

## FISCAL POLICY INSTRUMENTS BASED ON INDONESIAN SHARIA PRINCIPLES LINKED TO FISCAL IN THE HEALTH SECTOR

Andri Prasetyo<sup>1</sup>, Yadi Janwari<sup>2</sup>, Sofian Al-Hakim<sup>3</sup>

<sup>1,2,3</sup>Universitas Islam Negeri Sunan Gunung Djati, Bandung

<sup>1)</sup>[prasetyoandri521@gmail.com](mailto:prasetyoandri521@gmail.com), <sup>2)</sup>[yadijanwari@uinsgd.ac.id](mailto:yadijanwari@uinsgd.ac.id),  
<sup>3)</sup>[sofyanalhakim@uinsgd.ac.id](mailto:sofyanalhakim@uinsgd.ac.id)

### Abstract

*In developing countries, such as Indonesia in general, given the relatively large informal sector, various aspects of subsidized healthcare services provided by the government, both central and regional, are important tools and means for promoting health. Health is one of the many determinants of well-being. Many developing countries worldwide strive to improve the health of their citizens in order to advance the nation's well-being. Indonesia is one of the developing countries implementing public health improvement programs. The health subsidy program is one example of the Indonesian government's focus on supporting national health, and this program has been implemented down to the lowest levels in Indonesia. Some countries have opted for direct provision of health goods, while others combine public service provision with subsidized health insurance for families with incomes below a certain threshold. Both models require identifying families unable to afford health services and the types of services considered public goods. This study aims to explore the development of these programs in relation to the fiscal policies implemented in Indonesia, which have been deemed successful in reducing healthcare costs for poor families. The results indicate a strong correlation between fiscal policy and the provision of healthcare facilities for poor families.*

**Keywords:** *Fiscal Policy, Health, Cost of Living*

### 1. INTRODUCTION

Indonesia's fiscal strategy, aimed at accelerating global economic change, is believed to be undertaking various structural reforms. These reforms include human resource development through improving the quality of education and healthcare, strengthening adaptive social protection, and fostering a climate of economic independence. The Golden Indonesia 2045 vision positions Indonesia as one of the world's largest, inclusive and sustainable economic powers.

Indonesia's fiscal policy is counter-cyclical, implementing policies that are contrary to current conditions, namely aimed at boosting aggregate demand when the economy is weakening and curbing inflation when the economy is growing. Various priority programs are also continuously accelerated, including the Free Nutritious Meals program for 82.9 million recipients, Free Health Checks through more than 9,000 community health centers, the establishment of the Red and White Village Cooperative to strengthen the village economy, the construction of People's Schools and Excellent Schools to improve the quality of education, and the revitalization of the agricultural sector with fertilizer support and increased food production. Fiscal policy is aimed at reducing the extreme poverty rate to zero percent, reducing unemployment, and maintaining a low Gini index. The government also demonstrates a commitment to food and energy security, as well as strengthening national defense.

In the health sector, specifically the government, it implements fiscal policies to promote healthy behavior. The government imposes taxes and subsidies on the health sector. Government intervention through public institutions with proven credibility has resulted in the implementation of policy instruments aligned with the stated goals of improving the national economy. This has been accompanied by a positive response from businesses, leading to improved health and well-being. The poor are assisted by government programs, while the wealthy can assist those in vulnerable economies. This is achieved through the concepts of almsgiving and zakat, which are principles of justice in Islam. This article discusses how the state analyzes and reviews health promotion to stimulate economic activity and maintain its viability through fiscal policy instruments based on Sharia principles.

## **2. IMPLEMENTATION METHOD**

This study uses a literature study or library research to answer the research question regarding the importance of fiscal policy instruments based on sharia principles. This research method is qualitative with a juridical-normative approach. Data were obtained through library research from classical and contemporary works regarding fiscal policy in the health sector. The analysis was conducted descriptively and analytically with a maqashid sharia approach. With a qualitative analysis of Islamic legal sources (the Qur'an, hadith, and ijma' of scholars) as well as modern Islamic economic literature, it is possible to obtain new discoveries in the economic field based on these sources of Islamic law.

## **3. RESULTS AND DISCUSSION**

### **3.1 Health Sector Subsidies**

The government has made many breakthroughs in the health sector. For example, it provides subsidized housing to healthcare workers such as midwives, nurses, and community health workers, especially those working in areas where affordable housing is still difficult to find. The government, through the Ministry of Health (Kemenkes), together with the Ministry of Housing and Settlement Areas (PKP), is preparing 35,000 subsidized housing units for healthcare workers in various regions. This program is the result of an agreement between the two ministries to expand access to adequate housing for healthcare workers.

The government also continues to strive to improve access to various health services for the public through the Free Health Check Program (CKG). This program allows the public to undergo health checks at Community Health Centers (Puskesmas) or primary health facilities in collaboration with BPJS Kesehatan. CKG services include three main schemes: birthday health checks for infants, children, and adults; school check-ups for children aged 7-17 at the start of each academic year; and routine check-ups for pregnant women and children up to 6 years old.

In addition to the subsidy program mentioned above, the government is gradually registering the poor and underprivileged with the Social Security Administering Body (BPJS Kesehatan) as premium assistance recipients (PBI) in the National Health Insurance-Indonesian Health Card Program (JKN-KIS/JKN). This premium assistance for the poor and underprivileged aims to facilitate their access to health facilities (faskes), increase their use/utilization of health services when they need them, and provide them with financial protection. However, the increase in the number of JKN participants has not been fully accompanied by an increase in the number and equality of health facilities. Furthermore, the increase in access to health services nationally has not reflected improved access for the poor and underprivileged. The limited current literature on the impact of the JKN Program, particularly its impact on the poor and underprivileged included in the PBI, is the background to this research. A study of the impact of the JKN Program's premium assistance is

needed to answer the question of achieving the JKN Program's objectives for the poor and underprivileged based on the latest data.

In the 1945 Constitution, the government is required to build a system and governance of health services that are integrated with the implementation of social security programs. This is based on Article 28H paragraphs 1-3 which read as follows: everyone has the right to live in physical and spiritual prosperity, to have a place to live and have a good and healthy living environment and has the right to receive health services (paragraph 1), everyone has the right to receive facilities and special treatment to obtain the same opportunities and benefits in order to achieve equality of justice (paragraph 2), and everyone has the right to social security that allows for the development of oneself fully as a dignified human being (paragraph 3).

Article 28H paragraphs 1-3, Article 34 paragraphs 1-3 of the 1945 Constitution also orders the government to provide adequate health service facilities and public service facilities. Article 34 paragraph (3) states: "the state is responsible for providing adequate health service facilities and Adequate public service facilities. These two articles demonstrate that health insurance is a constitutional right of every citizen, guaranteed by law. The law regulates how every Indonesian citizen can access health services.

### **3. 2 National Health Insurance Program**

This program also aligns with the maqasid sharia (objectives of Islamic law). Imam al-Syatibi once stated that there are three levels of objectives in the formation of Islamic law: dharuriyat, hajiyyat, and tahsiniyat. Imam al-Syatibi further stated that within the dharuriyat level, there are five main objectives: preserving religion, preserving reason, preserving descendants, preserving property, and preserving the soul. The five main objectives within the dharuriyat level must be achieved to ensure a good life for humanity. Article 19, paragraph (2) of the National Social Security Law, which states that the purpose of health insurance is to ensure that participants receive health care benefits and protection to meet basic health needs, aligns with the maqasid sharia and falls within the dharuriyat level, namely preserving the soul.

The National Health Insurance (JKN) program is implemented through a social insurance mechanism. The characteristics of social insurance are as follows: [Mardani, Legal Aspects of Islamic Financial Institutions in Indonesia, (Jakarta: Kencana, 2015), p. 87.]

- a. The insurance provider is usually the government.
- b. The legal nature of insurance is mandatory for all members of society.
- c. Determination of insurance compensation is regulated by the government through special regulations.
- d. Its purpose is to provide social security, not to seek profit.

Indirectly, BPJS Kesehatan can be considered a public need (Al-Hajat Al-Ammah) due to the tangible benefits it provides to all Indonesians.

### **3.4 HEALTH CARE TAXES**

Tax calculations in the health sector should take into account specific taxes in the health sector, namely taxes on goods and actions that endanger health, value-added tax (VAT), and environmental taxes. Therefore, all tax and pricing policies need to take into account the impacts, advantages, and disadvantages of these types of taxes, the structure of a country's economy, the condition of industry and manufacturing companies, cultural aspects of society, and the socioeconomic status of the community.

Government taxes play a crucial role in ensuring the availability and quality of healthcare for all levels of society. With sufficient tax funding, the government can build and improve healthcare facilities, provide advanced medical equipment, and fund various beneficial health programs.

State tax revenue in Indonesia, based on data from the December 2024 edition of the APBN Kita-Kinerja dan Fakta report from the Ministry of Finance:

**1. Manufacturing Industry**

As of November 2024, the manufacturing industry remains the largest contributor to national taxes, contributing 25.4%, or approximately IDR 411.74 trillion.

**2. Trade Sector**

The trade sector ranks second, contributing approximately 25.76% of national tax revenue, or approximately IDR 410.44 trillion.

**3. Financial Services and Insurance**

This sector contributes 13.15% of national tax revenue, or approximately IDR 209.47 trillion.

**4. Mining**

Revenue from the mining sector contributed 6.05%, or approximately IDR 96.35 trillion, until November 2024.

**5. Construction and Real Estate**

Land and Building Tax (PBB) is the focus of the construction and real estate sector, with a rate of 4.82%, or approximately IDR 76.78 trillion.

**6. Transportation and Warehousing**

The transportation and warehousing sector contributed 4.78%, or approximately IDR 76.15 trillion, to state tax revenue.

**7. Information and Communication**

Meanwhile, the information and communication sector contributed 3.44%, or approximately IDR 54.76 trillion, to tax revenue.

Therefore, tax revenue is the backbone of state finances, supporting development and public services. Sectors such as manufacturing, trade, financial services and insurance, mining, construction and real estate, transportation and warehousing, and information and communications play a key role in national tax revenue.

### 3.5 Fiscal Policy Instruments

Fiscal policy instruments are sectors within the economy that the government utilizes to maintain macroeconomic stability.

Table 1. Public Expenditure and Bonds

Tax	Shopping Expenditures	Public Bonds
Taxes from the domestic sector	State expenditure	Debt securities for citizens
Foreign Tax	Reduced/added	Loan interest
Increase/decrease people's purchasing power		Retail SBN/SBN that is traded

Fiscal policy, then, is the use of government spending and taxation to influence the economy. Governments typically use fiscal policy to encourage strong, sustainable growth and reduce poverty.

Quoted from Muhammad Idris, he stated that there are seven fiscal policy instruments frequently used in Indonesia: taxes, state budget expenditures, state budget deficits, debt, subsidies, social assistance, and government incentives to encourage investment in sectors deemed critical to economic growth or development.

To support the realization of good governance in state administration, state finances must be managed openly, professionally, transparently, and responsibly, as mandated by the law. [Makmun Syadullah, Muhammad Afdi Nizar, 2013. Fiscal Policy: Theory and Practice in Indonesia, Jakarta: Observation and Research, p. 1.] Fiscal policy is a crucial instrument for managing a country's

economy. Fiscal policy encompasses all policies implemented by the government to maintain stable state revenues and expenditures, thereby enabling the country's economy to grow effectively.

The Fiscal Policy Agency (BKF) is one of the echelon I units of the Ministry of Finance which has the task of formulating and providing policy recommendations in the fiscal and financial sectors in accordance with the provisions of laws and regulations, such as regarding the Organization and Work Procedures of the Ministry.

As amended by the Minister of Finance Regulation (PMK) regarding the assignment, the Financial Services Authority (BKF) carries out:

1. Preparation of technical policies, plans, and programs, analysis of policy recommendations in the fiscal and financial sectors, as well as international economic and financial cooperation.
2. Implementation of analysis and provision of policy recommendations in the fiscal and financial sectors.
3. Implementation of international economic and financial cooperation.
4. Implementation of monitoring and evaluation of policies in the fiscal, financial sectors, and international economic and financial cooperation.
5. Implementation of BKF administration.

Implementation of other functions assigned by the Ministry of Finance.

The increase in economic growth and equal distribution of income among the people is due to the increase in national production driven by government actions.

### **3.6 2025 BPJS Kesehatan Benefit Relief Scheme**

This benefit relief program is scheduled to run from November to the end of 2025, targeting millions of BPJS Kesehatan participants who are in arrears. This measure is part of the government's commitment to ensuring that all citizens continue to have access to adequate healthcare services. However, not all participants are automatically eligible for this program. Only those who meet certain criteria as stipulated by government regulations can receive this relief.

Requirements for Participating in the 2025 BPJS Kesehatan Benefit Relief Program: To benefit from this program, participants must meet the following requirements:

- a. Participants who have transitioned to Premium Assistance Recipients (PBI).
- b. Belong to the low-income category. □ BPJS and BP participants who have been verified by the local government.
- c. Registered in the National Socioeconomic Single Data (DTSEN) from the Ministry of Social Affairs.
- d. The amnesty program is only valid for participants with a maximum of two years of arrears.

The government has confirmed that the BPJS Kesehatan (Social Security Agency) arrears write-off program will be implemented through a re-registration scheme. The program's implementation still awaits a thorough verification process for all participants in the National Health Insurance (JKN) program at BPJS Kesehatan. Fiscal and monetary policy coordination has been significant, particularly during the COVID-19 pandemic, with fiscal stimulus and interest rate cuts aimed at stabilizing the economy. When inflation is high, a tight fiscal policy, balanced with a contractionary monetary policy, can reduce aggregate demand and maintain price stability. This balance is crucial for achieving sustainable macroeconomic goals, such as stable economic growth, controlled inflation, and low unemployment.

Fiscal policy regulates state expenditure and revenue, while monetary policy by Bank Indonesia focuses on regulating the money supply and interest rates. Synergy between these two policies is crucial, as expansionary fiscal policy without appropriate monetary support can lead to inflation, while tight monetary policy during a recession can exacerbate economic contraction. Indonesia's recent economic shock has begun to subside as the domestic market stabilizes and several



economic sectors recover. Subsidies have a positive long-term impact but a negative short-term impact on inflation.

Controlling inflation is crucial for governments for several reasons. Inflation can worsen income distribution, leading to an imbalance, reducing domestic savings, which are a source of investment funds for developing countries. Inflation can also lead to trade deficits and increased foreign debt.

One effective policy for addressing economic instability in a country is fiscal policy. A country's economic stability is reflected, among other things, in price stability, meaning the absence of significant price fluctuations that could harm the public, both consumers and producers, and thus undermine the foundations of the economy. Fiscal policy is one effective policy for addressing economic instability in a country.

### **3.7 The True Health Path Theory**

In public health, habit formation is crucial, given that many healthy behaviors must be practiced not once or twice, or for a short time, but over the long term, or even for a lifetime. Humans are able to assess development as a positive value and strive to achieve a balance between change and stability. They actively regulate their behavior and make behavioral changes in the hope of benefiting themselves. Many verses in the Quran concern health. These verses include Surah Yunus, verse 57, which states that the Quran is a healer; Surah Al-Baqarah, verse 195, which prohibits throwing oneself into destruction; Surah Al-Ma'idah, verse 6, which links cleanliness with tayammum; and Surah Ash-Syu'ara, verse 80, which contains a prayer for healing. These verses teach the importance of maintaining physical and mental health, consuming halal and good food, and maintaining cleanliness.

يَا أَيُّهَا النَّاسُ قَدْ جَاءَكُمْ مَوْعِظَةٌ مِنْ رَبِّكُمْ وَشِفَاءٌ لِمَا فِي الصُّدُورِ وَهُدًى وَرَحْمَةٌ لِلْمُؤْمِنِينَ

*meaning: O people, indeed a lesson (the Qur'an) has come to you from your Lord, a cure for something (disease) in the chest, and guidance and mercy for the believers.*

Because expansive fiscal policy without appropriate monetary support can cause inflation, while tight monetary policy during a recession can exacerbate economic contraction. This results in public anxiety and confusion about what to do. Unemployment rates are soaring, educational paths are increasingly uncertain, health services are poor, and criminal behavior is rampant, as if an unending epidemic. The country's sovereignty is being compromised from within and outside the country, exposing massive, structural, and tangible economic disparities, inequality, and social disparities. These unhealthy behaviors must be corrected. Remember the story of a justice seeker who once came to Sayyidina Umar, only to be brought a piece of bone, and he ordered a straight line to be drawn on the bone.

This is what Islam is like: seemingly simple yet fulfilling. This theory holds that it's time to face life without misdirection. While national leaders once championed Pan-Islamism, it's time to turn the page on Pan-Islamism for the current generation. The spirit of Islam is evident in the transformation of unhealthy mindsets into a truly healthy unity, leading to the victory and glory of the light of true Islam, as envisioned by the Prophet Muhammad and previous scholars.

### **3.8 Fiscal Decentralization and Public Health Service Delivery in Indonesia**

The Special Allocation Fund (DAK) for Health is central government assistance to certain regions, specifically those with fiscal/financial capacity below the national average, to fund the provision of physical health facilities and infrastructure, which are regional matters and align with national priorities. Not all regencies/cities will receive DAK allocations; however, they are based on the region's financial capacity.

The DAK for the Health Sector consists of: Basic Health Services Sub-Sector, Referral Services Sub-Sector, and Pharmaceutical Services Sub-Sector. The DAK for the Basic Health Services Sub-Sector includes the following activities: (1) Improving Community Health Centers Capable of Normal Delivery; (2) Improving Community Health Centers to become Care Community Health Centers/PONED Capable Community Health Centers including official residences of doctors/nurses/midwives, especially in DTPK; (3) New Construction/Renovation of Community Health Centers including official residences of doctors/nurses/midwives; (4) Construction of Village Health Posts.

Regional governments can optimally utilize the Special Allocation Fund (DAK) for Health. Proper planning, implementation, monitoring, and evaluation of DAK utilization are necessary to ensure quality health services. Provincial governments can coordinate, encourage, and drive health development efforts implemented by districts/cities within their jurisdictions, supporting and complementing each other to accelerate improvements in public health within their jurisdictions.

## **4. CONCLUSION**

Fiscal policy is a regulation that influences the state budget. Fiscal policy, along with monetary policy, is crucial for cross-checking the constraints of the economic cycle. In a capitalist economic system, market mechanisms encounter constraints, and it is necessary to evaluate various business processes to ensure that market mechanisms are functioning optimally.

Based on library research on several literature sources, it can be concluded that monetary policy and fiscal policy are policies that influence macroeconomic policy. In Indonesia, fiscal policy is in the management of the State Budget. In the health sector, the government, through health promotion, has planned, analyzed, formulated, and implemented policies and programs aimed at increasing Islamic economic growth. The government continues to optimize policies on tax revenues in accordance with Islamic economics, such as Muslims paying zakat and non-Muslims paying jizyah and kharaj and taxes on customs. Regarding zakat policy, in this case, one of them is productive zakat in the form of capital, education for the poor, and subsidies in the health sector to optimize zakat funds. Fiscal instruments are intended to encourage economic growth to develop, hopefully developing independently.

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