Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam P-ISSN: 2356-1866
DOI: 10.30868/ad.v9i02.8913 E-ISSN: 2614-8838

Date Received	:	**August 2025**
Date Revised	:	**September 2025**
Date Accepted	:	**September 2025**
Date Published	:	**September 2025**

ANALYSIS OF THE EFFECT OF MACROECONOMIC POLICY ON THE STATE BUDGET DEFICIT IN INDONESIA FROM AN ISLAMIC ECONOMIC PERSPECTIVE (2007-2024)

Desi Nabila Hoirun Nisa[1]
Raden Intan State Islamic University Lampung (desinabila31@gmail.com)

Zulaikah
Raden Intan State Islamic University Lampung (Zulaikah@radenintan.ac.id)

Agus Kurniawan
Raden Intan State Islamic University Lampung (aguskurniawan@radenintan.ac.id)

Keywords:
Macroeconomic Policy, Government Securities, Tax Revenue, Exchange Rate, State Budget Deficit.

ABSTRACT

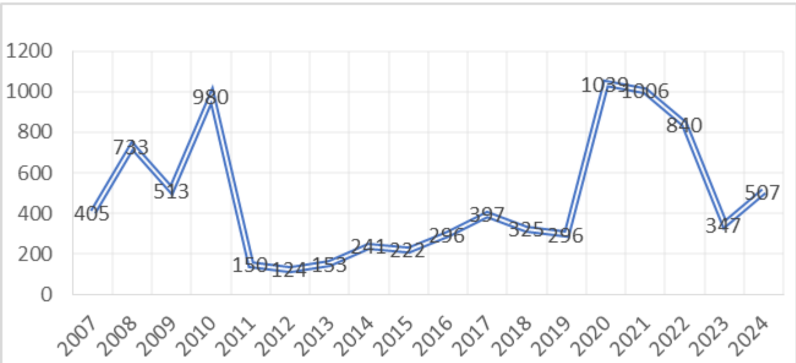
The state budget deficit is a condition where expenditures exceed revenues. In Indonesia, there has been a deficit almost every year. If this condition continues, the main risks are an increase in national debt and economic instability, which will have an impact on the welfare of the people. The purpose of this study is to analyze the factors that influence the state budget deficit. The variables studied are Government Securities, Tax Revenue, and Interest Rates. The data used is *time series* data from 2007 to 2024. The approach applied is *the Error Correction Model* (ECM), which aims to examine long-term and short-term effects. According to this study, government securities do not have a significant short-term effect but have a considerable positive long-term impact. The long-term and short-term effects of the tax revenue variable are significantly negative. Meanwhile, the interest rate variable has no significant effect on either time period. The government is expected to utilize this research as a guide in formulating policies. This research helps academics expand their knowledge and serves as a source of literacy and information for the general public.

A. INTRODUCTION

The State Revenue and Expenditure Budget is an important tool used by the government in regulating, managing, and supervising the economy. Through the State Budget, the government has the authority to plan and implement many development projects and improve public services in order to achieve public welfare (Indonesia, 2023). In practice, the State Budget does not always show a balance between revenue and expenditure. If state expenditures exceed revenues, this condition is referred to as a budget deficit, while a surplus occurs if the opposite is true. The state budget deficit is a complex macroeconomic issue because it can affect fiscal stability and the sustainability of economic growth (Indrawati, 2022).

The increase in the deficit each year has a major impact on the state budget structure (Sari & Kuntadi, 2023). The budget deficit is influenced by several factors, such as a decline in state revenue, an increase in government spending, and suboptimal fiscal policies. The main risks of a budget deficit are the potential for increased national debt and economic instability, which have an impact on the welfare of the people(Nuraisah et al., 2024). In accordance with Law No. 17 of 2003, Article 12, Paragraph 3, regarding state finances, it is stated that in Indonesia, the fiscal deficit is limited to a maximum of 3% of GDP, and the amount of loans is limited to a maximum of 60% of GDP (Harahap et al., 2020).

Graph 1: Indonesia's State Budget Deficit from 2007 to 2024



Source: Ministry of Finance

Graph showing the state budget deficit from 2007 to 2024. The government's fiscal deficit fluctuated substantially between 2007 and 2024, with substantial spikes in 2020 (Rp. 1,039 billion) and 2021 (Rp. 1,006 billion) due to the pandemic, after previously being relatively stable in the range of Rp. 150 billion to Rp. 397 billion. In 2024, the deficit decreased to IDR 507 billion, reflecting post-pandemic fiscal consolidation efforts.

Macroeconomic policy plays an important role in the dynamics of the state budget deficit in Indonesia. The main objective of macro policy is to create stable economic growth(Hakiki et al., 2024) . The macroeconomic policies taken by the government play an important role in terms of both expenditure and revenue. These policies include policy instruments such as fiscal policy and monetary policy (Yollit Permata Sari, S.E., 2021) . In practice, the government uses many strategies to cover the deficit, such as issuing SBN, optimizing tax revenue, and managing interest rates as strategies for financing the deficit and strengthening economic fundamentals (Elisabeth & Sugiyanto, 2021).

Government Securities (SBN) are debt instruments issued by the government to obtain loans from the public, both individuals and institutions(Juhanda, 2022). Therefore, SBNs are created with the aim of closing the gap between revenue and expenditure in the state budget and spending(Indonesia, 2024) . There are several advantages to SBN. First, it offers a safer alternative to foreign debt because it does not depend on exchange rate fluctuations. Second, the government can control interest rates and tenors in line with a more sustainable debt management strategy (Kebendaharaan, 2025).

In addition, tax revenue is the main source of state revenue. In a situation where fiscal revenue from tax collection is unable to offset state expenditure, there will be a budget deficit which ultimately requires funding through debt instruments. Implicitly, the implementation of a budget deficit policy will correlate positively with the growth of emerita debt stock (Fahmi, 2021) .

Another important instrument in macroeconomic policy is interest rates. Reference interest rates affect borrowing costs and the amount of interest on government debt. Rising interest rates can increase the interest burden and worsen the deficit (Qadri et al., 2022) . Thus, interest rates play an important role in maintaining economic stability.

Keynesian theory emphasizes the importance of active government intervention through fiscal and monetary policies to stabilize the economy, in contrast to classical theory, which rejects government intervention (Meiriza et al., 2024) . In *The General Theory of Employment, Interest, and Money,* John Maynard Keynes advocated increased public spending and the implementation of deficit policies to maintain economic activity (Rosul, 2024) .

Islamic economics holds the view that budget deficits must be managed with caution and balance between income and expenditure, fairness, sustainability, and freedom from usury practices. Budget deficits financed through interest-bearing debt are related to the principle of maqashid sharia and can hinder the fair distribution of welfare (Tri Inda Fadhila, 2021) . Allah SWT says in *Qs Al Hasyr: 7*

مَآ اَفَاۤءَ اللّٰهُ عَلٰى رَسُوْلِهٖ مِنْ اَهْلِ الْقُرٰى فَلِلّٰهِ وَلِلرَّسُوْلِ وَلِذِى الْقُرْبٰى وَالْيَتٰمٰى وَالْمَسٰكِيْنِ وَابْنِ السَّبِيْلِۙ كَيْ
لَا يَكُوْنَ دُوْلَةً ۢ بَيْنَ الْاَغْنِيَاۤءِ مِنْكُمْۗ وَمَآ اٰتٰىكُمُ الرَّسُوْلُ فَخُذُوْهُ وَمَا نَهٰىكُمْ عَنْهُ فَانْتَهُوْاۚ وَاتَّقُوا اللّٰهَ ۗاِنَّ اللّٰهَ شَدِيْدُ
الْعِقَابِ

Meaning:
"Whatever wealth Allah has bestowed upon His Messenger from the people of a land without fighting is for Allah, the Messenger, the Messenger's relatives, orphans, the poor, and travelers. The purpose is so that wealth does not only circulate among the rich among you. Accept what the Messenger gives you and avoid what he forbids. Fear Allah, for Allah is severe in punishment." (Qs Al Hasyr: 7)

This article upholds the principle of fair wealth distribution. Fiscal policy must be directed at preventing inequality and not burdening the poor through increasing national debt.(Foggi, 2024) found in his research that taxes have a positive effect on the state budget deficit. Research by(Juhanda, 2022) found that government securities have a substantial positive effect on increasing spending on subsidized employees and civil servants. Research by(Indrianti et al., 2020) found that the state budget deficit is substantially reduced in the short and long term by government securities (SBN).

As a result, there is a research gap that needs to be filled. First, the short-term and long-term effects of interest rates, tax revenues, and SBN on the state budget deficit have not been discussed in detail. Second, previous studies have ignored the Islamic economic perspective and preferred traditional methods. Therefore, by examining the impact of important macroeconomic factors such as government securities, tax revenue, and interest rates on the state budget deficit in Indonesia, this study attempts to fill this gap in the literature.

This study was conducted using time series data from 2007 to 2024 with the *Error Correction Model* (ECM) method, so that it could capture both long-term and short-term relationships simultaneously. This study also integrates an Islamic economic perspective, which is expected to provide a more comprehensive understanding, not only in terms of economic efficiency but also in terms of the values of justice, sustainability, and freedom from usury as recommended in the principles of maqashid syariah.

B. METHOD

Time series data, a type of secondary data, was used in the quantitative methodology of this study. SBN data from the official website of the Ministry of Finance (DJPPR) is part of the research population. The official website of the Ministry of Finance provides tax revenue data, Bank Indonesia provides interest rate data, and the Ministry of Finance website provides statistics on the state budget deficit for 2007–2024. The sampling method used is purposive sampling.

The Error Correction Model (ECM) is the analytical tool used in this study. Using Eviews software, the ECM technique can be used to analyze the short-term and long-term relationships between the dependent variable Y and independent factors, as well as to address problems in non-stationary time series data(Prawoto, 2017). The cointegration regression model in this study uses the *Ordinary* L*east Squares* (*OLS)* method, which can be formulated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

The *Error Correction Model* (ECM) equation is formulated as follows:

$$\Delta Y = \beta_0 + \Delta\beta_1 X_1 + \Delta\beta_2 X_2 + \Delta\beta_3 X_3 + ect$$

C. RESULTS AND DISCUSSION

Results

1. Unit Root Test

This stationarity test utilizes the Augmented Dickey-Fuller (ADF) approach. It is conducted to determine whether the data is stationary or not. The following are the results of the stationarity test at Level 1st difference:

Table 1.
Data Stationarity Test Results

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-8.44086	0.0000	4	60
Null: Unit root (assumes individual unit root process)				
Im, Pesaran, and Shin W-stat	-7.97908	0.0000	4	60
ADF - Fisher Chi-square	62.7815	0.0000	4	60
PP - Fisher's Chi-square	159.761	0.000	4	64

Source: data processing results (2025) using Eviews 10

Table 1 shows the results of the stationarity test at the first difference level. From this analysis, it can be concluded that all variables are stationary, based on a substantial probability at α=5%.

2. Cointegration Test

The purpose of this test is to determine whether there is cointegration among the analyzed data, using the Engel-Granger test approach.

Table 2.

Unit Root Test Results with Dickey-Fuller at the Level

Variable	Adj t-stat	Critical Value MacKinnon 1%	5%	10	Prob	Note
ECT	-5.558030	-3.886751	-3.052169	-2.666593	0.0004	Cointegration

Source: data processing results (2025) using Eviews 10

The ADF t-statistic value, which is greater than the McKinnon critical value at the significance levels of α = 1%, α = 5%, and α = 10%, as well as the probability of 0.0004, was obtained after the DF test was performed to examine the resulting residuals. Therefore, the data can be considered cointegrated.

3. **ECM Model**
   1. **Long-Term Equation Estimation**

Table 3.

Long-Term Estimation Results

Dependent Variable: Def

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SBN	0.000299	0.000115	2.591557	0.0213
PP	-0.000409	0.000165	-2.484796	0.0262
SB	48.96305	64.97254	0.753596	0.4636
C	329.8421	555.8369	0.593415	0.5624
R-squared	0.396248			
Adjusted R-squared	0.266873			
F-statistic	3.062777			
Probability of F-statistic	0.062960			

Source: data processing results (2025) using Eviews 10

Based on Table 3, the following long-term estimation results have been obtained:
***Y*= 329.8421= 0.000299 (SBN) - 0.000409 (PP) + 48.96305 (SB)**

Based on the long-term analysis, the F-statistic probability value covering the independent variables, namely SBN, tax revenue, and interest rates, has no substantial effect on the state budget deficit. The R-squared result is 0.396248, which means that 39% of the state budget deficit variable is influenced by SBN, tax revenue, and interest rates, while the remaining 61% is influenced by other factors outside the model.

   2. **Short-Term Equation Estimation *(Error Correction Model)***

Table 4. Short-Term Estimation Results

Dependent Variable: D(Def)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(SBN)	0.000228	0.000144	1.582333	0.1396
D(PP)	-0.000322	0.000139	-2.309755	0.0395
D(SB)	24.17793	49.18931	0.491528	0.6319
ECT(-1)	-1.354714	0.275733	-4.913141	0.0004
C	2.424625	66.55872	0.036428	0.9715
R-squared	0.762578			
Adjusted R-squared	0.683438			
F-statistic	9.635741			

Probability of F-statistic	0.000999

Source: data processing results (2025) using Eviews 10

Based on Table 4, the following short-term estimation results have been obtained:

DEF= 2.424625 = 0.000228 (SBN) – 0.000322 (PP) + 24.17793 (SB) - 1.354714 ECT(-1)

The ECM specification model used in this study is valid because, based on the ECM estimation results, the ECT (-1) probability value is 0.0004, which indicates substantiality at $\alpha = 5\%$. The state budget deficit is substantially influenced by the short-term examination of the F-statistic probability value, which includes independent variables, including SBN, tax revenue, and interest rates. With an R-squared value of 0.762578, SBN, tax revenue, and interest rates contribute 76% of the state budget deficit variable, with additional factors outside the model affecting the remaining 24%.

D. DISCUSSION

The Effect of Government Securities on the State Budget Deficit in Indonesia from 2007 to 2024

Based on long-term estimates of the SBN variable with a probability value of 0.0213, a coefficient value of 0.000299, and a 5% significance level, the analysis shows that SBN contributes substantially to this increase in the deficit, indicating that an increase in SBN issuance has the potential to widen the government budget deficit. In the long term, every 1-unit increase in SBN issuance will result in a 0.000299-unit increase in the state budget deficit, assuming other variables remain constant (ceteris paribus).

The short-term estimation results for the SBN variable produced a probability of 0.1396 and a coefficient value of 0.000288. This analysis shows that in the short term, a 1-unit increase in SBN issuance will result in a 0.000228-unit increase in the state budget deficit. However, this effect is not statistically significant at the 5% significance level. Therefore, in this case, SBN issuance does not have a substantial impact on changes in the state budget deficit in the short term.

In the long term, SBN has a substantial impact on the state budget deficit. SBN, which was initially used to cover the deficit, will incur principal and interest payments over time. This could have an impact on future state spending allocations to meet these obligations. Conversely, in the short term, SBNs do not have a substantial impact on the state budget deficit. The issuance of SBNs does not directly increase the fiscal burden because interest and principal payments have a certain time lag. In addition, the government can adjust the budget through expenditure efficiency or state budget revisions, which can neutralize the impact of SBN issuance on the state budget deficit.

In John Maynard Keynes' Keynesian theory, which discusses aggregate demand, investment, government spending, and net exports are the main drivers of economic growth (Rosul, 2024). Government spending on infrastructure, education, and health projects has the potential to create jobs, increase community income, and encourage consumption(Wilson Simorangkir, 2022). The funds obtained from the issuance of SBN can increase government spending, which can be one way to encourage economic growth.

One of the points in the theory of maqasid syariah discusses the preservation of wealth *(Muhafazah al-Mal)*, while the wealth in human hands is only a deposit that will be accounted for, so its use must be in accordance with Islamic provisions(Dr. H. Abdul Helim, S.Ag, 2019). The issuance of SBNs used to finance productive projects such as education, health, and public infrastructure is in line with the maqasid syariah, which supports the fulfillment of the basic rights of the people and improves their quality of life(Djayusman & Fatturroyhan, 2017).

This study is in line with the research(Istiqomah & Mafruhah, 2022) that fiscal deficits do not directly affect growth in the short term. However, in the long term, there is a positive and substantial effect. Conceptually, this supports the idea that the effects of deficits (which include financing through SBN) take time to become fully apparent.

The Effect of Tax Revenue on the State Budget Deficit in Indonesia from 2007 to 2024

In the long-term analysis, the tax revenue variable shows a probability value of 0.0262 and a coefficient of -0.000409, which means that every 1 unit increase in tax revenue can reduce the state budget deficit by 0.000409. Meanwhile, in the short term, the probability value of tax revenue is 0.0395 with a coefficient of -0.000266, which indicates that a 1-unit increase in tax revenue has the potential to reduce the state budget deficit by 0.266, assuming other variables remain constant. Both probability values are below the 5% significance level, indicating that tax revenue plays a substantial role in reducing the state budget deficit in both the long and short term.

This analysis indicates that tax revenue has a substantial effect on reducing the state budget deficit in both the long and short term. Higher tax revenues can finance development, drive economic growth, reduce dependence on debt, and stabilize the economy. Therefore, policies that support increased tax revenue are needed (Jundi et al., 2024).

According to Keynesian theory, taxes affect *disposable income* (income that can be spent). Lowering taxes increases disposable income, which can increase consumption and investment. This increase in economic activity results in increased tax revenue, because as income increases, it has the potential to reduce the state budget deficit (Zulaikah, 2024). This theory states that if expansionary fiscal policies, including tax cuts, stimulate demand, encourage businesses to invest and hire, it will improve overall economic performance.

Taxes that are applied fairly and transparently can be a tool for the state to uphold the five maqasid sharia, including protecting religion (*hifdz ad-din*), protecting life *(hifdz* an-nafs), protecting reason *(hifdz al-aql)*, protecting offspring *(hifdz an-nasl*), and protecting property (*hifdz al-mal*). This is especially true in the preservation of wealth and the provision of facilities that support the protection of life, intellect, and lineage (Hatmaka, 2024). The taxation system must be transparent, not burdensome, and used for purposes that are truly beneficial to the wider community.

This study is in line with research conducted by the (Behera & Mallick, 2022) if taxes have a substantial impact on the fiscal deficit. The fiscal deficit can be reduced with stable tax revenues, while low tax revenues can lead to an increase in the deficit and have a negative impact on the economy (Foggi, 2024). Also has the same finding, namely that taxes have a positive effect on the state budget deficit.

The Effect of Interest Rates on the State Budget Deficit in Indonesia from 2007 to 2024

Long-term estimates show that with a probability of 0.4636, every 1 increase in interest rates will increase the state budget deficit by 48.96305. Meanwhile, short-term estimates with a probability of 0.6319 show an increase in the state budget deficit of 24.17793 for every 1 increase in interest rates. However, statistically, the effect of interest rates on the state budget deficit in 2007-2024 is not substantial, because the probability value is greater than 5% ($p > 0.05$).

This analysis shows that changes in interest rates do not directly affect the state budget deficit in the long or short term in Indonesia in 2007-2024. To address the state budget deficit, the government readjusts the expenditure budget or increases revenue, which in this case is part of fiscal policy. Fiscal policy is considered to have a direct impact on economic growth and financial stability(Elisabeth & Sugiyanto, 2021) .

Coordinated monetary and fiscal policies. In this case, Bank Indonesia and the Ministry of Finance maintain close relations in managing interest rates and fiscal financing, especially since the COVID-19 pandemic. The *burden-sharing* policy between BI and the government neutralizes the negative impact of interest rate hikes on the deficit (Kaukub, 2020).

Keynesian theory emphasizes the important role of monetary policy in overseeing many economic issues. Transformation in the financial sector can increase output levels quickly and effectively by using investment and stock trading (Meiriza et al., 2024). When interest rates are low, borrowing costs decrease, encouraging investment and consumption, which can help reduce the budget deficit. Conversely, when interest rates are high, borrowing costs increase, which can hamper investment and consumption. This can worsen the budget deficit because government spending increases to cover the shortfall in revenue generated from economic growth.

The results of the analysis show that the effect of interest rates on demand expenditure is not in line with this theory. From a Keynesian perspective, lower interest rates should encourage investment and consumption, which in turn can increase tax revenues and reduce the budget deficit. However, it appears that in Indonesia there are other more substantial factors, thereby reducing the relevance of the relationship between interest rates and the budget deficit. This study is in line with the research(Daryono Soebagiyo, 2018) that interest rates have an influence but are not substantial on the budget deficit.

Government Securities, Taxes, Interest Rates, and the State Budget Deficit from an Islamic Economic Perspective

In the economic context, SBN, taxes, interest rates, and the state budget deficit are important elements that are interrelated and affect economic stability. From an Islamic economic perspective, these four elements must be managed according to sharia principles that emphasize fairness, transparency, and sustainability.

SBN is a debt instrument issued by the government to obtain financing from the public. In this case, SBN provides returns to investors in the form of coupons (interest) paid periodically. However, from an Islamic economic perspective, instruments such as this raise Sharia issues because they are related to usury. Usury is an addition to the principal debt, which is prohibited in Islam.

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوا اتَّقُوا اللّٰهَ وَذَرُوْا مَا بَقِيَ مِنَ الرِّبٰوٓا اِنْ كُنْتُمْ مُّؤْمِنِيْنَ

Meaning:
"O you who believe, fear Allah and give up what remains of usury, if you are believers" (Qs. Al-Baqarah: 278)

Conventional SBNs are considered to be related to the basic principles of Islamic muamalah. Based on the fatwa of the MUI fiqh experts, if the interest charged on loan transactions (debt, *al qardh, al qard wal iqtiradh)* has sufficient elements of usury, which is not permitted in Islam. Interest in the conventional system is considered no better than the forms of usury mentioned in the Quran, because in practice, additional charges are imposed when the debtor is unable to repay the debt at the specified time. In contrast, in the current interest system, additional charges on the principal loan are imposed from the beginning of the contract, without considering the debtor's financial condition (Panal et al., 2023).

As an alternative that is in line with sharia principles, the government issues SBSN or state sukuk. Sukuk is an investment instrument based on sharia contracts. All SBSN issuances are based on fatwas from the Indonesian Ulema Council's National Sharia Board (DSN-MUI), such as DSN-MUI Fatwa No. 69/DSN-MUI/VI/2008 regarding State Sharia Securities.

On the other hand, there are two views among scholars regarding taxation: those who reject it and those who permit it. Scholars who reject taxation include Muhammad Nashiruddin Albani, Abdul Aziz bin Abdullah bin Baz, Muhammad bin Shalih Al-Utsamin, and Imam Adz-Dzahabi. As for the scholars who permit taxation, they include classical scholars such as Imam Ghazali, Muhammad Umaim Al-Barkati, Al Qurtubi, and Hanbali scholars. Contemporary scholars include Rashid Ridha, Yusuf Qardhawi, Mahmud Syaltut, Muhammad Abu Zahrah (Fatarib, 2019). Taxes are intended to maintain the public interest. In QS. An-Nisa: 59

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْٓا اَطِيْعُوا اللّٰهَ وَاَطِيْعُوا الرَّسُوْلَ وَاُولِى الْاَمْرِ مِنْكُمْۚ فَاِنْ تَنَازَعْتُمْ فِيْ شَيْءٍ فَرُدُّوْهُ اِلَى اللّٰهِ وَالرَّسُوْلِ اِنْ كُنْتُمْ تُؤْمِنُوْنَ بِاللّٰهِ وَالْيَوْمِ الْاٰخِرِۗ ذٰلِكَ خَيْرٌ وَّاَحْسَنُ تَأْوِيْلًا

Meaning:

"O you who believe, obey Allah and His Messenger (Prophet Muhammad), and those in authority among you. If you disagree on something, refer it to Allah (the Qur'an) and His Messenger (His Sunnah), if you truly believe in Allah and the Last Day. This is better for you and will produce the best results, both in this world and in the hereafter." (QS. An-Nisa:59)

The above verse commands Muslims to obey Allah, His Messenger, and *uli'l-amr*. As long as it does not lead to sin, *uli'l-amr* must be obeyed even if it does not satisfy the hearts of his followers. Similarly, when the government imposes certain taxes that are often met with resistance from some parties, the consequence of the command to obey these regulations is automatic compliance. From the perspective of social issues and ijtihad (*furu'*) law, tax policy can be categorized as part of the public interest, which has a broad meaning (Saptono et al., 2023).

Interest is an amount of money that must be paid as compensation for the use of capital, the amount of which is determined based on a certain rate or percentage. From an Islamic economic perspective, interest is considered usury, which is prohibited because it is related to the Islamic principle of (Abdul Rahim, 2021). Syarifruddin Prawiranegara, an economist and former central bank governor, has a different point of view. He rejects the prohibition of interest. In his view, the interest rate that is prohibited is taking advantage of dirty business, deception, and other prohibitions in Islam. If bank interest is still at a reasonable level, collected in accordance with the law, and there is a clear agreement between the bank and the customer that creates an element of willingness, then it is permissible.(Roqi Yasin, 2024). Based on Q.S Al-Imron: 130

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْا لَا تَأْكُلُوا الرِّبٰوٓا اَضْعَافًا مُّضٰعَفَةًۖ وَّاتَّقُوا اللّٰهَ لَعَلَّكُمْ تُفْلِحُوْنَۚ

Meaning:

"O you who believe, avoid riba and fear Allah so that you may prosper." (Q.S Al-Imron: 130)

From the above verse, Syafruddin rejects the opinion that prohibits bank interest. He defines usury as something that is multiplied and contains exploitation, which is prohibited. Overall, SBN, taxes, interest rates, and the state budget deficit are interrelated elements of the economy. From an Islamic economic perspective, the management of these four elements must be carried out in accordance with sharia principles that emphasize fairness, transparency, and sustainability.

CONCLUSION

1. SBN has a substantial influence on the state budget deficit in Indonesia in the long term. However, in the short term, it has no substantial influence. From an Islamic economic perspective, SBN, which provides returns in the form of interest, is considered incompatible with Islamic principles because it is related to usury.
2. Taxes have a substantial impact on the state budget deficit in the long and short term. There are two views among Islamic scholars regarding taxes: those who reject taxes and those who allow them. Most contemporary scholars allow taxes, provided that their application is fair and not excessively burdensome.
3. Interest rates do not have a substantial impact on the state budget deficit in Indonesia. From an Islamic economic perspective, interest is considered usury (riba), which is prohibited. However, there is another opinion that usury is prohibited in the form of multiple profits taken from dirty, fraudulent, and exploitative trade.

Recommendations

1. The government should be cautious in managing government securities, considering that in the long term they have an impact on the state budget deficit. In this case, the government can encourage sharia-based financing to minimize dependence on coupons or interest.

2. In terms of tax revenue, there is a need for fair and efficient tax optimization, which can be achieved through digitalization, tax expansion, and increasing public literacy regarding the importance of taxes in financing the needs of the state.
3. From an Islamic economic perspective, it is important to ensure that all financial transactions not only comply with legal aspects, but also ethical and moral aspects. Therefore, the government should promote sharia financial products. Increased education on sharia financial products is also needed so that the public can better understand the benefits and advantages of a financial system that is free from usury.
4. It is hoped that future authors can add other relevant variables and more detailed data to broaden and deepen the analysis.

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