

## Public expenditure: between conceptual essence and rationalization a study of theoretical foundations and islamic economic pillars

النفقات العامة بين الماهية والترشيد: دراسة في الأسس النظرية والمرتكزات الاقتصادية الإسلامية

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### Abstract:

*This research examines the problematic of public expenditure, exploring its nature, the factors driving its escalation, and the mechanisms for its rationalization, based on two complementary approaches: modern fiscal theory and Islamic economics. The study aims to conceptualize public spending, analyze the underlying causes of its apparent and real growth, and elucidate rationalization frameworks grounded in efficiency, effectiveness, distributive justice, and robust oversight. The findings demonstrate that the rationalization of public expenditure does not necessarily imply a perpetual reduction in volume; rather, it primarily signifies the maximization of socio-economic impact—often without a perceived decrease in value. Furthermore, the study concludes that the Islamic economic framework provides integrated financial governance principles that, in essence, predate many contemporary fiscal theories*

**Keywords:** public expenditure, spending rationalization, finance governance, Islamic economics.

### ملخص:

يتناول هذا البحث إشكالية الإنفاق العام من حيث ماهيته وأسباب تزايدده وسبل ترشيده، مستندا إلى مقاربتين متكاملتين: الفكر المالي الحديث والاقتصاد الإسلامي. ويهدف إلى تأصيل مفهوم النفقات العامة وتحليل أسباب تناميها الظاهرية والحقيقية، واستجلاء آليات ترشيدها القائمة على الكفاءة والفاعلية وعدالة التوزيع والرقابة الفعالة. وقد خلصت الدراسة إلى أن ترشيد الإنفاق العام لا يعني تقليصه وتقليل قيمه دائما، بل يعني في أحيان كثيرة تعظيم أثره الاجتماعي والاقتصادي بدون أن يتشعر بتقليل قيمته، وأن المنظومة الإسلامية وفرت مبادئ حوكمة مالية متكاملة تسبق في جوهرها كثيرا من النظريات الحديثة.

**كلمات مفتاحية:** النفقات العامة، ترشيد الإنفاق، الحوكمة المالية، الاقتصاد الإسلامي.

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## **1 .INTRODUCTION**

Public expenditure constitutes a fundamental instrument within the modern state's repertoire to attain economic, social, and political objectives. It represents the functional counterpart of fiscal policy, steering the trajectory of development and delineating the social contract between the state and its citizenry. Through public spending, essential services—encompassing education, healthcare, transportation, and infrastructure—are provided, income distribution is restructured across various social strata, and economic growth is stimulated during periods of recession and crisis. Consequently, the study of public expenditure is both a scientific and practical necessity.

This pivotal role is reflected in the evolution of economic thought, transitioning from Classical Liberalism, which circumscribed the state's functions to the narrowest possible bounds, to Keynesianism, which elevated government spending as a primary lever for macroeconomic stability and a remedy for market failures. This transition marked a radical shift in the perception of public funds and their civilizational function.

However, the expansion of the state's role and the diversification of its mandates over the past century have led to a persistent surge in the volume of public expenditure. This phenomenon was famously observed by the German economist Adolph Wagner in his 1892 "Law of Increasing State Activity," which correlated economic growth with an escalating scale of state expenditure that outpaces per capita income growth. Today, this steady escalation has become a source of concern for economists and financial experts alike, particularly in light of the fundamental economic problem: the scarcity of resources versus the proliferation of needs, the rising demands of development, and the worsening budget deficits in many nations.

Furthermore, an increase in spending does not necessarily translate into a commensurate improvement in the quality of services. Such increases are often marred by fiscal corruption, bureaucracy, extravagance, and unjustified employment, transforming public funds from a development engine into a burden on the national economy. Hence, an urgent need has emerged for the Rationalization of Public Expenditure a scientific methodology predicated on efficiency and effectiveness in the utilization of public resources to achieve maximum social utility at the minimum possible cost, without undermining the state's core functions.

This study does not limit itself to conventional economic approaches; it also invokes the venerable Islamic intellectual heritage, which established the rules for safeguarding and managing public funds long before modern fiscal theories were formulated. Islamic jurisprudence meticulously defined the avenues of public fund allocation, warning against extravagance (Israf) and waste (Tabdhir) through explicit Quranic texts and Prophetic traditions. It instituted specialized oversight mechanisms, such as the Al-Hisbah system, to protect public wealth. By employing principles such as Qawama (moderate stewardship), Shura (consultation), and social

justice, this heritage remains a profound and authentic resource for addressing contemporary financial governance issues.

- **Main Research Question:**

How can the effective rationalization of public expenditure be achieved in light of modern theoretical foundations and Islamic economic pillars to ensure the preservation of limited public funds while satisfying the increasing needs of society?

- **Sub-Questions:**

- What is the nature of public expenditure in terms of its concept, characteristics, and various forms?
- What are the apparent and real causes driving the phenomenon of increasing public expenditure in contemporary economies?
- What is the conceptual framework of rationalization, what are its determinants of success, and how do the dimensions of efficiency and effectiveness manifest in resource allocation?
- What principles and mechanisms did Islamic economics establish to safeguard public funds, and to what extent are they applicable in a contemporary context?

- **Research Objectives:**

- 1 .Conceptual Grounding: To define the essence of public expenditure and establish its characteristics and forms according to modern fiscal thought.
- 2 .Diagnosis and Analysis: To monitor and analyze the apparent and real causes of spending growth across economic, social, political, administrative, and military dimensions.
- 3 .Constructing a Normative Framework: To develop an integrated analytical framework for rationalization that bridges efficiency and effectiveness.
- 4 .Applied Knowledge Integration: To elucidate the Sharia-based principles of Islamic economics regarding the protection of public funds and their contribution to solving modern dilemmas.
- 5 .Actionable Recommendations: To propose practical measures to enhance oversight and transparency in expenditure management.

- **Significance of the Study:**

**Theoretically:** The study fills a gap in Arabic financial literature by methodologically blending modern and Islamic fiscal approaches—a synthesis rarely found in comparative studies.

**Practically:** The escalating pressure on state budgets and the prevalence of corruption and waste in both developing and developed nations make the search for rationalization mechanisms a pressing priority.

**Strategically:** The study invokes Islamic ethical and institutional systems as an authentic tributary for the governance of public funds, enriching the proposed solutions with a distinct civilizational momentum.

- **Research Structure :**

- The Nature and Essence of Public Expenditure.
- Theoretical Perspectives on the Increase of Public Expenditure.
- Rationalization as a Necessity for Safeguarding Public Funds.
- The Foundations of Expenditure Rationalization in Islamic Economics.

## **2- The Nature of Public Expenditure**

Public expenditure represents one half of the state budget, serving as a primary instrument for achieving specific objectives. Due to its comprehensive scope and impact on various economic and social variables, it is essential to define its concept, characteristics, and forms.

### **2-1- Definition of Public Expenditure**

Definitions vary based on the perspective of the legal or economic entity, yet the consensus centers on the following:

-Public expenditures are the financial sums disbursed by the public authority (the government and local municipalities) or a monetary amount spent by a public legal entity to achieve a public utility.

-Modern fiscal thought defines it as a sum of money spent by a public person to perform a service of public benefit or to satisfy a public need.

In summary: Public expenditure is a monetary sum disbursed from the state's financial treasury or one of its agencies for the purpose of satisfying a public need.

Consequently, three conditions must be met for an expenditure to be classified as "public:"

- 1 .It must be a monetary sum
- 2 .It must be issued by the State (or a public entity).
- 3 .It must aim to satisfy a public need.

### **2-2- Characteristics of Public Expenditure**

1 .The Monetary Characteristic: Public expenditure takes a monetary form, representing the payments made by the state to acquire productive resources, consumer goods, and services (e.g., salaries for civil or military employees). In-kind resources obtained through coercion (such as the \*corvée\* system or seizure) or minor in-kind benefits (like free housing for certain officials) are generally excluded from the technical definition of public expenditure.

2 .The Spending Entity (Legal Status): The expenditure must originate from the state or one of its administrative organizations. Thus, spending by private individuals or entities—even if intended for public benefit (e.g., donations for building mosques, schools, or hospitals)—does not constitute public expenditure. Fiscal thought distinguishes this through the Legal Criterion (the entity) and the Functional Criterion (the purpose).

3 .The Goal of Public Utility: An expenditure is only "public" if it satisfies a public need. This is justified by two factors: first, that public needs are the sole justification for the state's existence; second, that spending for private benefit violates the principle of equality among citizens in bearing public burdens.

### **2- 3-Forms and Categories of Public Expenditure**

Wages, Salaries, and Pensions: Payments made to individuals working within state agencies as a price for their services. These are regulated by the "Civil Service Law," taking into account cost of living, qualifications, and competition with the private sector. Pensions are periodic payments to individuals who have reached the legal age of retirement.

- Purchases and Public Works: This includes the prices of goods, equipment, and services purchased by the state. Public works are executed through contractors via public tenders to ensure transparency and competition.
- Subsidies and Grants (Al-I'anat): Payments made to specific social groups or entities without a direct return in goods or services. These include:
  - Economic Subsidies: To support national industry or reduce consumer prices.
  - Social Subsidies: Such as unemployment benefits or support for nursing homes.
  - International Grants: Linked to literacy programs, environmental protection, or aid to friendly nations.
- Public Debt Servicing: The allocation of funds to pay annual interest and the principal amount of loans, which represents a significant burden on the state budget.

### **3 –Theoretical Reasons for the Increase in Public Expenditures**

The phenomenon of increasing public expenditures has become one of the most prominent phenomena in modern finance, following the development that occurred in the role of the state.

The first who undertook the study, analysis, and explanation of this phenomenon was the German economist Adolph Wagner, when he addressed in a study of his concerning public expenditures and their increase in European countries, and issued following that in the year 1892 a law bearing his name "Wagner's Law." It links the increase of the economic activity of the state with the growth of its public expenditures. This law is summarized in that: "If a society among societies achieves a certain rate of economic growth, that leads to the expansion of the state's activity,

and this works on increasing the state's expenditures at a rate greater than the rate of increase of the individual's share of the national product".

### **3-1 –Apparent Reasons:**

It is meant by the apparent reasons or factors for the increase of public expenditures: the increase and escalation of public expenditures numerically without that being matched by an actual and tangible increase and improvement in the volume and level of the provided public services. Which can be traced back to:

**Decrease in the value of money (Rise in prices):** It is meant by the decrease in the value of money: "the decrease of the control of the monetary unit over goods and services, which is due to the rise in the general level of prices" which is expressed as inflation. Where the state pays a number of monetary units larger than what it was paying before to obtain the same amount of goods and services; thus, the increase in the figure of public expenditures is an apparent increase.

**Difference in accounting methods or techniques and mechanisms of budget preparation:** The budget in the past was based on the basis of the "Net Budget," so expenditures were not recorded in the budget except the net account; meaning that the costs of collection are deducted from revenues. As for now, public budgets record in them all revenues and expenditures of all types, which led to the inflation of the figure of public expenditures although no real increase occurred in these expenditures. Also, the difference in statistical art—such as the method, means, and time—followed between one year and another may lead to creating an apparent numerical increase in public expenditures.

**Expansion of the state's territory:** The expansion of the state's area and the joining of a territory to it leads to the trend of public expenditures toward increase to face the demands of the new regions. This increase is considered an apparent numerical increase because it did not lead to an increase in the individual's share of them.

**Increase in the number of population:** The natural increase of the population through reproduction is considered a reason for the increase of public expenditures, in order to face new burdens in different fields (health, education, housing, subsidies...). An increase in births means an increase in the amounts allocated to them for the purpose of health, nutritional, and educational care... etc. Also, the rise in those who have the right to retirement forces the authorities to allocate retirement amounts, for example, which increases the volume of expenditures. Accordingly, the increase in the percentage of the volume of public expenditures by the same percentage of population growth means that the increase in the volume of public expenditures is in reality nothing but an apparent increase only.

### **3-2 –Real Reasons:**

It is meant by real reasons those reasons that lead to an increase in the figure of public expenditures as a result of the increase in the number of public needs that the state undertakes to satisfy, with the stability of the state's area and the number of its

population; meaning that the increase included the quantity of public benefits provided to individuals. This real increase is due to the following mentioned reasons:

**Economic Reasons:** Economic reasons causing the increase of public expenditures take several forms, we mention among them:

**Increase in wealth:** It is worth mentioning that the increase in revenues in general leads to an increase in national income, and consequently encourages the state to increase the volume of its expenditures in different aspects due to the fiscal space.

**Expansion in establishing public projects:** One of the most important economic reasons for the increase of public expenditures is represented in the expansion of the state to undertake public investments that were in the past a monopoly of the private sector, such as water, electricity, and communications projects of various forms, which also leads to an increase in the numbers of employees and workers, thus increasing accordingly the volume of wages and salaries paid by the state.

**Granting subsidies to national institutions and companies:** So that the latter can compete with foreign products; also the state can grant them for the purpose of resistance and standing firm before those products in national markets, or to cover their deficit in special cases.

**Addressing the effects of economic cycles:** The state's revenues increase in times of prosperity, enabling it to increase its expenditures, unlike times of depression where the state's expenditures decrease but by a certain degree and percentage.

**Social Reasons: Which trace back to:**

The recorded increase of demographic growth and the concentration of population in cities and industrial centers: It is a necessary reason for the increase of the volume of public expenditures to cover the existing demand for educational, health, transport, communication services, water, gas, electricity, security... etc.

Alongside all that, the state faced a growth in the social awareness of the population as an inevitable result of the spread of education, so the citizens' demand for their rights increased, such as insurance against: unemployment, poverty, illness, disability, old age, and others, which resulted in an increase in the installments allocated for that from public expenditures.

**Administrative Reasons:** Through the two following factors:

The expansion in the state's functions and tasks led to the expansion of its administrative apparatus and the increase of workers and employees and the corresponding wages and salaries; this was accompanied by a rise in the volume of material and service requirements and administrative supplies, and this expansion in turn raises the volume of administrative expenditures.

Add to that poor administrative organization, bureaucracy, and the rise in the number of workers without necessity for that, which calls for an increase in the paid wages and salaries and consequently the increase of public expenditures by the state, which is called Parkinson's Law.

**Financial Reasons:** Public expenditures have increased in many countries under the influence of several factors of a purely financial nature, including:

The existence of a surplus in revenues not allocated to a specific chapter.

The ease of the state obtaining private internal loans, with what it has of the privileges of public authority.

The state's departure from some traditional financial rules like the rule of budget unity, which allows the allocation of new appropriations regardless of their volume.

**Political Reasons:** Political reasons are represented in the following:

The spread of democratic principles and systems and socialist ideas and the deepening of the state's responsibility toward its individuals.

**The multiplicity of political parties:** which forces the government to fund them during their electoral campaigns, as well as implementing electoral programs after their victory to win public opinion.

The spread of corruption and lack of ethics among rulers and officials: influence-peddling, bribery, looting of public funds, and others are all factors that reduce the productivity of public funds and lead to their depletion, forcing the state to increase expenditures to fill financial gaps without benefit to the society and its inhabitants.

**International relations:** and what results from them of political representations outside the homeland, as well as participation in regional and international bodies and organizations, and that is among what increases spending on them.

Grants, aid, and loans: International cooperation and solidarity require the state to allocate monetary and in-kind subsidies to countries if it happens that they need that.

**Military Reasons:** The repetition of wars and what they leave of tragedies and destruction resulted in compensations for the victims of these wars and retirement pensions for the war disabled or widows on one hand; it also requires after the war the reconstruction of the country. Add to that the factor of fear of wars and preparation for them may necessitate imposing compulsory military service and increasing the number of permanent armed forces members and their armament, and increasing the race toward armament between countries and the production of weapons and replacing the old ones with what is modernized and of high cost. Also, the spread of advanced defense strategies and the following of a policy of military alliances by countries requires massive expenditures.

#### **4 –The Necessity of Rationalizing Public Expenditure to Preserve Public Funds**

The increase of public expenditures led to the financial exhaustion of states, which are not all in a state of financial space and prosperity, until the matter reached with some states the point of insufficiency of their financial resources... From here was the necessity in finding solutions enabling the managers of public funds to use them rationally and logically while achieving the maximum possible volume of public needs for society. This is what became famous among economists as Rationalization

of Public Expenditure, which we will address in this requirement through the concept of this rationalization as well as its factors and conditions.

#### **4-1 –Concept of Rationalization of Public Expenditure:**

**Rationalization Linguistically:** By referring to the dictionary, we find that the word "Rationalization" (Tarshid) is derived on the weight of "Taf'eel" from the verb "Rashada" and its source is "Rushdan" and "Rashadan," meaning he was guided and became upright. As for if we say a person is "Rashid," then he is correct and wise, and his decision is "Rashid" (rational). Also, "Al-Rashid" is the guide to the upright path who is good in his estimation of what he estimated, and who is led to his goals in the way of correctness, meaning conforming to reason, truth, and rightness ("rational policy"). As for the term "Rationalization," it means directing and guiding to good and reform, and indication toward the correct path and the path of maturity, and it is the opposite of misguidance.

**Rationalization Idiomatically:** The term "Rationalization" takes its economic meaning expressing acting with wisdom and rationality. Rationalization includes tightening control and reaching with squandering and extravagance to the lowest limits or their absence, with the maximum attempt to benefit from the available economic, human, and natural resources. This term became common until it touched many fields and sciences, among them: rationalization of investment, rationalization of consumption, rationalization of energy... etc., and rationalization of expenditure which we are concerned with.

**Definition of Rationalization of Public Expenditure:** The concept of rationalizing public expenditure received the attention of many economists, and we find for it accordingly many definitions which we summarize as follows:

**It is meant by rationalizing public expenditure:** "Working on increasing the effectiveness of expenditure to the extent with which the ability of the local economy to fund and face its internal and external obligations can increase, with the elimination of the source of waste and extravagance to the lowest possible limit. Therefore, the rationalization of public expenditure is not meant to be its compression, but it is meant to obtain the highest possible public productivity with the least possible amount of expenditure".

**Also, rationalizing public expenditure is defined as:** "Achieving the greatest benefit for society by raising the efficiency of this expenditure to the highest possible degree and eliminating aspects of extravagance and squandering and attempting to achieve balance between public expenditures and the maximum of what can be managed of the state's ordinary resources".

**Relying on more precise criteria, the definition of rationalizing public expenditure comes as:** "The commitment to effectiveness in allocating resources and efficiency in using them in a way that maximizes the welfare of society".

Effectiveness can be explained as: "Measuring the extent of achieving goals, where this concept requires comparing results and outputs with the goals required to be achieved and the methods followed in achieving them"...

As for Efficiency, it is a relative relationship between cost and product, or between inputs and outputs, and it is of two types:

**Output Efficiency:** It means achieving the largest possible amount of outputs with the same amount of inputs.

**Input Efficiency:** It means achieving a certain amount of outputs with the least possible amount of inputs.

Therefore, it can be confirmed that rationalizing public expenditure depends to the maximum degree on efficiency and effectiveness when using financial resources without excess nor negligence, with focus on the necessity of satisfying the public needs of the society's individuals. That is, the goal of rationalizing public expenditure is summarized in how to obtain the best services with the same amount of public expenditure or obtaining the same amount of services with a smaller amount of expenditure.

From the above, we can give a comprehensive concept for rationalizing public expenditure, so we say it is: "Disposing of public money without squandering nor parsimony, with rationality and good management and care while avoiding its wasting and losing, in a way that achieves the maximum needs of society with all efficiency and effectiveness." Included within rationalizing public expenditure is the discipline of public expenditures and increasing the efficiency of their allocation through reducing the volume of spending on subsidies and on the volume of labor in the government sector, and reforming pension systems and raising the efficiency of health and educational services, and increasing transparency and discipline.

#### **4-2 –Prerequisites for the Success of Rationalizing Public Expenditure:**

There are several factors that would contribute to the success of the process of rationalizing public expenditure, which we mention as follows:

Good determination of goals and their precision: The good selection of goals and precision in distinguishing what ought to be achieved or provided or created by the state to satisfy public desires through what it allocates of money for that is the origin of maturity, the sign of rationality, the appearance of wisdom, and the key to correctness. No state has progressed nor prospered except by the optimal selection of goals while cautioning against their conflict with each other; so a problem is not solved by creating a problem or other problems. For this, the good selection of goals—whether short, medium, or long term—with considering the most beneficial of them is of great importance, and it is the moment and point of the beginning of rationalizing public expenditure and the complete and serious preservation of public money, while considering the achievement of the highest, best, and maximum needs required by the inhabitants.

**Arranging Priorities:** The second and also important step in the virtuous process for rationalizing public expenditure is determining priorities and arranging them according to the degree of their importance and utility in the program that the government or one of its agencies undertakes to perform, to preserve public money from waste and squandering and to serve society and satisfy the increasing needs of inhabitants in comparison with the limitedness of resources and possibilities. The process of determining priorities is based on a set of basic principles:

The extent of the importance of the existing developmental problem and its negative reflections on the individuals of society and various aspects of life.

The factor of time: the time required to solve a certain problem plays a big role in determining priorities between programs and projects; the shorter the time required to complete a certain program, the more that is a convincing justification and motivator for choosing this program.

The degree of society's interest in the existing problem: the more the inhabitants' interest in a problem or a need increases, the more its preference and granting priority to solve it before other problems increases.

The factor (degree) of experience: the more the proposed solutions to solve a certain problem are tested and guaranteed of success, the more that is a drive for granting them priority in implementation.

Periodic measurement of the performance of government expenditure programs: It is meant by measuring the performance of the public expenditure program evaluating the extent of efficiency and effectiveness of government units and agencies when they perform the implementation of different services and programs assigned to them, as these units are subject to accountability for the optimal use of public resources, especially financial ones, when they undertake to provide services to citizens.

To enable us to evaluate this performance, we rely on the following viewpoints:

**A- The viewpoint of the inhabitants generally:** for the purpose of knowing the social and economic effects and results reached and the extent of the inhabitants' satisfaction with the service.

**B- The viewpoint of the beneficiaries especially:** who were touched by this service and whether it was provided on its time and in the way they requested or that it ought to be.

**C- The viewpoint of those in charge:** for the purpose of knowing the optimality of managing public facilities.

Increase in public expenditure on education and health services, for example, is not considered an indicator for improving the performance of these social services provided to citizens, and the government cannot announce with joy and take pride in the volume of spending on them, for example, unless this increase in spending affects the actual and tangible improvement of the educational and health situation of the inhabitants.

**Working on the equity of public expenditure:** The study of the equity of public expenditure aims to show the extent of its suitability to the needs of the poorest and most needy groups in society, while considering the share of each group of public expenditure and the extent of its benefit from the public service. Studies show that groups with higher incomes often receive the larger part of public services, and this is what necessitates precise knowledge of the social situation of the inhabitants on the basis of which income is redistributed on the basis of justice and entitlement, and avoiding aspects of nepotism, regionalism, and favoritism in the social distribution of public funds. Financial distribution may exceed to enabling these needy groups to benefit from public services for free, such as education and health services.... and others.

**Dedication in the oversight of public expenditures:** Henri Fayol defined oversight as: "It involves verifying whether everything happens according to the set plan and the issued and specified instructions at the beginning, and that its purpose is to point out weaknesses and dangers, for the purpose of addressing them and preventing the recurrence of their occurrence, and it is applied to everything." Oversight was defined as: the process of verifying the extent of achieving the drawn goals with efficiency, and uncovering the obstacles that may stand against achieving the goals and overcoming them and evaluating what there may be of deviations. The oversight of public expenditures is considered an essential function as a deterrent and evaluative means for the performance of those in charge of it, for the purpose of ensuring the achievement of the spending activity for its ends and goals as decided in the planned program, without extravagance, squandering, parsimony, or breach and without exceeding financial appropriations, to preserve the good running of public funds and reaching the maximum satisfaction of individuals' needs.

## **5- Foundations of Rationalizing Public Expenditure in the Islamic Economy**

After we addressed the rationalization of public expenditures and how modern economy views them, it was necessary to stop at the Islamic economy, and examine specifically how it dealt with the phenomenon of rationalizing public expenditure, as Islamic legislation was a pioneer in that. It addressed at length the preservation of public money and not wasting it to protect it, and mentioned that repeatedly, as it is a reason and a means for fulfilling the needs and desires of individuals, especially what relates to fighting poverty and achieving social justice through solidarity and charities.

### **5-1- Principles and Rules of Achieving Rationalization in Public Expenditure:**

Since "Rushd" (maturity/rationality) in language means righteousness, hitting the mark of correctness, and uprightness on the path of truth, it was possible to define the rationalization of expenditure in general as: preserving public money and its good management and care, and avoiding its squandering and losing. The confirmation of that is the saying of Allah, Blessed and Exalted be He:

﴿وَلَا تَبْذُرْ تَبْذِيرًا (26) إِنَّ الْمُبْذِرِينَ كَانُوا إِخْوَانَ الشَّيَاطِينِ وَكَانَ الشَّيْطَانُ لِرَبِّهِ كَفُورًا﴾ [الإسراء: 26-27] and other numerous verses.

And from the Sunnah, what was narrated by Zuhayr bin Harb: Jarir told us from Suhayl, from his father, from Abu Hurayrah who said: The Messenger of Allah, peace and blessings of Allah be upon him, said: "Indeed, Allah is pleased with three things for you and dislikes three things for you: He is pleased for you to worship Him and not associate anything with Him, and to hold fast to the rope of Allah altogether and not be divided. And He dislikes for you 'it was said and he said' (gossip), excessive questioning, and wasting of money." That is because among the goals of public expenditure is the redistribution of income and satisfying the public needs of Muslims, spending for the sake of investment and production, and spending for the sake of employment. That is not achieved except by preserving and protecting the money.

Public money needs means to protect it, whether from within the human being or from outside him. The Islamic heritage has included means, systems, and apparatuses to protect it; if applied in a sound and integrated application, complete and fortified protection of public money is achieved. These need study to benefit from them in contemporary application. The Islamic approach focused, for the goal of rationalizing public money in general and expenditures in particular, on spiritual faith values, good ethics, and upright behavior according to the rulings and principles of Islamic Sharia. Also, Islam made it obligatory for every Muslim to gain understanding (Fiqh) in his field of work, as financial transactions—and other transactions—in Islam require constant reference and continuous commitment to the Divine law.

If we look at the Islamic financial legislation, we would find it fighting squandering in all aspects, describing squanderers as the brothers of devils, and being extremely keen on using public funds in the outlets designated for them, setting detailed rules for that. To reach the previous goals and establish them, and thus achieve the goals of the Islamic state in the most complete way, Islamic Sharia sought to set rules and principles that ensure achieving rationality in public expenditure, represented in:

**1- The Principle of "Qawama" (Balance) in Public Expenditure:** It is meant by "Qawama" in expenditure following the path of moderation and justice between two extreme and corrupt paths that the Sharia forbade, which are extravagance and squandering on one hand, and stinginess and parsimony on the other. This principle appeared clearly in the saying of the Almighty:

﴿وَلَا تَجْعَلْ يَدَكَ مَغْلُولَةً إِلَىٰ عُنُقِكَ وَلَا تَبْسُطْهَا كُلَّ الْبَسْطِ فَتَقْعُدَ مَلُومًا مَّحْسُورًا﴾ [الإسراء: 29]

And the saying of the Almighty also:

﴿وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يَسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا﴾ [الفرقان: 67]

Whoever contemplates these two verses finds that they decide the following matters:

- **A- Prohibition of Extravagance and Squandering:** Extravagance is exceeding the limit in spending, and squandering is spending money in other than its right, and both are forbidden (Haram). Everything spent in other than the obedience of Allah is extravagance; spending on sin is a matter that Sharia has prohibited its little and its much. So one must not go to excess in spending so that the rights resulting from it are not lost. Imam Al-Qurtubi said:

"Squandering is spending money in other than its right and it is Haram," because of the saying of the Almighty: ﴿وَلَا تَبْذِرْ تَبْذِيرًا (26) إِنَّ الْمُبْذِرِينَ كَانُوا إِخْوَانَ الشَّيَاطِينِ﴾.

- **B- Prohibition of Stinginess and Parsimony:** Which is the narrowing that is the opposite of extravagance, and parsimony is preventing the right of Allah Almighty in money. So one should not go to excess in greed and preventing the right of Allah Almighty.
- **C- Ordering "Qawam" (Balance):** Which is moderation and justice, and it is everything spent in the obedience of Allah. "Qawam" is according to the situation in terms of the ability to spend on needs, and "Qawam" is economy in spending, so he neither exceeds nor stints.

If we want to apply this principle to government spending, we say: it is necessary to avoid waste in spending, and good use of resources according to the directions of Sharia in that. As this does not apply to individuals only but to the government and to a greater degree, because the money of individuals is a trust in its hands that must be used in their service, improving their conditions, and achieving their interests according to Islamic teachings. Based on that, the state must plan for its programs in spending, and remove from them unproductive squandering spending to reduce its financial deficits to the lowest possible limit.

**2- Harmony of Public Expenditure with Sharia Rulings:** An example of that is not spending on forbidden things (Muharramat) and matters of prohibited play. Those in charge of public expenditure must abide by the Sharia rulings organizing the spending of public money in Islam, whether using this money in establishing public projects or importing necessary needs for society. Public money must not be spent on forbidden things and matters of prohibited play, such as establishing entertainment venues and buying instruments of play and gambling and spending on those in charge of that. Public money must be free from usurious (Riba) transactions, and its spending is prohibited in everything the Sharia forbade or warned against, or what causes harm to society, but rather in everything that causes the wasting of funds and resources. Spending must be restricted to the Halal and achieving economic or social functions that aim to achieve welfare and the public interest for the individual and the group together, and all of this is achieved by restricting spending to the Halal rather than the Haram.

**3- Serious Application of the Principle of Shura (Consultation):** And what people of experience and honesty see, and respecting what is said and discussing it objectively without intimidation or terrorization. It is contingent on a strong people who speak the truth and advise the ruler instead of being hypocritical to him. Some people expressed their opinion on some of the state's actions in the time of Omar Al-Farouq, may Allah be pleased with him, and some people intended to silence them, so the Caliph said his saying: "Leave him; there is no good in you if you do not say it, and there is no good in us if we do not accept it from you."

**4- Specific and Explicit Commitment to Achieving Social Justice:** As long as there is a strong state, it must explicitly announce its commitment to achieving this goal and its vigilance for it. The importance of that lies in that achieving effective rationalization of public expenditure, in light of the absence of social justice, is a

kind of impossibility. When some rich people opposed that the poor should have a role among them, the Prophet, peace and blessings of Allah be upon him, said it loudly and clearly: "Then for what did Allah send me?..."

**5- Oversight of Public Money and Appointing the Honest and Righteous over the Matters of Public Money:** To guarantee the achievement of balance in spending and commitment to the rulings of Sharia in the spending of funds, Allah Almighty forbade the Muslim community from appointing the matters of spending to the "Sufaha" (foolish/incompetent) and the extravagant. The Almighty said:

﴿وَلَا تَوْتُوا السُّفَهَاءَ أَمْوَالَكُمُ الَّتِي جَعَلَ اللَّهُ لَكُمْ قِيَامًا وَارْزُقُوهُمْ فِيهَا وَاكْسُوهُمْ وَقُولُوا لَهُمْ قَوْلًا مَعْرُوفًا﴾ [النساء: 5]

The verse forbids the appointment of the "Sufaha" over the financial matters of individuals, so what about the money of Muslims in general? Because they do not know how to act well with money. Even if the discourse in the verse concerns individuals, the generalization of the ruling to the group is more appropriate, because the employment of the "Sufaha" brings harm to the group, and the harm of the group is more dangerous than the harm occurring to individuals. From here it is clear to us that it is not permissible for the guardian of money to spend public money in the disobedience of Allah or projects that carry a benefit that does not compensate what was spent of the resources of the House of Money (Bayt al-Mal). He does not give anyone money he does not deserve out of his own whim from a kinship between them or affection or such, let alone giving it for a forbidden benefit like the giving to harlots, singers, poets, soothsayers, and their like.

#### **5-2- Proposed Mechanism for Rationalizing Public Expenditure:**

Based on what we clarified of the principles of achieving rationalization in public expenditure and avoiding the problems facing the practical application of these principles, it was necessary to mention the steps of rationalizing public expenditure and its requirements:

1. Determining the goals that the society seeks to achieve precisely and continuously, with arranging these goals according to their relative importance starting with the **Necessities** (which are the interests upon which people's lives are based such that if they are missing, the system of life is disturbed), then the **Needs** (which are the interests that people need to remove embarrassment and hardship, and if these interests are lost, the system of life is not disturbed), then the **Luxuries or Improvements** (which are what was usually considered good to preserve interests without need for them), while taking into account the economic, social, and political variables that touch the stage the society is going through.
2. Inventorying and determining alternative programs that enable achieving these goals including what that contains of determining the programs that the state must undertake and those that the private sector undertakes. Each project must be looked at as a final outcome of a set of costs and a set of returns, and the result of the algebraic sum of these two variables for the project is what is compared with other outcomes for other alternative projects.

3. Using efficient and sincere individuals, as well as possible analysis methods to choose the best programs capable of achieving society's goals, and evaluating these programs from period to period with a serious evaluation.
4. Allocating resources according to the structure of programs for achieving goals, and what that leads to of reorganizing the administrative structure of the state in accordance with the requirements of taking charge of programs, with detailing programs into their components of sub-programs, activities, and tasks, a matter which enables determining the responsibility centers for completing the program components.
5. Setting a binding and precise executive framework that ensures the efficiency of implementing the chosen programs, with determining a time frame for implementation that enables standing on the extent of progress in completing works, provided that this is done within the framework of decentralization considering that the goals and criteria of completion are determined.
6. The necessity of the availability of an effective oversight system that ensures the harmony of implementation with what was previously planned, provided that the oversight process includes a continuous review of the methods of completion.

To the extent of the state's success in oversight is the extent of its success in preserving public money and rationalizing it. What is not hidden is the ambiguity, if not darkness, around many of the government expenditures in our contemporary world. For the greatness of the risks and harms resulting from that, financiers in it scream demanding the existence of these systems and the existence of the greatest possible amount of transparency, clarity, accountability, and fighting corruption.

The Islamic financial system became famous in the field of oversight with a unique and essential characteristic, which is **Self-Oversight** that emanates from the person's awareness of Allah Almighty's observation of him, and his feeling of His knowledge of him in every small and big matter. Also, there are many apparatuses that were established in the Islamic state and precise rules and foundations were set for them, with the goal of oversight over revenues and public expenditures and preserving the circulation and spending of public money. Among the most important of these apparatuses: the **Hisba system**, the apparatus of the Postal Bureau, the apparatus of the Bureau of the Reins of Crisis (Zimam al-Azima), the apparatus of the Shad al-Dawawin, and the apparatus of Investigating Grievances (Al-Nazar fil-Mazalim). The Hisba system is considered the most interested of those systems in protecting public money, as this system depends on the principle of **enjoining good and forbidding evil**. In this, the Proof of Islam, Imam Al-Ghazali, says: "It is the greatest pole in the religion and it is the mission for which Allah sent all the prophets; if its work were neglected, prophethood would be suspended, the religion would vanish, the period of stagnation would become general, misguidance would spread, ignorance would become common, corruption would spread, wars would expand, and the servants would perish."

Perhaps the role assigned to the Hisba system in the field of preserving public expenditures is represented in:

- Forbidding extravagance and squandering in public money.
- Forbidding the destruction of public money.
- Forbidding the spending of public money in other than a benefit.
- Forbidding the use of public money in corruptions.
- Forbidding the use of public money and harnessing it for personal purposes.
- Forbidding the non-payment of the rights of the state and society.
- Forbidding the acceptance of gifts and grants and what is in the ruling of that which falls under the door of bribery, for the sake of spending in a certain door or fulfilling a financial interest for its provider.

From here, we find that the Islamic system realized the greatest realization what public expenditure has of multiple essential effects, as it provided all that is needed and required by the process of rationalization and honesty in public money, of principles and controls; rather, it provided analytical tools with a great deal of effectiveness and efficiency by the hand of its men, such as benefits and costs and the comparison between them. This, and it has become confirmed to us that the Islamic financial system was, in its handling of this issue, at a high degree of awareness of what it requires of numerous and necessary requirements, to practically enable truly preserving public money and achieving the noble mission that ought to be reached, represented in serving the public interest in a just, comprehensive, and satisfactory service.

## **6- Conclusion:**

It has been presented from what passed that this study addressed the problematic of public expenditure from multiple theoretical and applied angles of vision. The study revealed that the phenomenon of increasing public expenditures is a complex phenomenon in which apparent reasons related to monetary, demographic, and accounting changes intertwine with real reasons of an economic, social, administrative, political, and military nature. The study also reached that the rationalization of public expenditure does not mean categorically the reduction of expenditure categorically, but it means in the first degree achieving the maximum efficiency and effectiveness in allocating public resources and spending them in a logical, methodical, planned, and purposeful manner. This is what the Islamic economy called for and sought to consolidate and establish its principles and methodology.

### **6-1- Results of the Study:**

This study reached a set of scientific results, which can be summarized in the following:

- The study revealed the volume of overlap between the apparent and real reasons for the growth of public spending, and that many of the numerical increases in the expenditure figure do not reflect in reality an actual improvement in the services provided to citizens.
- Wagner's Law proved that economic development is inevitably accompanied by an expansion in the spending activity of the state; however, this relationship is capable of adjustment and rationalization.

- Political reasons, financial corruption, and administrative immorality are considered among the most dangerous factors of the inflation of public expenditure in a way that wastes public money without a real return on society.
- The rationalization of public expenditure is based in the first degree on the duality of efficiency and effectiveness in their precise meaning: efficiency means maximizing outputs with the same inputs or reducing inputs to obtain the same outputs, and effectiveness means the extent of achieving the drawn goals.
- The rationalization of expenditure necessitates an integrated system including: good determination of goals, arranging priorities, periodic measurement of performance, equity of distribution, and strict oversight over expenditures.
- The study showed that the absence of effective oversight and the lack of transparency lead to emptying rationalization of its content.
- The study proved that Islamic economic thought was not late in addressing the issue of rationalizing public expenditure; rather, it preceded to setting integrated governing rules that combine the moral faith pillar and the applied institutional mechanism.
- The principles of "Qawama" (balance) in spending, the harmony of spending with Sharia rulings, Shura (consultation), social justice, and appointing the honest over public money form a cohesive and integrated system for the governance of public money.
- The Hisba system represents an Islamic institutional model for financial oversight that combines self-oversight emanating from the religious deterrent and external institutional oversight, which is what researchers consider a model ahead of its time in adjusting public spending.
- The study confirmed that self-oversight derived from the awareness of Allah Almighty's observation is considered the strongest and most effective pillar in protecting public money compared to institutional oversight alone.

## **6-2- Recommendations and Proposals:**

Based on what the study reached of results, the following recommendations and proposals can be formulated:

1. Establishing a culture of financial rationalization on the institutional and individual level, through including the principles of efficiency and effectiveness in spending public money within the organizational regulations of all government agencies.
2. Adopting a participatory budgeting system based on goals and results instead of traditional budgets based on items, which allows linking spending to actual performance and facilitates accountability.
3. Strengthening financial transparency through periodic disclosure of public spending data in a detailed form capable of auditing by civil society and independent oversight bodies.

4. Strengthening the independence of financial oversight bodies and fortifying them from political interference, and providing them with the necessary powers and human competencies to perform their tasks.
5. Developing a deterrent system for holding accountable those who are extravagant with public money, and working on codifying clear and strict penalties that reach everyone whose waste or financial corruption is proven.
6. Drawing inspiration from the Islamic Hisba model in building independent oversight bodies that combine the investigative and preventive role, while updating and adapting them to the requirements of the era.
7. Adopting the methodology of graduated priorities inspired by the Islamic theory of interests (Necessities, Needs, Improvements) in setting government spending programs, which ensures directing resources toward those most worthy of care.
8. Strengthening economic and social feasibility studies for every government project before its adoption, with the requirement of periodic evaluation for the extent of its achievement of the drawn goals.
9. Restructuring social spending in a way that ensures the arrival of public services to the most fragile and needy groups, and reducing the documented bias that benefits the higher-income segments at the expense of the vulnerable groups.
10. Adopting indicators for measuring the social impact of public expenditure as a complementary criterion to the criterion of the volume of spending, as there is no value for the magnitude of spending figures without a tangible improvement in the standard of living of the citizens.

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