

Research Article

Compilation of the State Financial Management System of The Ali Bin Abi Thalib Period and its Implications for Justice-Based Budget Reform in 2026

Nihro Afandi^{1*}, Naila Septiana Camelia²

¹ Sunan Giri University of Surabaya, Indonesia; e-mail: nihroafandi@unsuri.ac.id

² Sunan Giri University of Surabaya, Indonesia; e-mail: nailaseptianaca09@gmail.com

* Corresponding Author: Nihro Afandi

Abstract: This study explores in depth the compilation of the state financial management system during the reign of Caliph Ali bin Abi Talib (656–661 AD) and its relevance to the dynamics of justice-based budget reform in 2026. Amid global economic uncertainty and increasing demands for fiscal transparency, the management model of the Baitul Maal of the Ali era offered an important paradigm regarding the equitable distribution of wealth and strict bureaucratic oversight. The research method used is qualitative descriptive with a historical-analytical approach. The results of the study show that Ali's policies in removing elite privileges, conducting periodic audits of local officials, and the principle of "spending the budget" for the people are crucial instruments for the reform of the modern financial bureaucracy. The conclusion of the study confirms that the integration of Ali bin Abi Talib's ethics into the state financial management system by 2026 can minimize social disparities and strengthen public trust in state institutions.

Keywords: Ali bin Abi Talib; Baitul Maal; Budget Reform; Distribution Justice; State Financial Management

1. Introduction

Entering 2026, Indonesia and the global community are faced with increasingly complex fiscal problems, triggered by the transformation of the digital economy, inflation risks, and public pressure for an equitable distribution of development. This condition demands a fundamental transformation of the national budgeting system that not only focuses on the technical aspects of accounting, but also touches on the values of distribution ethics and social justice. Therefore, reviewing historical references with qualified integrity standards is crucial in formulating current fiscal policy (Fund, 2022).

The leadership of Ali bin Abi Talib is often seen as a golden period in the enforcement of legal justice and financial stability amid the dynamics of Islamic history. Despite the political turmoil and complex internal challenges, Ali remained steadfast in maintaining the integrity of Baitul Maal as the central institution of the state treasury. Through the principles of public management that transcended his time, he ensured that every state asset was managed to the highest standards of morality and unwavering accountability. Ali introduced a revolutionary concept that state property was essentially the property of the people and should be immediately returned to them through equitable distribution. He strongly rejected the idea of storing state wealth as a reserve of political power for certain elites or groups. For him, the accumulation of assets in the state treasury without prompt distribution to those who are entitled is a form of betrayal of the trust of leadership and the civil rights of the community (Sulistiawati et al., 2025).

Received: November 17, 2025

Revised: January 12, 2026

Accepted: March 09, 2026

Published: April 06, 2026

Curr. Ver.: April 06, 2026



Copyright: © 2025 by the authors.
Submitted for possible open
access publication under the
terms and conditions of the
Creative Commons Attribution
(CC BY SA) license
(<https://creativecommons.org/licenses/by-sa/4.0/>)

In practice, Ali bin Abi Talib's fiscal policy is based on radical transparency and strict oversight of the bureaucracy. He often intervened directly to ensure that benefits and social assistance were distributed without discrimination, both to his supporters and those with different political views. This creates a new standard in public financial management where distributive justice is the main parameter of the success of an economic policy. Therefore, his dedication in prioritizing the public benefit has received wide appreciation from various levels of society, ranging from intellectuals to the lower middle class. Abdulai et al. 2025 Ali's leadership has succeeded in proving that financial honesty and alignment with the people are the main instruments in reducing conflicts and building social harmony. This legacy of justice values remains an important reference for the reform of the country's financial management until the current modern era (Hilman, 2022)

The correlation between the financial management of the Ali bin Abi Talib era and the modern system lies in the principles of radical transparency and fiscal accountability which has now been transformed into a concept Open Government Partnership and budget digitization. In the 2026 era, the use of technologies such as blockchain and Artificial Intelligence (AI) to track the flow of state funds in real-time reflecting the integrity of Ali bin Abi Talib while directly supervising Baitul Maal to prevent leaks (S&P 2025). Ali's focus on the immediate and equitable distribution of wealth is in line with the demands of today's budget reform which emphasizes strengthening social safety nets and economic equity to minimize increasingly complex global inequality (Christin et al., 2022).

Furthermore, Ali's policy of prioritizing the prosperity of the land and people over just tax collection has a strong correlation with the principles of sustainable economics (sustainable finance) which is the main trend of state financial management today. Zagzebski. (2023) in the context of the 2026 budget reform, the technical efficiency of modern accounting is combined with the ethics of "non-discrimination" distribution in the style of Ali bin Abi Talib to ensure that fiscal stimulus is not held back at the elite level of the bureaucracy, but directly touches the lower level of society (*proloke*). This historical model provides a moral framework for the digital financial system to be not only technologically sophisticated, but also substantively fair (Khaliq & Berghout, 2025).

The study of the compilation of Baitul Maal management and the 2026 budget reform allows us to see the relationship and discrepancy between the historical ethical foundation and the socio-economic reality faced by the government and the people in the management of state assets. The following are questions related to the material.

The integration of the principles of distributive justice and moral integrity of Baitul Maal in the era of Ali bin Abi Talib has great potential to transform the modern financial management system in 2026. This transformation is directed so that the financial system does not just rely on digital sophistication, but is able to become an instrument of budget reform that radically overcomes social inequality through strict bureaucratic supervision. In evaluating the effectiveness of the budget reform, there are several fundamental strengths of the historical system that are crucial to be maintained, especially regarding the moral integrity of the leader who guarantees absolute honesty in the use of state facilities. In addition, the principle of budget distribution that prioritizes the acceleration of the circulation of money to the people has proven to be effective in stimulating the local economy and minimizing funds deposited in the state treasury, which is also supported by an inclusive supervision system based on community moral participation (Scott, 2025)

However, this evaluation process must also take into account various technical challenges related to gaps in economic scalability and administrative formalities. The simpler financial management of the past required massive adjustments to be relevant to the complexity of the global economy in 2026, particularly in the face of capital market instruments and foreign debt. In addition, the emphasis on individual moral compliance needs to be balanced with standardization of operational procedures as well as rigid digital audit systems to handle the enormous volume of transactions. The evaluation of current budget reform must also be able to overcome dependence on certain leaders by strengthening institutions and the rule of law, so that justice is still guaranteed systematically. By using these aspects as benchmarks, the direction of budget reform in 2026 should ideally be a combination of the advantages of digital technology with the strictness of distribution ethics that was implemented by Ali bin Abi Talib (Public & Policy, 2022).

2. Literature Review

From a normative perspective, public finance focuses on ethical dimensions and value considerations to direct fiscal activities towards the creation of efficient resource allocation, macroeconomic stability, and fair income distribution. This policy is strongly influenced by the government's ideological orientation which aims to balance economic dynamics for the sake of public welfare (Azzahra et al., 2025), as reflected in the firmness of Ali bin Abi Talib's public financial ethics when he radically separated state facilities and private affairs in order to maintain the purity of fiscal trust. The moral integrity he showed in maintaining Baitul Maal It is historical evidence that the honesty of leaders is the main prerequisite for state taxation and spending policies to truly reach all levels of society without discrimination.

Theoretically, the management system Baitul Maal in that period is the initial representation of the paradigm of Tauhidi epistemology or Tawhidi String Relation which was developed by Masudul Alam Choudhury. In this model, fiscal policy is seen as a circular process of knowledge that integrates the ontological dimension of Tawheed as the legal foundation, the epistemological dimension through transparent participatory interaction, and phenomenological manifestations in the form of equitable distribution of wealth (Rusydiana, 2025). Ali bin Abi Talib actualized this paradigm through his written instructions to governors to prioritize land prosperity and people's productivity over just tax collection, a principle that is the philosophical foundation for justice-based budget reform that demands equal distribution of substantive income by 2026.

As a fundamental innovation that reconstructs the accountability paradigm, the implementation of technology blockchain Present to integrate the attributes of decentralization and radical transparency to eliminate the inefficiencies of conventional bureaucracy (Santos, 2025). This technology digitally seeks to replicate the actions of Ali bin Abi Talib who directly supervised the flow of Baitul Maal funds to ensure that their distribution quickly reaches the rightful ones without being held back at the elite level of the bureaucracy. Although the application blockchain in the government ecosystem still faces challenges of scalability and flexibility of the system (Ahmad et al., 2021), the synergy between the sophistication of this digital system and the radical transparency spirit of Ali bin Abi Talib is projected to be able to construct a transparent, adaptive state financial governance and be able to restore public trust in a sustainable manner.

3. Research Method

This research is a qualitative library research. Primary data are sourced from classical historical books that record the letters of Ali bin Abi Talib (such as Nahj al-Balagha) regarding economic instructions to his governors (such as Malik al-Ashtar). Secondary data was obtained from international journals of public management in 2023-2025. The analysis was carried out using the historical comparative method, which is to compare the audit mechanism and past distribution with modern financial audit standards.

4. Results and Discussion

Income and Expenditure Structure of Ali bin Abi Talib



Figure 1. Income and Expenditure Structure of Ali bin Abi Talib

Ali bin Abi Talib managed the country's sources of revenue which included Zakat, Kharaj (land tax), Jizyah, and Ghanimah. However, its biggest innovation lies in the surveillance system (Febiola et al., 2024).

- a. Centralization of Baitul Maal with Decentralization of Benefits: Although administration is carried out neatly, the benefits of the budget must be felt to the remote areas of the territory.
- b. Abolition of Exclusive Allowances: Ali abolished the caste system in state payroll that had previously been based on seniority in Islam, returning it to the principle of equality.

Audit and Officer Accountability



Figure 2. Audit and Officer Accountability

Implications for the 2026 Budget Reform

Entering 2026, Indonesia's and global budget systems can take three key lessons:

- a. Budgeting for the Vulnerable: Budgeting should be designed to touch the bottom group first (Bottom-up justice).



Figure 3. Budgeting for the Vulnerable

The relevance of Ali bin Abi Talib's fiscal management in the contemporary context is manifested in the Budgeting for the Vulnerable paradigm applied in the 2026 budget reform. This bottom-up justice approach places the lower strata as the main orientation in the preparation of the state spending structure.

In this model, the State Budget is designed as "Baitul Maal Modern" which prioritizes the allocation of digital village funds, targeted subsidy programs, and strengthening basic infrastructure that has a direct impact on people's productivity. The use of information technology in 2026 serves to replicate the transparency of Baitul Maal, ensuring that each budget unit is distributed in an inclusive manner and responsive to the real needs of the community at the grassroots level (Keungan, 2025).

- b. Radical Transparency: Using blockchain technology to mimic the transparent nature of Baitul Maal, where every coin that enters and exits can be tracked by the public.

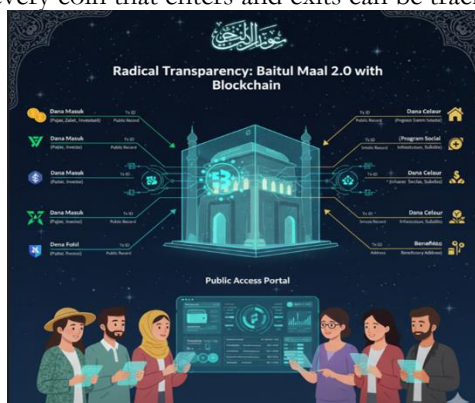


Figure 4. Radical Transparency

The implementation of public financial management based on the Radical Transparency paradigm can be understood as a contemporary form of actualization of

the accountability value of Baitul Maal during the reign of Ali bin Abi Talib. Historically, he was known to implement strict supervision of state financial governance by improving the administration of Baitul Maal both at the central and regional levels, so that the distribution of public wealth could take place fairly and equitably. In the modern context of 2026, the principle of openness is reinterpreted through the use of blockchain technology as a decentralized recording system.

The way this model works takes advantage of the main characteristics of the blockchain, namely the impossibility of changing data after it is recorded and the ability to track transactions openly. With this character, every inflow and outflow of state funds can be monitored directly by the wider community. This practice is in line with Ali bin Abi Talib's policy which emphasizes the rapid and comprehensive distribution of state revenue, so that there is no accumulation of funds or potential misuse by government officials.

The use of technology not only serves as a means of digital audit, but also as a medium to encourage justice based on community participation. The presence of a public access portal allows citizens to verify the distribution of the budget, especially for vulnerable groups, so that it remains inclusive and free from bureaucratic discriminatory treatment. Thus, the combination of historical justice values and digital innovation contributes to building a fiscal system that is more reliable, adaptive, and accountable to the real needs of society at the lower levels (Karso, 2025).

- c. Integrity of the Apparatus: Reform is not only in the digital system, but in the "Ethics of Office" as Ali who never used state facilities (even lamp oil) for personal affairs.



Integritas Aparat: Etika Jabatan dalam Reformasi Fiskal Digital

Figure 5. Integrity of the Apparatus

The restructuring of the state financial system in the contemporary digital ecosystem does not only rely on technological excellence, but fundamentally requires strengthening the ethics of the position as the moral foundation of the apparatus. This principle reflects the doctrine of the integrity of Caliph Ali bin Abi Talib which applies a very strict demarcation between public assets and private interests. History records that he consciously disabled state facilities such as oil lamps when he switched from government administrative matters to personal matters. In the modern governance paradigm, the internalization of these values is crucial to ensure that budget allocations are managed with absolute moral commitment, so that the potential for fiscal leakage due to abuse of state authority and facilities can be minimized preventively.

The synergy between qualified individual integrity and a supervision mechanism based on digital technology creates credible and accountable bureaucratic stability. Although the fiscal reform projections of 2026 have been equipped with a radical transparency system, its success is still determined by the quality of human resources who have the professional awareness not to exploit technical loopholes for personal gain. The adoption of the principle of prudence of Ali bin Abi Talib in maintaining the mandate of Baitul Maal has become an ethical compass for the state civil servants in mitigating the risk of structural corruption. Thus, holistic fiscal reform not only aims to achieve administrative efficiency, but also constructs an organizational culture that places office as a public trust that is fully oriented towards the benefit of the wider community (Janwari & Al-hakim, 2024).

Critical Analysis of Distribution Fairness

According to Sofana (2022), concept integration Baitul Maal Wat Tamwil (BMT) is seen as a crucial instrument in local economic development through the dual function of social and commercial fund management which theoretically replicates the principle of direct distribution in the era of Ali bin Abi Talib to strengthen the purchasing power of the lower strata of the community. The implementation of this model in the 2026 budget reform serves a strategic function to mitigate the phenomenon of settling funds (idle fund) by transforming

fiscal allocation into inclusive productive capital, so that budget stimulation is no longer held at the bureaucratic level, but directly touches the micro sector that has high absorption at the grassroots level.

This policy transformation requires a reform of the mechanism for distributing public funds to be more responsive and have minimal administrative obstacles. The relevance of Ali bin Abi Talib's economic ethics in the contemporary context lies in the urgency of budget liquidity which must be immediately converted into productive capital for the lower strata of society (bottom-up justice). By minimizing fund retention at the bureaucratic level, the state can ensure that fiscal instruments function effectively as the driving force of an inclusive and sustainable national economy (Islam et al., 2024).

5. Conclusions

The transformation of state financial management in 2026 requires the integration of the principles of fiscal ethics in the era of Caliph Ali bin Abi Talib and contemporary digital technology innovations. The Budgeting for the Vulnerable paradigm that emphasizes bottom-up justice is key in overcoming economic inequality, where budget allocation is prioritized to strengthen the productivity of the lower layers of society and the development of digital infrastructure in rural areas. The replication of Baitul Maal's transparency value through blockchain technology has proven to be effective in ensuring accountability and traceability of state cash flows in real-time, as well as becoming a strategic instrument to mitigate the risk of idle funds through accelerating more responsive and inclusive budget distribution.

Furthermore, the success of this digital fiscal reform is fundamentally determined by the internalization of "Ethics of Position" as the moral compass of the state civil apparatus. The example of Ali bin Abi Talib in maintaining a firm demarcation between public assets and private interests is a crucial foundation to prevent fiscal leakage and abuse of authority in the midst of the sophistication of information systems. The synergy between absolute moral integrity and a data-based supervision system not only aims to achieve administrative efficiency, but also builds an organizational culture that places positions as a public trust. Thus, the synchronization of historical ethics and digital innovation is projected to be able to strengthen national fiscal resilience and restore public trust in state institutions in a sustainable manner. Financial analysis during the time of Ali bin Abi Talib is not only a historical artifact, but a prototype of crisis management and fiscal justice. Its strength lies in three pillars: Fairness of distribution, strict bureaucratic oversight, and the simplicity of leaders. The 2026 budget reform will achieve its goals if it is able to adopt the spirit of integrity of Ali bin Abi Talib in every expenditure post.

The government is advised to immediately synchronize regulations related to the digitization of public finances with strengthening the integrity curriculum based on the values of universal leadership wisdom. In addition, it is necessary to develop a digital public audit platform so that transparency is not only an administrative slogan, but a real social control mechanism.

References

- Abdulai, A.-M., Iddrisu, O., Osman, A., & Iddrisu, A. (2025). Leadership integrity: A strategic pillar for ethical decision making and organizational excellence. *Advances in Research*, 26, 65–73.
- Ahmad, D., Lutfiani, N., Rizki Ahmad, A. D. A., Rahardja, U., & Aini, Q. (2021). Blockchain technology immutability framework design in e-government. *Journal of Public Administration*, 11(1), 32–41.
- Azzahra, A., Fery, T. F., Ai, R., Hidayat, L., Economy, P., Pamulang, U., South, T., Fiscal, K., Policy, F., & Inequality, I. (2025). 1310–1318.
- Christin, M. D., Ilat, V., & Pusung, R. J. (2022). Penerapan prinsip good governance dalam pengelolaan keuangan di sekretariat DPRD Manado [Application of good governance principles in financial management at the Manado DPRD Secretariat]. *LPPM Journal of Eco.SosBudKum (Economics, Social, Culture, and Law)*, 5(2), 285–292.
- Khalid, D., & Berghout, D. (2025). Islamic finance and sustainable development: Balancing spirituality, values, and profit.
- Febiola, P., Putri, R. H., Pasaribu, R. L., Hidayat, F., & Widianita, R. (2024). Economic implications of fiscal policy in the time of Caliph Uthman and Ali. *JIOSE: Journal of Indonesian Sharia Economics*, 3(2), 167–178.
- International Monetary Fund. (2022). *FISCAL*.
- Hilman, J. (2022). The existence and development of Baitul Maal during the period of Islamic economic thought of Khulafa'ur Rashidin.
- Islam, R., Zailani, S., & Ahmed, S. (2024). *Islamic operations management*. In *Islamic operations management*.

- Janwari, Y., & Al-hakim, S. (2024). AL-AFKAR: Journal for Islamic Studies fiscal policy in Islam (Pre-Treatise Period, Prophet and Khulafa Rashidin Period). 7(2), 567.
- Karso, A. J. (2025). Islamic financial instruments as a halal investment solution in the perspective of Islamic law. *Journal of Science, Economics, Management, Accounting and Law*, 2(4), 318–322.
- Kau, S., & Fitriana. (2025). The role and impact of artificial intelligence on the transformation of public sector audit in the digital era. *E-Jurnal Akuntansi*, 35, 1217–1245.
- Keungan, K. R. (2025). Work plan and budget set. Ministry of Public Works budget ceiling for 2026 Rp118.5 trillion, priority to support food self-sufficiency.
- Public, O., & Policy, G. (2022). *OECD digital government index, 2019*.
- Rusydia, A. S. (2025). Book review: The Tawhidi methodological worldview; A transdisciplinary study of Islamic economics. *Islamic Economics Methodology*, 4(1).
- Santos, J. (2025). Blockchain for enhancing transparency and accountability in public sector governance (pp. 73–128).
- Sofana, R. D. P. (2022). The role of Islamic micro financial cooperatives (Baitul Maal Wat Tamwil) in local economic development. *Semarang State University Undergraduate Law and Society Review*, 2(1), 39–56.
- Sugiyanto, H. (2025). Evolution of public sector leadership in the era of digital transformation. *International Journal of Public Administration and Policy*, 1(1), 23–30.
- Sulistiawati, A. N., Lia Amanda, R., Rahmawati, T., & Any, P. A. (2025). Good governance in Islam: Leadership in Islam. *Parlementer: Journal of Legal and Public Administration Studies*, 2(2), 315–326.
- Zagzebski, L. (2023). Virtue ethics. *Think*, 22, 15–21.