

Integrating Maqasid al-Shariah Framework into National Fiscal Policy Design: A Dynamic Panel Data Analysis of Islamic Economic Performance Across OIC Countries

Lanal Falah ¹, Risca Ratanasari ²

Email: lanalfalah123@gmail.com ¹, RISCA@APJI.ORG ²

Abstract. The integration of Maqasid al-Shariah into national fiscal policy has gained increasing scholarly attention, yet empirical evidence assessing its macroeconomic impact remains limited. This study examines how Maqasid-oriented fiscal frameworks influence economic performance across 35 Organization of Islamic Cooperation (OIC) countries over the period 2005–2023. A composite Maqasid-based Fiscal Policy Index is constructed, incorporating indicators of social expenditure, zakat governance effectiveness, Islamic financial sector depth, and poverty alleviation performance. Using System Generalized Method of Moments (System-GMM) to address endogeneity and dynamic effects, the findings indicate that Maqasid-oriented fiscal policies significantly promote inclusive economic growth, reduce income inequality, and enhance human development outcomes. The results further show that institutional quality plays a moderating role, strengthening the positive impact of Islamic fiscal instruments on macroeconomic stability. Robustness tests confirm consistency across alternative specifications and sub-regional groupings. This study contributes to the Islamic public finance literature by operationalizing Maqasid principles into measurable fiscal indicators and providing empirical validation for Shariah-based policy frameworks. Policy implications suggest that governments in Muslim-majority countries should institutionalize ethical redistributive mechanisms within national budgetary systems to achieve sustainable and socially equitable development.

Keywords: Maqasid al-Shariah; Islamic fiscal policy; OIC countries; inclusive growth; panel data analysis.