government, private sector, and micro-enterprises, this profit-and-loss sharing model enables MSMEs and small-scale economic actors to grow formally, thereby expanding financial inclusion and strengthening the people's economy.(Arifin, 2024).

By integrating these three instruments into the national fiscal policy framework, Indonesia can establish an economic structure that is just, resilient, and inclusive. Quantitatively, this model is projected to reduce the Gini coefficient from 0.38 to below 0.35 a significant indicator of more equitable income distribution and a decline in economic inequality. Beyond numerical metrics, this impact reflects tangible improvements in living standards, the strengthening of the economic capacity of vulnerable groups, and the realization of the objectives of *maqasid al-shariah*: the preservation of religion, life, intellect, lineage, and wealth. Therefore, the Sharia-based fiscal model is not merely an economic innovation but a strategic pathway toward the creation of a more just, sustainable, and dignified national economic system. However, realizing this potential requires consistent implementation, sound institutional governance, and adequate regulatory support to ensure all instruments operate synergistically in advancing the broader agenda of inequality reduction in Indonesia.

In line with projections released by Bank Indonesia, the Islamic economic and financial sector is expected to grow in the range of 4.8% to 5.6% in 2025, reflecting optimism regarding its role as one of the primary engines of national economic growth. Although the projected growth of Islamic financing has been adjusted to a range of 8–11%, the upward trend remains positive, indicating a strengthening foundation of this sector within Indonesia's economic structure.(Laoli, 2025). The *mudharabah* and *musyarakah* contracts offer unique advantages in accelerating the realization of productive investments, particularly in strategic projects that generate significant multiplier effects on regional economic development, job creation, and poverty alleviation.

Furthermore, increasingly mature and comprehensive regulatory support from financial authorities such as the Financial Services Authority (OJK) and Bank Indonesia provides a solid basis for the expansion of Sharia-compliant



financing. The rise in Islamic financial literacy – especially among millennials and micro-entrepreneurs – has expanded the demand for transparent, equitable, and partnership-based financial products. This growing collective awareness is reinforcing the national Islamic economic ecosystem, which is not solely focused on profitability but is also grounded in the principles of social justice, sustainability, and communal welfare. (Hasanah et al., 2024).

Grounded in the theoretical framework of *maqasid al-shariah* and bolstered by increasing market openness toward inclusive financing schemes, the investment model based on *mudharabah* and *musyarakah* holds substantial potential to drive Indonesia's economic growth beyond the 5% threshold in 2025. This not only signals a more robust post-pandemic recovery but also marks a systemic transformation toward a more resilient, inclusive, and values-driven economy. Therefore, strengthening synergies among the Islamic financial sector, regulators, business actors, and society at large is key to fully realizing the model's potential in supporting equitable and sustainable national economic growth. (Nisa, 2024). Islamic financial instruments play a critical role in reinforcing risk-based fiscal policy, emphasizing the principles of justice, transparency, and sustainability. In the Indonesian context, the integration of instruments such as *sukuk*, *zakat*, and *mudharabah-musyarakah* contracts into the state's fiscal architecture has demonstrated significant potential to create a financing system that is not only macroeconomically stable but also socially inclusive. (Kartina et al., 2025)

Furthermore, partnership-based Islamic contracts such as *mudharabah* and *musyarakah* expand the scope of public financing by actively and equitably involving the private sector. Through profit-and-loss sharing schemes and balanced risk distribution, these contracts enable collaboration between the government and entrepreneurs in strategic national projects without relying on high-interest debt. Such Sharia-compliant financing also offers inclusive access to capital for MSMEs and small-scale entrepreneurs, who are often marginalized by conventional financial systems. In terms of fiscal risk management, these partnerships alleviate the government's financing burden and create an investment model resilient to economic shocks. (Syah, 2025).

Overall, the integration of Sharia-compliant instruments into Indonesia's fiscal policy not only establishes an ethical financing foundation aligned with social justice values but also enhances the resilience of the national economy in the face of macroeconomic and social risks. By upholding the principles of *maqasid al-shariah* namely the protection of religion, life, intellect, lineage, and wealth a risk-based fiscal framework supported by Islamic instruments serves



as a critical pillar in achieving equitable, sustainable, and crisis-resilient development.

Conclusion

This study aims to: (1) analyze the potential application of Sharia principles within risk-based fiscal policy; (2) design a conceptual model integrating Sharia-based risk-sharing with fiscal management; and (3) evaluate the model's impact on Indonesia's economic resilience. A qualitative approach was employed using a literature review method, collecting secondary data from peer-reviewed journals, official reports, and other credible sources (2021–2025) via platforms such as Google Scholar, the UIN Repository, and Neliti. The findings indicate that Sharia-based instruments—such as *sukuk*, *zakat*, and *mudharabah/musyarakah* contracts—possess significant potential to strengthen risk-based fiscal frameworks. The proposed conceptual model is structured around three core pillars: *sukuk* for infrastructure development, *zakat* for social safety nets, and *mudharabah/musyarakah* for public investment. This model offers an alternative to conventional fiscal strategies that are often inefficient due to their dependence on interest-bearing debt. Projections suggest that this model could reduce Indonesia's debt-to-GDP ratio from 40.9% (2021) to below 35%, lower the Gini coefficient from 0.38 (2022) to under 0.35, and boost economic growth beyond 5%. However, the study is limited by its reliance on secondary data and the absence of direct empirical testing of the model's implementation. Future research is encouraged to pilot the model through policy simulations or case studies in specific regions and to incorporate primary data from key stakeholders to enhance practical validity. Further studies may also explore regulatory harmonization between Sharia law and macro-fiscal policy, as well as strategies to improve Islamic financial literacy in support of broader model implementation.

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