

# PARADIGM OF NATIONAL INCOME IN ISLAMIC ECONOMY

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## ABSTRACT

Economic growth and development are macroeconomic problems in the long run. Every country has the opportunity to realize economic growth because the factors of the production increase from one period to another and therefore national income can be increased. National income is one of the important variables in macroeconomic discussions. The term national income is a translation of national income (in full, National Income Accounts). National income does not only calculate national income but also calculates expenditures, even for goods and products nationally. These calculations are performed periodically, usually in annual or quarterly units of time. Since national income can mean all income, all expenditure, or all production of goods and services, the calculation can be made based on the type of economic activity. In Islamic economics, national income is measured by the parameter *Falah*, namely true welfare and welfare. The sources of national income according to Islam are *zakat*, *fai*, and *ghanimah*. In a literal sense, *Falah* is glory and victory in life. For the life of the world, *Falah* includes three definitions, namely survival, freedom of desire, and strength and honor. As for the hereafter, *Falah* includes the meaning of eternal life, prosperity and eternal glory, and eternal knowledge.

**Keywords** : Paradigm, national income, Islamic economics.

## A. INTRODUCTION

Islamic economics is the science that studies human activity or behavior in actual and empirical terms, both in production, distribution, and consumption based on Islamic sharia originating from the Koran and as-Sunnah and the *ijma* 'of the scholars to achieve happiness in the world and the hereafter. . Islamic economics covers a fairly broad economic field as discussed in modern economies. Islamic economics

does not only discuss aspects of human behavior related to how to get money and spend it but also discusses all aspects of the economy that lead to the welfare of the ummah. (Nurul Hak, 2011, p. 6-7).

Macroeconomics is a part of economics that specializes in studying the working mechanism of the economy as a whole. The purpose of macroeconomics is to understand economic events/phenomena to improve economic policies. The relationship

studied in macroeconomics is a causal relationship between aggregative (overall) variables. Among the variables referred to is the level of national income, household consumption, national investment (government and private), saving rate, government spending, general price levels, the amount of money in circulation (inflation), interest rates, employment opportunities, balance sheet. payment (export and import) and others (Iskandar Putong, 2015, p.1).

National income is the subject of the initial discussion of macroeconomic theory. The terms most often used for national income are Gross Domestic Product (GDP) and Gross Domestic Product (GDB). (Aang Curatman, 2010, p. 10).

## **B. FINDINGS AND DISCUSSION**

### **1. National Income**

The concept of national income was first coined by Sir William Petty from England who tried to estimate the national income of his country (England) in 1665. In his calculations using the assumption that national income is the sum of the cost of living (consumption) for a year. However, this opinion is not shared by modern economists, because according to the viewpoint of modern economics, consumption is not the only element in the calculation of national

income. According to them, the main tool as a measure of economic activity is the Gross National Product (GNP), which is the total amount of goods and services produced annually by the country concerned measured according to market prices in a country.

National Income is the amount of income received by production factors that are used to produce goods and services in a country. There are several methods used in calculating national income, namely Gross National Income and Gross Domestic Product. Gross National Product (GNP) or also known as Gross National Income (PNB) is the value of goods and services in a country that is produced by the production factors belonging to these citizens, including the production value realized by production factors used abroad but does not count the production owned by residents or companies from other countries that are used in that country.

Gross Domestic Product (GDP) or also known as is the basic value of all final goods and services produced in a country in a period, including production factors belonging to its citizens and foreign citizens who produce in the country. within the country. In national income there are 3 approaches, namely :

- a. Production approach/method (Gross Domestic Product/GDP)

Based on this method, national income is the goods and services produced by a country in a certain period.

b. Expenditure approach/method (Gross National Product/GNP)

The national approach to the expenditure approach can be defined as the amount of national expenditure to buy goods and services in one period, usually one year.

c. Income approach/method (National Income/NI)

The national approach according to this approach is the amount of income received by the owner of the factors of production (household) which is used to produce goods and services in a certain year.

In economics there are six kinds or concepts of national income, namely:

- a. Gross National Income (GNP) or Produk Nasional Bruto (PNB), Is the amount of goods and services produced by production factors belonging to citizens both living inside and outside the country, but excluding foreign nationals living in the country.
- b. Gross Domestic Product (GDP) or Produk Domestik Bruto (PDB), Is the value of the end of all goods/services produced by all economic units in a country, including goods and services produced by citizens of other countries who live in that country.

c. Nett National Product (NNP) or Produk Nasional Neto (PNN), Namely GNP minus depreciation/depreciation of capital goods in the production process for one year.

d. National Income (NI / NY) or Pendapatan Nasional (PN), is the NNP minus the indirect taxes that are collected by the government.

e. Personal Income or Pendapatan Perseorangan, is the income received by each level of society in one year?

f. Disposable Income or Pendapatan Bersih Setelah Pajak, Is personal income after deducting direct taxes (for example, land and building tax, motor vehicle tax, and so on. (Naf'an, 2014, p. 197-205).

In the conventional calculation of national income, there is often a problem of doubt, the problem is when the calculation is done using real GNP. The use of GNP to measure national income, cannot describe the level of welfare of a nation. Some of the things conveyed by the GNP cannot be used to measure the welfare of a nation, because:

- a. A product that is produced and consumed by itself, is not covered by the GNP. Whereas in villages in developing countries it is often found, to make a living for their daily needs other than rice, the village people use vegetables and crops found in their

yards, then their consumption greatly affects the level of welfare. But none of that counts with GNP.

- b. GNP does not calculate the value of rest time even though it greatly affects welfare.
- c. Bad events such as natural disasters are not counted in the GNP, even though they reduce welfare.
- d. The pollution problem is also not counted in GNP. Lots of factories in their production activities produce water and air pollution. This will damage the environment. Many residents around the factory will get sick, so that means less welfare.

One thing that distinguishes the Islamic economic system from other economic systems is the use of the *falah* parameter. *Falah* is essential well-being, true welfare, where the spiritual components come into the meaning of *falah*. Islamic economics in the sense of an economic system (*nidhom al istishad*) is an economic system that can lead mankind to *falah*, true prosperity. It is true that the economic system, both that no longer exists and which has been buried by history, and which is currently at the peak of its glory, aims to deliver prosperity to its adherents. However, more often than not, this welfare is manifested in a high increase in GNP, which, if divided by the population, will

result in a high per capita income. If that is the only measure, then the modern capitalist will get the maximum number. However, high per capita income is not the only main component that makes up welfare (Mustafa Edwin Nasution, and friends, 2007, p. 193). For example, surely the income is the result of output divided by the number of population. If several people from the population have low income, will it be fair to calculate if the total output is divided by the number of residents? Even though there is a productive side of society but there is another side that turns out to be less productive (Arys Sas, 2015).

## 2. Islamic Economy Perspective

In the economic order of the Islamic State, in particular, it has regulated how the government should make policies for the welfare of its people. In this case, namely fiscal policy (Adib Susilo, 2017, p. 2) which discusses public finance (Adib Susilo, 2017, p. 2). Islam has determined how public financial management should be, in a sense, how the government collects funds from public income sources and redistributes them for the welfare of the community. (Adib Susilo, 2017, p. 2). Public financial management in Islam has been practiced for a long time, from the time of the prophet to the time of al-Khulafa al-

Rasyidun which was later developed by scholars afterward. The spoils of war (ghanimah) became the main source of state finances during the nubuwwah period, which was handed over to the government in the amount of one-fifth (khums) (Adib Susilo, 2017, p. 2) of the total acquisition of each individual. Other sources of state finances during the time of the apostles were infaq, jizyah, kharraj, and 'ushr. During the time of the apostle zakat and 'ushr are the most important income. During the reign of al-Khulafa al-Rashidun, financial resources were not much different from during the time of the Prophet, but during the leadership of Umar bin Khattab, several things needed to be known in matters of state fiscal policy, namely the formation of Baitul Maal regularly and permanently for the first time. , followed by the establishment of al-diwan, and land ownership was determined by Umar as fai (Adib Susilo, 2017, p. 3).

One of the economic problems discussed and outlined in a book by Ibn Taymiyyah is public finance. In public finance, he argues that state income is zakat, fai, ghanimah. He also condemned unfair taxes or cruelty in it, according to him as an illegal source of state income, this is because most of the taxes collected from the public or the people only revolve around the rich. Furthermore, tax

expenditures must be used for the benefit and welfare of society in general. For example the construction of schools, hospitals, teacher allowances, and so on. Ibn Taymiyyah also denounced those who refused to pay taxes and blamed individual taxes, for taking advantage of people's money. So that people's welfare is increasingly difficult to materialize and the social gap between rich and poor is widening.

Ibn Taymiyyah said in his work al-Siyasah as-Syar'iyah that the sources of state wealth described in the Al-Qur'an and the texts of the Prophet's Sunnah are of 3 types, namely: spoils of war (ghanimah), almsgiving, and fai. These three incomes are the main source of income for Islamic countries, which are then used for the welfare of Muslims. Ghanimah is booty taken from unbelievers in battle. This is explained in the Al-Qur'an in Surah Al-Anfal verse 1 about the spoils of war, this verse was revealed during the war of Badr.

يَسْأَلُونَكَ عَنِ الْأَنْفَالِ قُلِ الْأَنْفَالُ لِلَّهِ وَالرَّسُولِ فَاتَّقُوا اللَّهَ وَأَطِيعُوا اللَّهَ وَرَسُولَهُ إِن كُنْتُمْ مُؤْمِنِينَ

*“They ask you about (sharing) the spoils of war. Say, “The spoils of war belong to Allah and the Messenger, therefore fear Allah and make good relations between your neighbors and obey Allah and His Messenger if you are a believer”.* (QS. Al-Anfal: 1)

The Prophet also explained in the hadith that he was given a Khumus by Allah which Khumus had never been given to the previous prophets. Therefore ghanimah must be taken one-fifth of all ghanimah obtained. And Allah has explained about the distribution of the Khumus or one-fifth that is in the letter Al-Anfal, namely for Allah and His Messenger in this context is the country, and for relatives, orphans, the poor, and travelers.

Ibnu Jarir said that other scholars said that what this verse meant was the booty of the special forces. Ibn Jarir said that he had told me Al-Haris, had told me, Abdul Aziz had told us Ali ibn Salih ibn Hay who said that there had been news that said in connection with the meaning of His word: they asked you about (the distribution of the spoils war. (Al-Anfal verse 1) what is meant is Saraya (plural form of shariah which means special forces). Thus, the meaning in question is a gift given by the priest to members of the troops as an addition to their share more than the rest of the troops. This has been explained by Ash-Sya'bi, and Ibn Jarir chooses the opinion that says that anfal is an exaggerated part of nganimah.

This opinion is strengthened by a narration that explains the background of the revelation of this verse. That is a

hadith narrated by Imam Ahmad. Imam Ahmad said that he had told us Muhammad ibn Salamah, from ibn Ishaq, from Abur Rahman, from Sulaiman ibn Musa, from Mak-hul, from Abu Umamah who told us that he had asked Ubadah about the meaning of Al-Anfal. So Ubadah replied that this verse was revealed regarding people who participated in the Battle of Badr, that is when we disagreed about booty so that our character became bad because of it. So Allah SWT took it out of our hands and made it under the hand of Rasulullah SAW. Then Rasulullah saw distributed it among our fellow men with an even distribution (Ibn Katsir, 2016).

وَأَعْلَمُوا أَنَّمَا غَنِمْتُمْ مِنْ شَيْءٍ فَإِنَّ لِلَّهِ خُمُسَهُ وَلِلرَّسُولِ  
 وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَإِذَا جَاءَ السَّيْلُ إِن  
 كُنْتُمْ آمَنْتُمْ بِاللَّهِ وَمَا أَنْزَلْنَا عَلَىٰ عَبْدِنَا يَوْمَ الْفُرْقَانِ يَوْمَ  
 التَّقَىٰ الْجَمْعَانِ وَاللَّهُ عَلَىٰ كُلِّ شَيْءٍ قَدِيرٌ

*“Know, actually whatever you can get as spoils of war, then, in fact, one-fifth for Allah, the Messenger, the Prophet's relatives, the orphans, the poor and Ibn Sabil, if you believe in Allah and in what we send to the servants. we (Muhammad) on the day of Furqaan, namely the day the two armies met. And Allah has power over all things”. (QS. Al-Anfal: 41).*

The remaining portion of the ghanimah which has been taken of one-fifth of its share must be distributed to those who have fought the war. Like what Umar had said that the treasures of the ghanimah had to be distributed to

those present in the war, whether they had killed the enemy or not, of course, one-fifth of the share had been taken. The distribution of ghanimah assets to those who have struggled must be fair, it should not be for their benefit, or group, or heredity, or for people who are liked.

As the Prophet and the caliphs had done after him. During the Umayyad and Abbasid dynasties, ghanimah was still distributed to those who participated in wars. Where at that time the conquest was still ongoing to various regions, such as Rome, Turkey, and Barbarians. And people if the ghanimah has been collected by the state to distribute, then no one is allowed to take the ghanimah because it is tantamount to treason against the nation and the state. It is also not permitted to seize other people's ghanimah. So if the leader does not collect or distribute ghanimah, and taking ghanimah assets from the state treasury is permitted, then the right can be taken away. If anyone obtained the treasure without killing the enemy he could still retrieve it, of course, after surrendering a fifth of his share to the country.

The spoils of war must be taken according to a measure equal to the size of the distribution to create justice and reduce social inequality. Individuals are prohibited from collecting ghanimah

assets themselves because the right to do so is the right of the government alone, not a personal right. This is to avoid the accumulation of wealth or the privatization of wealth which should belong together or belong to the state. This income distribution is to create justice in society and so that wealth does not rotate among the rich only.

Other public income with sadaqah, what is meant by sadaqah here is what is written in the Qur'an or this context is zakat. Ibn Taimiyah explains in his book *al-Siyasah as-Syar'iyah* on the distribution of national income (zakat), that eight groups meet the requirements to receive zakat, namely :

- a. Poor people are needy, therefore rich people don't deserve zakat. And neither can people who can work to provide for their own needs a blessing for zakat.
- b. People who work to take care of zakat or amil zakat.
- c. People with a weak heart or have just embraced Islam.
- d. Slaves in which zakat can be used to free the slave.
- e. People who are entangled in debt and have difficulty in paying their debts are entitled to zakat unless the debt is due to gambling and is unable to pay off the debt so that person is not entitled to zakat.

- f. People who fight for the name of Allah, be it in war, study, and worship. People who are struggling have to be in a difficult situation to make ends meet and are therefore entitled to zakat. Likewise, for people who seek knowledge, especially in a state of concern, the state must pay attention and be able to provide scholarship assistance through funds derived from zakat collected, because people go out to seek knowledge is the same as jihad in the name of Allah until he returns home.
- g. People who worship in the way of Allah such as hajj or da'wah, are entitled to a share of zakat to facilitate their pilgrimage and da'wah.
- h. People who are traveling far from one country to another are entitled to receive zakat as stated in the Qur'an. The meaning of the recipient of zakat can be expanded so that its distribution can also be expanded, for the welfare of the community.

Another public opinion according to Ibn Taymiyyah is *fai*, which is property taken from unbelievers without war. It is stated that *fai* is a gift from God or to give back the assets that were taken by the *kuffar* to Muslims. Because Allah created wealth to assist His servants in worshipping Him. While the disbelievers think that the property

was restored by God for Muslims from the infidels like the booty that was returned, which was previously taken from the real heirs.

Ibn Taymiyyah also said that all public income in a country, consisting of primary sources and secondary sources, must be given in a way that is consistent with Allah's commandments contained in holy books. All state assets must be collected in Baitul Mal and the head of state has the full right to manage the public finances of a country. And the head of state must have someone who can truly be trusted in managing the finances of a country (Adib Susilo, 2017, p.7-9).

Islamic economics must be able to provide a means of measuring economic welfare and social welfare based on the Islamic moral and social system. There are at least four things that should be measured by national income based on the Islamic economy so that the level of welfare can be seen more clearly and unbiased, these four things are, as follows:

- a. National income must be able to measure the distribution of individual income in the household
- b. National income must be able to measure production in the rural sector and the real sector



- c. National income must be able to measure the welfare of the Islamic economy
- d. Calculation of national income as a measure of Islamic social welfare through the estimation of the value of compensation between siblings and alms.

National income according to Islam can be known as the element of *falah*, which is concerned with the welfare of the people, there are 3 sources of state income according to Islam, namely *zakat*, *fai*, and *ghanimah*. Islamic economics as an economic system (*nidhom al istishad*) is an economic system that can lead mankind to *falah*), true welfare.[]

### C. CONCLUSSIONS

National income is an important part of the macroeconomic discussion.

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