



## **The Role of Baitul Mal in Public Financial Management: A Historical and Contemporary Perspective**

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### **ABSTRACT**

**Keywords:**

Baitul Mal, Economic Development, Islamic Public Finance

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Baitul Mal functions as a separate entity from the state but maintains a close relationship with the government in managing economic and social resources for the welfare of the community. In its early days, Baitul Mal managed funds from sources such as zakat, kharaj, jizyah, and waqf, which were utilized to support economic development, social welfare, and state stability. The institutionalization of Baitul Mal began during the caliphate of Umar ibn Khattab, who transformed the management of funds from a direct distribution system to a more organized system.

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### **A. INTRODUCTION**

In Islamic finance, existing financial policies must be adjusted to the goals to be achieved by an Islamic government. There is a fundamental difference between the goals of economic activities in conventional economics and Islamic economics. The goals of conventional economics are more material and do not consider immaterial aspects. All analysis is aimed at measuring the results of these activities from a worldly perspective only. While Islamic economics has a very comprehensive goal that concerns material and spiritual aspects for both life in the world and life in the hereafter.

The first Islamic state built in the world was the state built by the Prophet in Medina which we know as the Islamic State of Medina. This state was built based on the spirit of Islam reflected in the Qur'an and the leadership

of the Prophet. The main capital used to build this state was not money but the spirit of monotheism instilled by the Prophet in the people of Medina. At that time, the Muhajirin who fled from Mecca and came to Medina without bringing sufficient provisions. Meanwhile, in Medina there was no well-organized government.

To achieve maximum fahlah, market activities cannot be entirely left to the market mechanism, sometimes the market mechanism fails to provide goods and services needed by the community or the market mechanism does not work fairly and justly. The next problem is what goods and services need to be provided by the government or the community, where the source of funds is used to provide these service sources. How is the allocation and distribution of goods and services provided by the government or the community, what are the criteria for goods and services that are suitable or appropriate, therefore, it is necessary to study public finance, what principles are related to finance and how is the state of finance, especially Islam in the past and present.

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## **B. THEORITICAL FRAMEWORK**

Islamic financial institutions use sharia principles in all their operations. Islamic financial institutions that benefit from sharia principles include BTM, BMT, and sharia cooperatives. Indonesia is a country with a majority Muslim population, so it is not surprising that Indonesia has many Islamic financial institutions that use sharia principles in accordance with Islamic teachings. Islamic financial institutions are institutions that provide financial services for people who need funds to establish new businesses and also as loan or savings services so that the surrounding community can develop their businesses because Islamic financial institutions themselves do

not solely seek profit but aim to improve the welfare of the less fortunate in order to eradicate poverty in Indonesia.

Baitul Mal Wat Tamwil or known as BMT has two meanings, Baitul Mal and Baitul Tamwil. The word "maal" has the meaning of social activities, namely the collection and distribution of ZIS (Zakat, Infak, and Shodaqoh). While for "tamwil" is related to non-profit financial activities. BMT is not only oriented towards the commercial business sector whose wealth is concentrated only for the upper class, but rather the distribution of wealth is evenly distributed, especially for the lower middle class. This institution is based on the Qur'an and Hadith, so that all products, contracts, and other operations run according to sharia. BMT is said to be a non-bank sharia financial institution and a sharia microfinance institution, tasked with collecting and mobilizing funds from the people's wealth for the people in the form of financing or loans to users, using a profit-sharing system. The main target for distributing funds is given to small and medium business owners.

### **C. METHOD**

The type of research used is qualitative, where qualitative research is a type of research whose findings are not obtained through other forms of calculation and tries to understand the situation or an event of behavioral interactions in certain situations according to its own perspective. Qualitative methods in research can produce a study of a more comprehensive phenomenon.

The data collection method in this study was carried out using basic theory, literature review, books, journals, articles and modules. While the data analysis in this study is by using basic theory analysis. Basic theory is research conducted to find a theory or to strengthen an existing theory with existing basic principles and rules. Furthermore, basic conclusions are made that form the basic principles of a theory.

### **D. FINDINGS AND DISCUSSION**

#### **1. History of Islamic Public Finance**

When development Islam start looks, And Islam has charged in a

way outright, The Messenger of Allah start send for friend For made into ambassador use to preach religion And take charity public Arab. Matter main Which must done envoy is give lesson religion moreover formerly to leader tribe, and it is hoped can reach his people, the Prophet has delegated Muadh son of jabal to Yemen with job description Which clear, while said:

“I have sent you to come to the people of the book. The main issue that must be you preach to they is invite For worship to Allah. If they have known Allah, tell them to them that Allah obligatory pay zakat. Zakat is collected (obligatory) from the rich, and then distributed to the infidels. If they are waiting for it, then take it from them and keep the glory their property. And fear the prayer of the oppressed, for their prayer is not answered. headscarf with God.”

The Prophet once sent a letter to his employee Amr bin Harith in Najran about problem charity, alms And money. The Messenger of Allah Also selective in choose its employees, namely those whose religion is strong and are pioneers in converting to religion Islam. So that the economy and government of the Prophet Muhammad become strong and can finance life people Islam.

The main goal in economics is to achieve maximum profit, No all over activity economy Can handed over to mechanism market. Sometimes mechanism market fail provide goods And service Which needed by public or the market mechanism does not work fairly and justly. The next problem that appear is How the walk economy Islam on era The Messenger of Allah And Khulafaurrasidin, where does the funding come from to provide goods or services? regarding the allocation and distribution of goods or services provided by the government or the community.

## **2. The Role of Baitul Mal in Islamic Public Financial Policy**

Baitul Maal is an institution dominant in Islamic economics. Institutions This is clearly a separate entity from the ruler or leader of the state. However, the relationship is very strong, because the Baitul Mal institution is an institution that operate functions economy And social from

A country Islam. In Lots literature on the history of classical Islamic civilization and economics, the mechanism of Baitul Mal has always been released from function caliph as head country. It means various decision Which concerning the Baitul Mal and all policies of this institution are predominantly carried out by caliph .

The function and existence of *Baitul Mal* have been clearly expressed in many ways, both in during the time of the Prophet and during the caliphate after he died. But concretely institutionalization of *Baitul The new mall* was built on the time of Umar Bin Khattab, when the policy distribution of the collected funds has changed. The *Baitul Mal institution* is centered in the capital of Medina And have branches in the provinces of the region Islam.

As is known, during the time of the Prophet until the leadership of Abu Bakr, collection And distribution funds charity as well as levies other done in a way simultaneously. It means distribution funds the direct done after collection, so that for officer *Baitul Mall* finished carry out his job No Bring remaining funds for safekeeping. Meanwhile, during the time of Umar Bin Khattab, collection The funds turned out to be so large that a decision was made to save them for necessities emergency. With this decision, *Baitul Mal* was officially institutionalized, with Meaning start for fund management the.

From the explanation in the previous chapters, the role and function of the *Baitul Mujahideen institution has been outlined. Mall* as treasurer country in a way long wide. Function *Baitul Mall* on in essence manage finance country use accumulation funds Which originate from posts receipts such as zakat, kharaj, jizyah, khums, fay', and others. Its use is For carry out programs development economy, social, defense, security, distribution *idea* Islam through diplomacy abroad and all programs development Which become a necessity country. Good use Which of course set up by sharia or Also Which is priority development at that time. More complete use of funds collected in *Baitul The mall* is already described in discussion state budget.

From review history about reception public people Islam can

shown the variety of forms of public funding sources that have been determined by religion and by the government.

<b>Source Reception</b>	<b>Characteristics main</b>
<b>Zakat</b>	<p>It is a direct obligation from Allah Payer zakat is:</p> <ul style="list-style-type: none"> <li>• special Muslim individual</li> <li>• capable in a way material, until threshold</li> </ul> <p>Charged on stock riches or profit No capital Work. The height rates charity influenced by:</p> <ul style="list-style-type: none"> <li>• the more tall dryer management man to natural, the more small zakat rates.</li> <li>• height rates is proportional</li> </ul>
<b>Ushr</b>	<p>It is an obligation imposed by the government on trader, aimed at increasing trade.</p> <p>Payer ushr is trader Muslim And no muslim Charged on volume trading Usually the rate is influenced by:</p> <ul style="list-style-type: none"> <li>• tariffs charged by trading partners</li> <li>• ability to pay (not for small traders)</li> <li>• the amount of services provided by the government.</li> </ul> <p>Temporary, when unfair trade occurs (tariffs are reduced to increase unfair trade)</p>

<b>Source Reception</b>	<b>Characteristics main</b>
<b>Kharaj</b>	<p>It is obligation which is required by government to user land Another country or land.</p> <p>The height rates the more the more tall with condition:</p> <ul style="list-style-type: none"> <li>• quality land And type plant more Good</li> <li>• method production/role HR more low</li> <li>• production yield value (max 50%) Collected in a</li> </ul>

	way permanent periodically.
<b>Jizyah</b>	<p>It is obligation Dear given by government as compensation for protection of life, property, worship and responsibility military.</p> <p>Collected from non-muslim dhimmi who stay in area IslamThe high rates are influenced by:</p> <ul style="list-style-type: none"> <li>• Ability material payer tax</li> <li>• Can paid individual or collective</li> </ul> <p>It is levied permanently, unless the dhimmi converts to Islam then he caught Muslim obligations.</p>
<b>ghanimah</b>	<p>It is treasure Which obtained in a way force through war Intended especially For needs war And welfare soldier (80%) Part 20% allocated For God willing as rates charity Whichcharged on found property.</p>
<b>fay</b>	<p>It is property obtained from non-Muslims peacefully. The principle is the utilization of idle property.</p> <p>Owned by the original owner if he is still alive or converted to Islam and becomes state property if the owner dies while still being a non-Muslim</p> <p>Some income can be said to be fai, such as jizyah, tribute, customs duties, fines, kharaj, amwal fadhila etc</p>
<b>Amwal the glory</b>	<p>Wealth that is acquired because no one has it either because abandoned by its owner or without an heir</p>
<b>The Righteous</b>	<p>This is a levy imposed by the government on certain people for (certain) state purposes, for example for state defense. The levy is carried out purposively, for emergency purposes.</p> <p>Only imposed on the rich.</p>

<p><b>Endowment</b></p>	<p>It is property that a Muslim voluntarily surrenders to his ownership to be used for the benefit of the Islamic community</p> <p>Specialized in assets that have a long term.</p> <p>There are no provisions regarding the amount, it depends on the donor</p>
<p><b>Alms</b></p>	<p>It is property whose ownership is voluntarily handed over by a Muslim to another person or the Muslim community or the state.</p> <p>There are no provisions regarding the amount, it depends on the wishes of the donor.</p> <p>alms</p>

### 3. The Views of Fiqh Experts on Zakat and Tax

Zakat is obligation Which charged to every person Islam after meet certain criteria. In the Qur'an there are 32 words for zakat, and they are repeated 82 times by using terms which are synonyms of the word zakat, namely the words sedekah and donation. Repetition the contain Meaning that charity have position, very important function and role in Islam. Of the 32 verses in the Qur'an load provision charity the, 29 paragraph among them connect provision charity with prayer.

Nash Al - Qur'an about charity lowered in two period, that is period Mecca as much as eight verses (Al-Muzzammil [73] : 20):

﴿ إِنَّ رَبَّكَ يَعْلَمُ أَنَّكَ تَقُومُ أَدْنَىٰ مِنْ ثُلُثِي الضَّلَاطِ وَيُنَصِّفُهُ ۖ وَثُلُثُهَا وَطَائِفَةٌ ۚ مِنَ الَّذِينَ مَعَكَ ۗ وَاللَّهُ يُقَدِّرُ الضَّلَاطِ وَالنَّهَارَ ۚ عَلِمَ أَنْ لَنْ تُحْصَوْهُ فَتَابَ عَلَيْكُمْ ۖ فَاقْرَءُوا مَا تَيَسَّرَ مِنَ الْقُرْآنِ ۚ عَلِمَ أَنْ سَيَكُونُ مِنْكُمْ مَرْضَىٰ ۚ وَآخَرُونَ يَضْرِبُونَ فِي الْأَرْضِ يَبْتَغُونَ مِنْ فَضْلِ اللَّهِ ۚ وَآخَرُونَ يُقَاتِلُونَ فِي سَبِيلِ اللَّهِ ۚ فَاقْرَءُوا مَا تَيَسَّرَ مِنْهُ ۚ وَأَقِيمُوا

الصَّلَاةَ وَءَاتُوا الزَّكَاةَ وَأَقْرِضُوا اللَّهَ قَرْضًا حَسَنًا وَمَا تُقَدِّمُوا لِأَنفُسِكُمْ مِنْ خَيْرٍ  
 تَجِدُوهُ عِنْدَ اللَّهِ هُوَ خَيْرًا وَأَعْظَمَ أَجْرًا وَاسْتَغْفِرُوا لِلَّهِ إِنَّ اللَّهَ غَفُورٌ رَحِيمٌ ﴿٢٠﴾

It means: "Indeed Your God know that You stand (prayer) less than two-thirds of the night, or one-half of the night or one-third and (similarly) a group of people with you. and Allah determines the measure of the night and noon. Allah knows that you cannot determine the time limits. At that time, He made it easy for you, so recite what is easy. (for you) from the Quran. He knows that there will be among you people who will sick and those who travel the earth seeking of Allah's bounty; and other people are fighting in the way of Allah, so read what is easy (for you) from the Koran and establish prayers, pay zakat and give loans to Allah is a good loan. And whatever good you do for yourselves, you will receive it. you will receive (reply) from Allah as the best and fairest reward the greatest reward. and ask Allah for forgiveness; Indeed, Allah is Forgiving again Maha Caring".

#### 4. Implementation of Baitul Mal in Islamic Public Financial Policy in Indonesia

Various instruments that can be used as sources of state financing basically it can be developed because in essence this is an aspect of muamalah, except in the case of zakat. This means that during the process of extracting resources there is no violation of Islamic law, then as long as it is permitted according to Islam. Therefore Therefore, the Indonesian state can implement several instruments that can be used as instrument public financing, namely as follows:

##### a. Zakat

Zakat is the first and most important source of state revenue, at the beginning Islamic government. Other sources of income are as will be explained on part after This. Need noted, that charity is not is source normal acceptance for countries in the world, therefore it is also not considered as source primary financing.

##### b. Asset And Company Country

In context life modern This, Where war physique Already No Again done or for troops is troops professional Which paid, so

Ghonimah cannot be used as a source of income. The government just takes it 20% from ghonimah for alleviation of poverty, child orphans, and ibn stable.

c. Kharaj

Kharaj or commonly called land tax. In its implementation, kharaj is distinguished into two, namely proportional and fixed. Proportionally means imposed as part total from results production agriculture, for example a quarter, fifth, and so on. In general still it means tax still on land. With say other, kharaj proportional is no still, depends on results and price every type results agriculture. While kharaj is still imposed on a year very.

d. Jizyah

Even though jizyah is obligatory, in Islamic teachings there are provisions, namely: that tax imposed on all over non Muslim mature, man man, which capable pay for it. Whereas for women, child child, person old and pastor excluded as a group that is not required to participate in combat and is not expected capable join the fight.

e. Endowment

In Islamic law, waqf means handing over a permanent property right to a person or nadzir, whether an individual or an institution, with the provisions that the result used in accordance with Islamic law.

## 5. Organization and Operations

During the time of Umar bin Abdul Azis, in its operation the *Baitul Mal institution* was divided become a number of department. Distribution department done based on posts revenue owned by *Baitul Mal* as the state treasurer. So that the department which handle charity different with which manage khums, jizyah, kharaj and so on.

Yusuf Qardhawy divides *the Baitul Mal* into four working parts based on the position his acceptance, refer to on time application Islam classic :

- a. Department special For alms (zakat).
- b. Department special For keep tax and tribute.
- c. Department special For ghanimah And rikaz.
- d. Special department for assets whose heirs are unknown or whose rights have been terminated his heir (for example Because murder).

Matter This Actually Also has expressed also by Ibn Taimiyah, he revealed that in the administration of state finances, *Baitul Mal* has been formed a number of department Which known with the Council . Councils the among them is:

- a. Board al Rawatib Which functioning to administer wages And honor for employeecountry and the army.
- b. The Council of Al Jawali wal Mawarits al Hasyriyah, whose function is to manage poll taxes (jizyah)And treasure without heir.
- c. Board al Kharaj Which functioning For to pick up kharaj.
- d. Board al Hilali Which functioning collect tax monthly .

In essence, the development of institutions and policies in Islamic economics is not have standard provisions except for what has been outlined in the sharia. Especially in department formation and strategic policies for collecting and using revenue The country actually also depends on the development or condition of the country's economy. at a certain time. This means that the development of economic institutions and policies is not tied to what previous leaders have done, the role of ijtihad with consider condition contemporary become very determine direction And form economic institutions and policies.

Referring to what Qardhawi has explained about the *Baitul Mal institution* , In its operations, one of the state revenue management policies is when funds owned by the charity department whose function is to fulfill the basic needs of citizens If the country is lacking, then it can use funds from other departments, namely the tax department. And tribute. However on time classic Islam matter This done with scheme debt, It meansIf at some point the charity department has sufficient funds, then the debt must be paid

off. paid to the tax and tribute department. The stages of using state finances are in accordance with as explained previously, where the main source of state finances is zakat, then fay' and tax. If there is still a shortage, the state will implement a scheme insurance, Where all treasure collected by the state and shared equally flat

## **E. CONCLUSION**

Baitul Mal has been an important institution in Islamic finance since the time of Prophet Muhammad and was officially established during the caliphate of Umar Bin Khattab, highlighting its long-standing importance in managing public funds. Baitul Mal functions as a separate entity from the state, yet is closely linked to the government. It plays a vital role in carrying out economic and social functions in the Islamic state, demonstrating its dual responsibility in governance and welfare. Decisions regarding Baitul Mal and its policies are largely made by the caliph, demonstrating the integration of religious authority and state governance in managing public finances.

This paper emphasizes that the Baitul Mal is crucial for the economic stability and well-being of the Muslim community, as it manages resources essential for public services and social support. In short, this paper underlines the fundamental role of Baitul Mal in Islamic public finance, its historical context, and its continuing relevance in contemporary economic policy.

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