



Comparative Analysis of Wealth Redistribution: Fiscal Instruments of the Prophet's Era and Indonesia's Fiscal Policy in Poverty Reduction

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ABSTRACT

This study aims to analyze the comparative study of wealth redistribution from fiscal instruments from the Prophet Muhammad's era and Indonesian fiscal policy in poverty alleviation. Using qualitative research methods with a literature review approach, it was found that the Islamic financial system has had a clear, structured framework, and a social justice orientation since its inception. Zakat is a key pillar, not only an individual act of worship but also a fiscal instrument managed by the state through the Baitul Mal (the Islamic treasury). In addition to zakat, there are other sources such as ghanimah, fai', jizyah, kharaj, usyr, khums, as well as voluntary contributions in the form of infaq, sadaqah, and waqf. When compared with modern Indonesian fiscal policy, there are fundamental differences both in revenue sources and management mechanisms. Indonesia places taxes as the fiscal backbone. The comparative analysis shows that the Prophet Muhammad's fiscal system excels in aspects of target certainty, mechanism simplicity, and a strong moral-spiritual foundation. Meanwhile, the Indonesian fiscal system excels in aspects of modern institutions, legal frameworks, and the ability to manage a more complex economic scale. Indonesia's biggest challenge is how to bridge the Islamic values of social justice with contemporary fiscal policy practices.

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1. INTRODUCTION

Since the beginning of human civilization, the issue of wealth distribution has been a fundamental issue determining the direction of a society's sustainability. Inequality in the distribution of resources not only creates injustice but also has the potential to give rise to social and political instability. Sen emphasized that economic development that ignores aspects of social justice risks creating entrenched inequality that hinders collective well-being [1]. In line with this, Chapra in his work *Islam and the Economic Challenge* emphasizes that without distributive justice, economic development will lose its moral meaning [2]. In pre-Islamic Mecca, the concentration of wealth among a handful of wealthy

merchants widened the gap between the poor and the wealthy. The economic system at that time lacked mechanisms to protect the vulnerable, making inequality a daily reality.

In Islam, wealth is viewed not only as an individual right, but also as a trust that should provide broader benefits. In Medina, the Prophet Muhammad (peace be upon him) implemented a redistribution of wealth designed to maintain social balance. In this regard, zakat was positioned not only as an obligatory act of worship but also as a form of wealth distribution that supported needs and maintained social balance. Other instruments such as jizyah, kharaj, and fa'i strengthened the structure of wealth redistribution in Medina [3]. With this system, the Prophet Muhammad taught that economics and morality cannot be separated but must complement each other. The redistribution of wealth, or fiscal instruments, at that time served as concrete evidence that a society could be built on a foundation of justice and sustainability.

In modern times, economic growth is often seen as a benchmark for development success. However, the experiences of various countries show that this aggregate achievement does not directly translate into equitable prosperity [4]. Social reality, however, reveals a gap between improvements in macroeconomic indicators and the distribution of benefits at the community level. In Indonesia, the poverty rate in the first semester of 2025 was recorded at 8.47%, with a Gini index of 0.375, indicating that growth achievements are still accompanied by issues of equity [5]. This phenomenon emphasizes that the problem of wealth distribution is a structural challenge that cannot be resolved solely with conventional approaches.

This phenomenon emphasizes that the problem of wealth distribution is a structural challenge that cannot be resolved solely with conventional approaches [6]. However, its effectiveness still faces several obstacles, including budget constraints, inaccurate beneficiary data, and challenges in regional implementation. This situation creates a dilemma: on the one hand, macroeconomic indicators show a decline in poverty, while on the other, socioeconomic inequality persists. This phenomenon indicates the need for reflection on the existing fiscal framework, emphasizing not only growth but also support for vulnerable groups. Therefore, a comparative study of fiscal practices during the time of the Prophet Muhammad (peace be upon him) is highly relevant, as it embodies the principle of justice, which can serve as inspiration for strengthening Indonesia's fiscal policy.

2. METHOD

This research uses a descriptive qualitative method with a literature review approach to analyze the comparative study of wealth redistribution: fiscal instruments from the Prophet Muhammad's era and Indonesian fiscal policy in poverty alleviation. This approach was chosen because it can holistically depict the interactions between complex and dynamic economic variables. The primary data sources in this study were secondary data obtained from the Central Statistics Agency (BPS), books, and scientific journals. Data analysis was conducted by identifying key themes related to the development of Islamic economic thought and civilization during the Mecca and Medina periods during the era of the Prophet Muhammad.

3. RESULTS AND DISCUSSION

3.1 Fiscal Instruments of the Prophet Muhammad's Era

One source of state revenue in the Islamic system comes from zakat. Zakat is an obligation that must be fulfilled by every Muslim, whether in the form of agricultural produce, livestock, cash, or other types of assets [8]. Countries with an Islamic government system must oversee zakat, including its receipt, management, and distribution, and even have the right to compel those who refuse to pay. Because of this, zakat is considered similar to current state revenue, namely taxes. Zakat is not the only source of revenue for an Islamic state. Although zakat is a crucial element due to its obligatory nature, there are several other sources of income that support state finances.

During the time of the Prophet Muhammad (peace be upon him), state revenues came not only from zakat but also from several other sources used to meet state needs. These sources of income can be categorized as non-tax sources of income at that time [9]. Some of the revenues of the Islamic state during the time of the Prophet, including the first, ghanimah. Ghanimah is state income from the results of war or victory. When a country goes to war, and then that country wins, then the opponent's property becomes the property of the winner. The distribution of ghanimah is also regulated in Surah Al Anfal verse 41. Troop members will receive 4/5 of the total amount because they have risked their lives and used their skills in fighting, while the rest is for the public benefit and the prophet's family [10].

Second, Fai'. Fai' is almost the same as ghanimah. If ghanimah obtains wealth after war, but fai' without war, such as when the enemy surrenders or through a peace agreement. This property is immediately handed over to the state and used for public purposes [11]. Third, Jizyah. While zakat is imposed on Muslims, Jizyah is imposed on non-Muslims in exchange for socio-economic and other benefits, as well as security from the Islamic state. Jizyah is levied on non-Muslims due to their domicile and subjection to the Islamic government. Jizyah is not levied on women and children, even if they are wealthy. Kaffarah (expiation) Kaffarah is also known as a fine levied for violating Islamic law. For example, the expiation imposed on a husband and wife who have sexual intercourse during the day during Ramadan [12].

Fourth, Khums. Abu Ubaid stated that khums is one fifth of the ghanimah of the harbi, luqathah and rikaz experts. Some of the assets that are considered khums are ghanimah as Allah says in Surah Al-Anfal verse 41, as well as assets obtained through treasures buried in the ground (such as treasures or gold mines) that are not owned by anyone (rikaz) [13]. Fifth, usyr. Usyr is a trade treasure taken from the Ahlu Zimmah and the Harbi group who crossed the borders of Islamic countries. The person in charge of collecting it is called 'Āsyir (customs officer). In the context of the modern economy, 'usyr is synonymous with export-import taxes or customs duties. Usyr applies to a wide variety of merchandise, including jewelry, animals, agricultural products, and fruit. 'Usyr is levied once a year for each type of merchandise, no matter how many times the trader crosses the border with the item [14].

Sixth, Kharaj. Kharaj is the right granted to land seized from infidels, either through battle or through peaceful means. This land is used for agricultural purposes; anyone who wishes to cultivate it is required to pay rent. The income from this rent is what is referred to as kharaj. If a dispute arises between Muslims and non-Muslims, they enter into an agreement that if the land is managed by a non-Muslim, they are obligated to pay a tax. This tax is called kharaj. If the land is managed by a Muslim, the Muslim is obligated to pay rent. This rent is included in the scope of kharja. Finally, sources of income come from alms, donations, and endowments. These sources are voluntary and for the benefit of the community. This income depends on the spiritual level of the community. However, some countries utilize these sources of income for national development [15].

The points mentioned above represent sources of state revenue during the Prophet Muhammad's era. State revenues were derived not only from zakat (alms) but also from various other sources, which played a crucial role in supporting the overall finances of the Islamic state. During the Prophet Muhammad's era, numerous policies and regulations were established to manage and regulate these various revenue sources, ensuring fairness and efficiency. All collected revenue was then securely deposited in the Baitul Maal (Islamic State Treasury), an Islamic state financial institution that served as a repository for state assets. Funds from the Baitul Maal were then used for various public purposes, such as assisting the poor, financing government needs, building public facilities, and other social activities for the welfare of the entire Muslim community. Thus, this financial management system not only ensured state stability but also ensured equality and social justice within society.

3.2. Indonesia's Fiscal Policy

In running its economy, a country certainly needs funds to drive all its activities. Therefore, the state has the right to receive revenue or income from every activity undertaken by the people within the

country, especially in Indonesia [16]. In the budget set for state revenue and expenditure, there are sources that become state revenue, including taxes, grants and non-tax state revenue [17]. In the budget set for state revenue and expenditure, there are sources that become state revenue, including taxes, grants and non-tax state revenue.

Indonesia has regulations or a legal basis for state revenue, namely Law No. 17 of 2003, which addresses state finances. This legal basis explains the government's right to obtain state revenue as an instrument for increasing net wealth. State revenue is generated from several activities within the country, such as taxes, non-tax state revenues (PNBP), and grants [18]. State revenue is everything that enters the state treasury, so the revenue received will later be managed by the authorized party to be used as a plan. The state receives funds or revenues that are used for state spending in accordance with the tasks or mandates given by the central government and as a way to balance the finances of the central and regional governments. In this case, the central government is permitted to provide funds to regional governments in the form of grants and other loans with the approval of the House of Representatives [19].

Although the primary sources of state revenue come from taxes and the State Budget (APBN), the obligation to pay zakat remains a crucial aspect that cannot be ignored, especially since the majority of Indonesia's population is Muslim. Zakat is not a direct source of state revenue like taxes, but it can reduce income tax (PPh) for taxpayers [20]. Zakat, as a religious instrument, also has a significant social and economic role in alleviating poverty and supporting community welfare. Zakat according to Law Number 23 of 2011 concerning Zakat Management is an asset that must be issued by a Muslim or business entity to be given to those entitled to receive it in accordance with Islamic law. While Tax According to Law Number 6 of 1983 concerning General Provisions and Tax Procedures (UU KUP), as amended several times most recently by Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law (UU Ciptaker) is a mandatory contribution to the state owed by individuals or bodies that is coercive based on the Law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people.

Zakat and taxes have similarities: they are a portion of wealth taken for the benefit of the community and have rules governing their implementation. However, zakat and taxes differ. Zakat is a direct command from Allah SWT, while taxes are a legal mandate, a collective agreement within the state, approved by the House of Representatives, the representatives of all Indonesian people elected through the general election process. Zakat, which can be used as an income deduction, must meet two main requirements: it must be paid by an eligible individual or corporate taxpayer and distributed through a religious institution established or authorized by the government (such as BAZNAS or an official LAZ). Both of these requirements must be met and cannot be substituted for each other. This means that zakat does not directly reduce the amount of tax paid, but rather reduces taxable gross income, thereby reducing the amount of Income Tax (PPh) payable. Proof of zakat payment must be retained and attached as supporting evidence to the tax return.

With the tax reduction facility through zakat payments, Muslims in Indonesia can fulfill their religious obligations while simultaneously gaining fiscal benefits. This aligns with the principle of fairness in taxation, where the tax burden borne by taxpayers is more proportional. Furthermore, optimizing the use of zakat through official institutions such as BAZNAS and LAZ or other official amil institutions not only helps reduce taxes but also contributes directly to improving the welfare of those eligible to receive zakat.

3.3. Comparative Analysis

A comparative analysis between the Prophet Muhammad's era in Medina and modern Indonesia reveals fundamental differences in both the sources of state revenue, distribution mechanisms, and the philosophical foundations behind them. During the Prophet's era, the state's fiscal system was built with

an emphasis on spiritual values and strict adherence to sharia. State revenues came from zakat, kharaj (land tax), jizyah (protection tax for non-Muslims), fai' (booty taken without war), and ghanimah (booty of war). All of these revenues were clear, based on Islamic law, and directed towards the welfare of the people. Meanwhile, modern Indonesia relies on a more complex and secular state financial system, with primary sources coming from taxes, non-tax state revenues (PNBP), grants, and zakat, which only plays a partial role through official institutions. Taxes serve as the backbone of revenue, while zakat, despite its significant potential, has yet to be fully integrated into the national fiscal structure.

Differences are also evident in the distribution mechanism. During the Prophet's era, the Baitul Mal functioned as the central government's financial management center, with the principle of fast, direct, and targeted distribution. Incoming funds were immediately distributed to the rightful recipients without accumulating for long, ensuring an effective circulation of wealth [21]. In Indonesia, fund distribution is carried out through the State Budget (APBN) and official zakat institutions such as BAZNAS and LAZ. The process is more bureaucratic, requiring planning, budgeting, and oversight. While ensuring accountability, it often results in slower and less flexible distribution [22].

The targets for receiving and distributing funds also have a slightly different orientation. During the time of the Prophet Muhammad, zakat and other sources of income were distributed to eight categories of beneficiaries explicitly defined in sharia: the poor, the needy, the amil (manager of charity), the converts to Islam, the freed slaves (riqab), the gharim (debtors), the fisabilillah (property of Allah), and the ibn sabil (property of Allah). This categorization ensures that funds are truly used to empower groups in need while maintaining social stability [23]. In modern Indonesia, the distribution of state funds is more directed towards similar communities, which have the same aim of reducing poverty, this approach does not have strict religious boundaries so that the beneficiaries are wider but sometimes less specific.

In terms of effectiveness, fiscal policy during the Prophet's era proved effective in reducing poverty and achieving equitable wealth distribution in a relatively short time. Public adherence to sharia, disciplined management of the Baitul Mal (treasury), and transparency in distribution were key factors in its success [25]. Meanwhile, Indonesia has succeeded in reducing poverty rates through fiscal policies and various social assistance programs, but still faces major challenges in the form of economic inequality and income disparities between regions [26]. In terms of economic control, the Prophet Muhammad implemented a ban on usury, monopolies, and practices that harm society as a form of maintaining social justice [7]. Indonesia also has anti-monopoly regulations and market supervision policies, but usury practices are still embedded in the conventional banking system, and taxes remain the main instrument despite their limitations in creating perfect equality [24].

Overall, this comparison shows that the Prophet Muhammad's fiscal system excels in its speed of distribution, certainty of targeting, and strong moral-spiritual foundation, while the Indonesian fiscal system is more modern, legalistic, and complex but faces challenges in creating sustainable equity. Both systems have their own advantages that can complement each other, for example by integrating the values of justice and Sharia compliance into modern fiscal practices to create more equitable prosperity and social justice.

4. CONCLUSION

Based on the discussion, it can be concluded that the Islamic financial system has had a clear, structured framework, and a focus on social justice since its inception. Zakat is a key pillar, serving not only as an individual act of worship but also as a fiscal instrument managed by the state through the Baitul Mal (the Islamic trust). In addition to zakat, other sources include ghanimah (the wealth of the poor), fai' (the wealth of the poor), jizyah (the wealth of the rich), kharaj (the wealth of the poor), usyr (the wealth of the poor), khums (the wealth of the poor), and voluntary contributions in the form of infaq (the wealth of the poor), sadaqah (the charity of the poor), and waqf (the endowment). When compared

with modern Indonesian fiscal policy, fundamental differences exist in both revenue sources and management mechanisms. Indonesia prioritizes taxes as the fiscal backbone. A comparative analysis shows that the Prophet Muhammad's fiscal system excels in terms of target certainty, mechanism simplicity, and a strong moral-spiritual foundation. Meanwhile, the Indonesian fiscal system excels in terms of modern institutions, legal framework, and the ability to manage a more complex economic scale. Indonesia's greatest challenge is how to bridge the gap between Islamic values of social justice and contemporary fiscal policy practices.

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