

Research Article

Conceptual Framework for Preparing APBD Based on Sharia Values: Systematic Literature Review

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Abstract: Regional budget policies serve as fundamental instruments for macroeconomic management, distributive justice, and sustainable development. In Indonesia, the implementation of the Regional Revenue and Expenditure Budget (APBD) remains heavily dominated by technocratic paradigms that prioritize economic growth and administrative compliance, often neglecting ethical, spiritual, and social justice dimensions. This study employs a Systematic Literature Review (SLR) guided by the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework. Literature was sourced from Scopus, Web of Science, and Google Scholar, focusing on Islamic public finance, Sharia governance, and regional fiscal policy. The review reveals a significant epistemological disconnect between conventional fiscal management and Islamic ethical objectives. Empirical evidence from decentralized regions demonstrates that Sharia implementation is frequently limited to symbolic regulations, hampered by conflicting political interests, and lacking measurable evaluative indicators. To address this, the study formulates the Maqasid Shariah Fiscal Framework (MSFF), integrating the protection of religion, life, intellect, lineage, and property into APBD planning. The framework aligns Islamic fiscal principles with modern Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) criteria. Transitioning to a Sharia-based budgeting framework requires a paradigm shift from purely administrative accountability to a dual-accountability system. Integrating innovative instruments like Municipal Sukuk and Zakat into regional fiscal strategies can optimize sustainable development, ensuring that public expenditures genuinely reflect the public interest.

Keywords: Islamic Public Finance; Maqasid Shariah; Regional Fiscal Policy; Sustainable Development; Sustainable Development Goals.

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1. Introduction

State and regional budget policies represent the most fundamental instruments in macroeconomic management, reflecting a government's orientation toward distributive justice, social welfare, and sustainable long-term development (R. Hidayat, 2025). In the context of Indonesia's decentralized fiscal governance framework, the Regional Revenue and Expenditure Budget (APBD) serves as the primary mechanism through which local governments allocate resources, stimulate local economies, and provide essential public services (Kurrohman & Oktaviani, 2025). The APBD is not merely an administrative document recording revenues and expenditures; rather, it is the financial crystallization of a region's political will and developmental priorities. Historically, the paradigm governing public sector budgeting globally and within Indonesia has been heavily rooted in New Public Management (NPM) and conventional capitalist frameworks. These conventional approaches prioritize technocratic efficiency, cost-minimization, and rapid economic growth above all else, often relying on input-output models that fail to capture the holistic well-being of the populace. However, as the complexities of socio-economic inequality, environmental degradation, and institutional corruption escalate, the limitations of this purely secular, technocratic approach have become increasingly apparent. Consequently, there is a growing global and national consensus on the need for an ethical, value-based economic system that balances material growth with moral responsibility and social justice (Anwar et al., 2025).

Within predominantly Muslim societies such as Indonesia, the integration of Islamic ethical principles—specifically those derived from Islamic economics and public finance—presents a profound alternative to conventional fiscal policy. Islamic public finance does not prescribe a rigid, static system of public expenditure; rather, it offers a dynamic ideological framework emphasizing the state's paramount responsibility to assure a basic minimum standard of living for all citizens, prevent the concentration of wealth, and ensure the equitable distribution of resources (Ahmad, 1989). At the core of this alternative paradigm is the concept of Maqasid al-Shari'ah (the higher objectives of Islamic law), which mandates the protection and preservation of five essential elements of human well-being: religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), lineage and future generations (hifz al-nasl), and property and wealth (hifz al-mal) (R. Hidayat, 2025). When applied to public budgeting, these objectives demand that every fiscal decision—from the levying of regional taxes to the allocation of capital expenditures—must be meticulously evaluated against its capacity to generate *maslahah* (public interest) and eliminate *mafsadah* (harm).

Although Indonesia has seen a well-regulated and swift growth in Islamic commercial finance, alongside a theoretically sound framework for Islamic public finance, there remains a significant gap in aligning national and regional fiscal structures with Islamic ethical standards. Efforts have been made to introduce instruments like sovereign *sukuk*, *zakat*, and *waqf*; however, the actual design of regional budgets (APBD) lacks a cohesive integration of Sharia principles. Currently, the budgeting process is largely driven by a technocratic approach that neglects the systemic inclusion of Maqasid al-Shari'ah. Consequently, existing fiscal policies often fall short of comprehensively safeguarding the spiritual and social well-being of the population.

Existing empirical studies on regional autonomy and fiscal decentralization indicate a pronounced normative gap. Even in regions with special autonomy expressly designed to implement Islamic law, such as the Aceh Province, the operationalization of Sharia in public governance and budgetary practices has been fraught with structural challenges (Ayumiati et al., 2024). In such regions, the perspective on Sharia implementation remains overwhelmingly restricted to criminal jurisprudence (*jinayah*), social rituals, and symbolic identity politics, while failing to extend into the complex, structural realities of financial resource allocation and fiscal accountability (Farhana et al., 2022a). This phenomenon is often described in the literature as a "battle of mindset," where bureaucratic actors and politicians struggle to comprehend Sharia as a comprehensive developmental and ethical economic framework.

This epistemological and operational disconnect results in a budgeting process that may nominally operate within a Muslim-majority demographic but structurally functions without measurable indicators for *maslahah*-oriented outcomes (R. Hidayat, 2025). Local politicians and bureaucratic actors continue to view financial accountability through a strictly administrative lens aiming merely for unqualified audit opinions from the Supreme Audit Agency (BPK) or fulfilling procedural requirements rather than embracing the Islamic concept of dual accountability, which demands both legal transparency to the public and spiritual stewardship (*Khalifah*) before God (Farhana et al., 2022b). The absence of comprehensive, Sharia-based performance indicators for the APBD leads to poor resource allocation, persistent budget delays, and the prioritization of elite political desires over the pressing necessities (*dharuriyyat*) of the vulnerable *ummah* (community).

The theoretical foundations necessary to address these dysfunctions require a multidimensional approach. The literature highlights several critical lenses through which local government budgeting can be analyzed and reformed. Fiscal Federalism provides the structural foundation for examining Indonesia's decentralized fiscal governance, highlighting how the delegation of fiscal authority to regional entities creates opportunities for localized ethical frameworks. Conversely, Public Choice theory provides a political lens, explaining how the personal incentives, rent-seeking behaviors, and short-term electoral calculus of local political actors can obstruct long-term environmental planning and the equitable distribution of wealth. To counteract these self-interested behaviors, the Triple Bottom Line (TBL) theory provides an ideal outcome metric, advocating for a mandatory balance among economic, environmental, and social values, a concept that deeply resonates with Islamic ecological and social mandates (Kurrohman & Oktaviani, 2025). Finally, the Resource-Based View (RBV) focuses on the internal capabilities of local governments, emphasizing the necessity of building institutional capacity and human capital to successfully implement complex economic valuation tools and Sharia accounting principles in budgeting.

The novelty of this study lies in its ambition to bridge the deep chasm between the highly developed theoretical literature on Islamic moral economy and the practical, bureaucratic realities of Indonesian regional fiscal policy. While previous research has extensively mapped the application of Maqasid al-Shari'ah within Islamic commercial banking, corporate social responsibility, and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (El-Halaby et al., 2021a), there is a glaring scarcity of systematic conceptual frameworks designed specifically for local government budgeting. Furthermore, modern imperatives such as Green Budgeting, Environmental, Social, and Governance (ESG) criteria, and the United Nations' Sustainable Development Goals (SDGs) share significant, yet underexplored, conceptual overlaps with Islamic ethical mandates (Asy'arie et al., 2025). Exploring these overlaps is crucial for ensuring that Islamic public finance remains highly relevant and operationally viable within contemporary global economic systems.

Therefore, the objective of this systematic literature review is to exhaustively evaluate the existing body of knowledge regarding Islamic public finance, Sharia governance, and regional budgeting. By synthesizing the fragmented literature, this research formulates a comprehensive, actionable conceptual framework. This framework is designed to provide local governments with a multi-dimensional, value-based architecture for the planning, execution, and evaluation of the APBD, ensuring that regional fiscal policies are fundamentally aligned with the principles of justice (*adl*), transparency (*kashf*), trust (*amanah*), and the ultimate realization of holistic public welfare (*maslahah*).

2. Literature Review

To achieve a comprehensive, objective, and reproducible synthesis of the literature concerning Sharia-based regional budgeting, this research was conducted using a Systematic Literature Review (SLR) methodology. The SLR design was strictly structured to adhere to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 statement guidelines (Harahap et al., 2023). The PRISMA methodology is globally recognized for facilitating transparent and complete reporting of systematic reviews, allowing for a highly rigorous evaluation of the intersection between Islamic public finance, Sharia governance, and regional fiscal policy (Page et al., 2021). The execution of this methodology was structured across three distinct operational phases: planning, conducting, and reporting (Ramdani, 2021).

During the initial planning and search execution phase, a comprehensive data collection strategy was deployed across multiple high-impact academic and scientific databases. The primary databases utilized were Scopus, Web of Science (WoS), and Google Scholar, ensuring a broad capture of both highly cited international literature and contextually rich regional studies specific to the Indonesian bureaucratic environment (Kian et al., 2026). The search string was constructed using a combination of Boolean operators designed to capture the multidisciplinary nature of the topic, bridging Islamic jurisprudence, public administration, and accounting. The primary keywords and search strings included variations of "Islamic public finance," "Maqasid al-Shari'ah," "regional budgeting," "APBD," "Sharia governance," "ethical budgeting," "fiscal policy," "transparency," "accountability," and "Indonesia". To ensure the temporal relevance of the data while capturing foundational theoretical texts, the primary inclusion parameters focused on peer-reviewed journal articles, institutional reports, and official government regulatory documents published predominantly between 2000 and 2026 (El-Halaby et al., 2021a).

The data screening and eligibility assessment followed a rigorous two-step phase to filter the initial corpus of retrieved literature (Maulina et al., 2023). In the first step, records were screened based on title and abstract relevance. This initial screen explicitly excluded studies that solely focused on Islamic commercial banking operations, microfinance mechanics, or theological jurisprudence without any substantive nexus to public sector finance, governance, or macroeconomic fiscal policy (Harahap et al., 2023). In the second step, the remaining full-text articles were evaluated against a strict set of predefined inclusion and exclusion criteria to ensure maximum relevance to the study's core objectives.

Table 1. Inclusion and Exclusion Criteria (Inclusion and Exclusion Parameters) used to select literature in the Systematic Literature Review method.

Criteria Category	Inclusion Parameters	Exclusion Parameters
Thematic Focus	Islamic public finance, regional budgeting (APBD), <i>Maqasid al-Shari'ah</i> in public governance, Sharia accounting in the public sector, sustainable/green fiscal policy.	Strictly commercial Islamic banking, micro-level <i>zakat</i> distribution without public policy links, theological texts lacking economic application.
Geographic Context	Global Islamic finance principles, with a specific focus on Indonesian decentralization, regional autonomy, and local government frameworks (e.g., APBD, RPJMD).	Studies focusing exclusively on non-comparable centralized economies without relevance to decentralized regional budgeting mechanics.
Document Type	Peer-reviewed journal articles (Q1-Q4), systematic reviews, published government financial reports, official regulatory guidelines.	Non-peer-reviewed opinion pieces, incomplete conference abstracts, unregulated blogs, and predatory journal publications.
Language	English and Indonesian language publications.	Publications in languages other than English or Indonesian.

Following the final selection of eligible primary studies based on the criteria outlined above, the data processing and synthesis phase utilized a qualitative thematic analysis approach. The extracted data were systematically read, manually coded, and categorized into primary thematic clusters: the normative foundations of Islamic fiscal policy, empirical realities and challenges of local government budgeting in Indonesia, the integration of sustainability and ESG metrics, and the formulation of Maqasid-based performance indicators. This thematic synthesis allowed for the abstraction of scattered conceptual elements into a unified theoretical model, which ultimately forms the basis of the proposed Maqasid Shariah Fiscal Framework for regional budgeting.

3. Materials and Method

Bibliometric Trends and the Epistemological Shift

The systematic literature review reveals a discernible and highly significant evolutionary trajectory in the field accounting and finance research. Over the past three decades, scholarly attention was initially consumed by the theoretical justification of Islamic commercial finance and the establishment of accounting standards for private Islamic Financial Institutions (IFIs), such as those developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (El-Halaby et al., 2021b). Research during this period heavily focused on compliance, internal Sharia audit mechanisms, and the prohibition of *riba* (interest) and *gharar* (uncertainty) within corporate structures.

However, recent bibliometric trends indicate a critical paradigm shift toward Islamic social finance, sustainable development, and public sector governance. Scholars have increasingly recognized that the ethical mandates of Islam cannot be confined solely to private banking; they must permeate the macro-level administration of state and regional resources. Despite this epistemological pivot, the literature identifies a persistent and glaring research gap: while the governance of state-owned enterprises and private Islamic banks has been heavily scrutinized, the bureaucratic and structural complexities of formal government entities specifically local governments managing regional budgets (APBD) remain heavily underexplored. The dearth of empirical models guiding the successful implementation of Sharia accounting in the public sector has led to fragmented, unsystematic integration attemptsof Islamic.

This vacuum fosters a dangerous misconception among policymakers that Sharia frameworks are solely relevant to religious institutions rather than to the operational, day-to-day realities of public financial management and bureaucratic administration.

Normative Foundations: Reconceptualizing Fiscal Efficiency and Justice

To construct a robust Sharia-based conceptual framework for the APBD, it is imperative to ground the analysis in the normative foundations of Islamic public finance, tracing back to classical scholars whose socio-economic models remain highly relevant to modern fiscal policy. The literature prominently highlights the contributions of Abu Yusuf in his seminal classical work, *Kitab al-Kharaj*, which established the early parameters of distributive justice, equitable taxation, and rigorous state accountability (Isro, 2025).

Within a conventional capitalist framework or the prevailing New Public Management (NPM) paradigm, fiscal efficiency is frequently interpreted through the narrow lens of strict cost-minimization, administrative savings, and raw revenue maximization. However, the Islamic perspective fundamentally redefines this concept. True fiscal efficiency, as extrapolated from Abu Yusuf's principles and broader Islamic jurisprudence, occurs only when state revenue is explicitly deployed in accordance with its fundamental purpose: safeguarding the public's livelihood, elevating collective welfare, and systematically preventing the diversion of public funds into the hands of the elite (F. Hidayat et al., 2026). A government program or a regional budget allocation is only deemed efficient if its benefits tangibly return to the community (*maslahah ammah*). In this paradigm, efficiency is an inseparable component of fiscal justice (*'adl*). Budget cuts that result in the deprivation of essential social services for the vulnerable, or austerity measures that disproportionately impact the poor, may be mathematically efficient in a secular model but are epistemologically and morally invalid within an Islamic framework (Isro, 2025).

This emphasis on justice and equity dictates that fiscal policy must actively avoid macroeconomic extremes such as severe inflation and deflation. Inflation militates against the Islamic ideal of giving fair measure of value in all transactions, effectively acting as a hidden tax on the poor, while deflation contradicts the goal of broad-based economic well-being by stifling trade and employment. Furthermore, within the context of the APBD, the collection of Locally-Generated Revenue (PAD)—which includes regional taxes and retributions—must be predicated on the principle of proportionality relative to the taxpayers' actual ability to pay. The integration of Islamic tax justice principles with modern tax policies ensures that regional revenue collection functions as a mechanism for income redistribution rather than an oppressive, regressive burden that stifles inclusive economic growth (Cahyoginarti et al., 2025).

Empirical Realities: Institutional Challenges and the "Battle of Mindset"

Transitioning from normative ideals to empirical realities, the literature provides a critical diagnostic of how local governments in Indonesia currently attempt, and often fail to implement Sharia principles in regional budgeting. The most prominent and thoroughly analyzed case study in the literature is the Aceh Provincial Government, a region granted special autonomy to enact Islamic law. The expectation is that Aceh's Regional Revenue and Expenditure Budget (APBA) would serve as the pinnacle model for a Sharia-based fiscal framework, demonstrating how *Maqasid al-Shari'ah* translates into actionable public policy. However, the findings reveal a systemic "battle of mindset" that severely obstructs comprehensive implementation (Farhana et al., 2022c).

The primary challenge lies in the narrow, highly restricted perspective of Sharia held by bureaucratic actors, politicians, and the public at large. Sharia is predominantly perceived through a legal-punitive and symbolic lens focusing heavily on criminal law (*jinayah*), dress codes, social rituals, and symbolic identity politics. This constrained view fails to recognize Sharia as a developmental, ethical, and structural economic framework. Consequently, local governments, including dedicated agencies such as the Islamic Shari'ah Agency, often lack a technical blueprint, a grand design, or measurable indicators to assess how government activities should incorporate Islamic principles into complex budgetary practices.

This epistemological disconnect leads to severe institutional dysfunction. Viewed through the lens of Public Choice theory (Kurrohman & Oktaviani, 2025), regional budgetary management is frequently derailed by conflicting political interests and rent-seeking behaviors between the executive branch and the regional legislative council (DPRD). Because the structural aspects of Sharia (such as equitable resource distribution and anti-corruption measures) threaten established patronage networks, politicians often prefer superficial Sharia regulations that yield immediate political capital without disrupting the economic status quo. This leads to poor resource allocation, chronic budget delays, and decisions driven by political

compromise rather than the objective necessities (dharuriyyat) of the community (Rifah Yuliani, 2024).

Furthermore, institutional fragmentation occurs when governments attempt to signal Islamic compliance by creating separate "Islamic" agencies (e.g., an Islamic Education Agency) alongside existing "general" agencies (e.g., the general Education Agency), rather than integrating Sharia values holistically across all regional departments. This structural dualism deepens inefficiency, creates overlapping budgetary requests, and fractures the strategic vision articulated in the Regional Medium-Term Development Plan (RPJMD).

The realization of the Maqasid al-Shari'ah in regional expenditures also exhibits a hierarchical discrepancy between classical theoretical models and actual government implementation. Traditional Muslim scholars strictly prioritize the protection of religion above all, followed sequentially by the soul, mind, lineage, and property. In the complex reality of regional governance, budget management cannot strictly separate these categories, as they diametrically overlap. For instance, integrated funding for education and Islamic boarding schools (dayah) simultaneously protects the mind and religion. Moreover, the literature notes that under emergency conditions (such as a public health crisis), protecting the soul (hifz al-nafs) must conceptually and budgetarily supersede the protection of religion, demonstrating the dynamic flexibility of the Maqasid framework (Ayumiati et al., 2024). However, empirical assessments conclude that the determination of regional expenditures reflecting these objectives currently remains "less optimal," hampered by a lack of integrated planning and rigid bureaucratic silos.

Reconceptualizing Accountability and Transparency

To rectify the dysfunctions observed in regional governance, the conceptual framework must enforce a fundamental paradigm shift in how accountability and transparency are understood and practiced. In modern public sector accounting, accountability is generally defined by technical compliance, adherence to Government Accounting Standards (SAP), and the formal presentation of financial statements to auditing bodies. While these administrative mechanisms are vital for establishing a baseline of order and minimizing financial fraud (Mawahib & Fauzan, 2026), they are insufficient on their own to guarantee ethical governance.

Islamic public governance introduces the robust concept of "Dual-Accountability." Accountability in Islam (hisab) is structurally binary: it is both horizontal (administrative and legal responsibility to the citizens, stakeholders, and legislative bodies) and vertical (spiritual and eschatological responsibility to Allah). These dimensions are inherently inseparable; an official cannot be truly accountable to God if they deceive or obfuscate information from the public. The role of public officials is thereby redefined as Khalifah (stewards), managing financial and natural resources that ultimately belong to the divine creator, held in trust for the benefit of the public. As such, fiscal oversight ceases to be merely an administrative duty and elevates to a moral trust (amanah) (Dani Sintara et al., 2025).

This framework necessitates that regional leaders and bureaucratic actors embody four key prophetic characteristics: Siddiq (truthfulness and accuracy in financial reporting), Tabligh (transparency and proactive communication in public policy and budget allocation), Amanah (trustworthiness and integrity in managing regional assets), and Fathanah (intelligence, competence, and innovation in strategic planning).

In practical terms, actualizing these characteristics requires robust, technologically advanced budget transparency mechanisms. The literature explicitly criticizes the lack of transparency laws in certain regions, which limits public access to budget documents, fosters an environment conducive to corruption, and stifles meaningful citizen participation in events such as the Development Planning Musrenbang. To fulfill the Islamic mandate of Kashf (transparency) and mitigate information asymmetry, local governments must aggressively implement digital public financial systems. The adoption of e-budgeting systems and integrated platforms like the Village Financial System (SISKEUDES) are critical interventions. These technologies reduce human interference in procurement, ensure real-time tracking of APBD execution, and allow the public to exercise their right to oversight, thereby institutionalizing the principle of transparency (Sholihat et al., 2025).

Integrating ESG, Green Budgeting, and the SDGs

One of the most profound and actionable insights generated from the systematic literature review is the striking conceptual alignment between modern secular sustainability frameworks such as the United Nations' Sustainable Development Goals (SDGs), Green Budgeting, and Environmental, Social, and Governance (ESG) criteria and the traditional objectives of Maqasid al-Shari'ah. While the SDGs provide a comprehensive global blueprint for addressing poverty, inequality, and climate change, they have faced academic criticism for their fundamentally secular orientation and the absence of a spiritual or moral anchor (Anwar et al., 2025). Integrating Sharia principles enriches the moral dimension of sustainable development through the binding ethics of spiritual sustainability, transforming environmental and social protection from optional policy preferences into mandatory religious duties.

In the context of the APBD, the Triple Bottom Line (TBL) approach which advocates for a mandatory balance among economic viability, environmental preservation, and social equity perfectly mirrors the holistic nature of Islamic welfare. Local governments attempting to transition to a green economy can utilize "Green Budget Tagging," a specific technical guideline for identifying and tracking budget allocations that support environmental goals (Kurrohman & Oktaviani, 2025).² This involves rigorously evaluating budgeting effectiveness by converting expenditure components into carbon emission rates, directly tracking the environmental impact of fuel consumption, electricity usage, and waste management within government operations.

From a Sharia perspective, environmental protection is not merely a progressive policy choice; it is an absolute religious obligation categorized under Hifz al-Nafs (protection of life, encompassing public health, safe habitats, and disaster mitigation) and Hifz al-Nasl (protection of lineage, ensuring that future generations inherit a viable, unpolluted ecosystem) (Anwar et al., 2025). Therefore, when a regional government allocates APBD funds for renewable energy, urban green spaces, or advanced ecological waste management systems, they are simultaneously executing ESG best practices and fulfilling the highest ethical objectives of Islamic law. This alignment provides strategic guidance for building institutional capacity, enhancing project legitimacy, and ensuring long-term resilience against socio-ecological shocks.

The Maqasid Shariah Fiscal Framework (MSFF) for APBD

Synthesizing the normative theories of Islamic public finance, the empirical critiques of current decentralization practices, and the strategic alignments with global sustainability metrics yields the proposed Maqasid Shariah Fiscal Framework (MSFF). The MSFF is designed to structurally embed ethical indicators into the very fabric of the APBD, moving beyond the current technocratic and politically compromised paradigm. This framework operationalizes the five core dimensions of Maqasid al-Shari'ah by mapping them directly to the nomenclature of regional development planning (RPJMD), budget execution, and performance evaluation.

Table 2. Mapping the Maqasid al-Shari'ah Dimensions along with their Implementation and Measurable Indicators in the APBD (The Maqasid Shariah Fiscal Framework for APBD).

Maqasid Dimension	Conceptual Objective in Public Finance	APBD Implementation & Measurable Indicators
Hifz al-Din (Protection of Religion/Ethics)	Ensuring governance is conducted ethically, free from corruption, and supports the spiritual and moral well-being of the community.	Funding for institutional integrity programs, anti-corruption frameworks, and socio-religious infrastructure. Indicator: Reduction in BPK audit findings; improved public transparency index.
Hifz al-Nafs (Protection of Life & Health)	Prioritizing the physical safety, physiological health, and environmental sustainability of the population. Mitigating life-threatening risks.	Prioritized allocation for public healthcare facilities, disaster mitigation, and green budgeting (emissions reduction). Indicator: Life expectancy improvements; maternal mortality reduction; air/water quality indices.
Hifz al-'Aql (Protection of Intellect)	Fostering human capital development, critical thinking, technological	Mandatory minimum allocation strictly for quality education, digital literacy programs, and vocational training infrastructure.

	proficiency, and eliminating systemic ignorance.	Indicator: Mean years of schooling; educational equity metrics across demographics.
Hifz al-Nasl (Protection of Lineage & Family)	Establishing robust social security nets, protecting child welfare, and ensuring intergenerational equity and sustainability.	Social assistance programs for marginalized families, stunting eradication initiatives, affordable public housing. Indicator: Poverty alleviation rates; child malnutrition/stunting reduction metrics.

The literature strongly supports the quantification of these ethical and social indicators to evaluate government performance systematically, ensuring that Maqasid does not remain a purely abstract philosophical concept¹ The utilization of a Maqasid-based welfare index, applying advanced multi-criteria decision-making methods such as Simple Additive Weighting (SAW), allows local governments to assign objective mathematical weights to various budget programs based on their alignment with the five dimensions (Mergaliyev et al., 2021). This ensures that the APBD is evaluated not just on its raw financial realization rate (absorption capacity), but on its genuine, measurable impact on the *maslahah* (public interest).

Furthermore, the MSFF necessitates an intervention phase during the drafting of the General Budget Policies and Provisional Budget Ceilings (KUA-PPAS). Before any allocation is approved by the regional legislature, it must pass a "Maqasid test", a rigorous evaluation to determine whether the proposed expenditure primarily serves the administrative comfort of the elite or addresses the fundamental necessities (*dharuriyyat*) of the vulnerable populace.

Innovative Financing and Instrument Integration

A critical constraint repeatedly identified in regional fiscal governance is the heavy, often crippling reliance on central government transfer funds (such as the General Allocation Fund - DAU) and the limited, stagnant fiscal capacity of Locally-Generated Revenue (PAD). To execute the Maqasid Shariah Fiscal Framework effectively, local governments must leverage innovative Islamic financial instruments to expand their fiscal space and achieve developmental goals without resorting to exploitative, interest-bearing, or highly volatile conventional debt structures.

Municipal Sukuk for Infrastructure Development

The issuance of Municipal Sukuk (Sharia-based regional bonds) represents a highly viable and ethical alternative to conventional regional borrowing.⁴³ Sukuk provides a long-term financing mechanism firmly rooted in Sharia principles, where bondholders receive returns via profit-sharing or lease margins linked to specific, tangible underlying assets, thereby strictly avoiding *riba* (interest) and *gharar* (excessive uncertainty) (Wahid et al., 2025). For regional governments, issuing Municipal Sukuk allows for the accelerated, independent development of vital public infrastructure such as regional hospitals, public markets, and transportation networks (directly fulfilling *Hifz al-Nafs* and *Hifz al-Mal*) while mitigating financial dependence on conventional banking loans or unpredictable foreign debt (Mawardi et al., 2022). Furthermore, structuring these issuances as "Green Sukuk" synergizes with the aforementioned ESG integration strategy, attracting global socially responsible investors while advancing local environmental goals (Rifah Yuliani, 2024).

Integration of Islamic Social and Commercial Finance (IISCF) The conceptual framework also dictates a strategic blurring of the rigid bureaucratic lines between formal state budgets and Islamic social finance. Regional governments can significantly optimize poverty alleviation and economic empowerment programs by formally integrating Zakat, Infaq, Sadaqah (ZIS), and Waqf funds with the APBD planning matrix. While the APBD handles macro-level infrastructure, public service provisioning, and operational expenditures, ZIS funds—managed transparently according to strict Sharia accounting standards such as PSAK 109 issued by the Indonesian Institute of Accountants—can be deployed for hyper-targeted micro-interventions (Monika Handayani et al., 2025). These interventions include capital assistance for micro-enterprises or direct cash transfers to the ultra-poor, ensuring rapid distribution without bureaucratic red tape. Additionally, to convert unproductive waqf land into high-quality public assets (e.g., affordable housing or community clinics), local governments can deploy APBD resources to stimulate development, effectively easing the long-term burden on the regional budget through collaborative, public-philanthropic financing models (Maulina et al., 2023).

Sharia Government Credit Cards (SGCC) At the operational and treasury management level, the adoption of Sharia Government Credit Cards (SGCC) offers a highly effective mechanism to optimize state expenditure management and enforce fiscal discipline.²³ Evaluated through the lens of Islamic precepts, SGCCs facilitate *Hifz al-Mal* (safeguarding state resources) by ensuring all government transactions are instantaneously traceable, fully documented, and structurally free from conventional interest charges. Furthermore, it enhances *Hifz al-'Aql* by enforcing rational, data-driven oversight of routine bureaucratic spending, thereby minimizing leakage, unauthorized procurement, and localized fraud (Kian et al., 2026). This integration of digital payment systems with strict Sharia compliance reinforces the dual-accountability mandate, providing transparent, unalterable audit trails for both the public and supervisory bodies.

Overcoming Implementation Barriers

The successful deployment of the MSFF requires systematically overcoming substantial institutional and cultural barriers. As previously noted, the primary obstacle is the ideological rigidity, "battle of mindset," and limited Islamic financial literacy within regional bureaucracies and legislative councils (Chilshi et al., 2024). Addressing this necessitates intensive, continuous, government-led capacity-building programs designed to elevate the understanding of Sharia not merely as a set of punitive laws, but as an advanced, highly sophisticated socio-economic framework that rivals and surpasses conventional economic models in achieving equity.

Furthermore, structural reforms must aggressively bridge the operational divide between the regional development planning agencies (BAPPEDA) and the financial and asset management agencies (BPKAD). The Regional Medium-Term Development Plan (RPJMD) must be explicitly anchored in quantifiable *Maqasid* indicators, ensuring that subsequent annual work plans (RKPD) and the final APBD document possess a coherent, unbroken thread of ethical orientation (Makruf & Jahroni, 2024).

The role of the regional legislature (DPRD) is equally crucial to this transformation. Elected representatives must pivot away from utilizing the budget as a tool for short-term political patronage and instead utilize the MSFF to rigorously interrogate executive spending proposals, ensuring they align strictly with the principles of *maslahah ammah*. Ultimately, the transformation of the APBD into a Sharia-based instrument is not achieved by merely changing the nomenclature of budget lines or establishing symbolic religious agencies. It requires a fundamental, architectural overhaul of how public value, economic efficiency, and governmental accountability are measured and executed.

4. CONCLUSION

The formulation of a conceptual framework for Sharia-based regional budgeting represents a critical evolution in the discourse of public financial management in Indonesia. The systematic literature review highlights that the current APBD practices, heavily influenced by secular technocratic paradigms and New Public Management, frequently fail to address the root causes of socio-economic inequality, environmental degradation, and systemic corruption. While scattered attempts at implementing Islamic values in regional governance exist, most notably in regions endowed with special autonomy these efforts are consistently stymied by a restricted, purely legalistic and symbolic interpretation of Sharia, conflicting political interests, and an over-reliance on administrative rather than moral accountability.

To bridge this profound epistemological and operational gap, this study proposes the *Maqasid Shariah Fiscal Framework* (MSFF). This framework redefines fiscal efficiency not as mere cost-cutting, but as the rigorous optimization of public welfare (*maslahah*) and distributive justice (*'adl*). By explicitly embedding the five dimensions of *Maqasid al-Shari'ah* the protection of religion, life, intellect, lineage, and property into the DNA of regional development planning (RPJMD) and budget execution, local governments are provided with a comprehensive, value-based architecture. Crucially, the review establishes that these Islamic ethical objectives are highly synergistic with modern global imperatives, including the Sustainable Development Goals (SDGs), Triple Bottom Line (TBL) approaches, and Environmental, Social, and Governance (ESG) criteria.

Transitioning to this framework necessitates a radical shift toward "Dual-Accountability", where regional leaders and financial managers operate as stewards (Khalifah), fully transparent to their constituents and deeply accountable to the divine. Integrating innovative mechanisms such as Municipal Sukuk for ethical infrastructure financing, the strategic alignment of APBD with Zakat and Waqf funds, and the deployment of Sharia Government Credit Cards (SGCC) will provide local governments with the ethical fiscal space required to drive sustainable, inclusive development. Future policy implementation requires regional planning and financial agencies to formally adopt quantifiable Maqasid-based welfare indices into their performance evaluation systems. Subsequent empirical research should focus on longitudinal, multi-case studies analyzing the pilot implementation of the MSFF in diverse Indonesian municipalities, utilizing complex econometric models to assess the quantitative impact of Sharia-aligned fiscal policies on poverty alleviation, infrastructure resilience, and overall regional economic stability.

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