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Pancasila Values and Islamic Public Finance in Indonesia: An Exploratory Study of Fiscal Perceptions and Descriptive Trends, 2020–2024.

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ABSTRACT

*This study explores the implementation of fiscal compliance in Indonesia by examining the influence of social, moral, and spiritual considerations on the fiscal decisions of policymakers and taxpayers. The conceptual model developed links the values of *Pancasila*, Islamic public finance ethics, institutional legitimacy, and the willingness to fulfill fiscal obligations. A quantitative approach was employed using a Likert-scale questionnaire administered to 23 respondents selected through purposive sampling, supplemented by primary and secondary data as well as a literature review. The analysis is descriptive, based on the "tax-to-expenditure ratio," "zakat-to-expenditure ratio," and "sukuk-to-expenditure ratio" for the period 2020–2024. The findings indicate that fiscal compliance is not shaped solely by the threat of sanctions, but also by perceptions of fairness, transparency, and moral responsibility. Respondents view *Pancasila* and religious ethics as relevant to fiscal integrity, though they express concerns regarding unequal enforcement, limited transparency, and the gap between stated values and administrative practices. The tax-to-expenditure ratio increased from 41.31% (2020) to 63.12% (2024), while the *zakat*-to-expenditure ratio rose from 0.46% to 1.34%. These increases in the tax, *zakat*, and *sukuk* ratios serve only as contextual or descriptive evidence; they do not constitute proof of improved compliance, trust, or ethical governance. The study concludes that aligning *Pancasila* with Islamic public finance ethics can provide a normative guide for fiscal integrity, with its effectiveness contingent upon an inclusive, transparent, and fair administration. The primary contribution is the exploratory B-BPF framework, rather than a causally tested statistical model. An exploratory framework for public finance based on behavioral principles (B-BPF) that integrates ideology, religious ethics, institutional trust, and fiscal behavior within the Indonesian context.*

Kata Kunci: Nilai-nilai Pancasila, Keuangan Publik Islam, Kepatuhan Pajak, Kepercayaan Fiskal, Zakat, Sukuk.

ABSTRAK

Studi ini mengeksplorasi penerapan kepatuhan fiskal di Indonesia dengan menelaah pengaruh pertimbangan sosial, moral, dan spiritual terhadap keputusan fiskal pembuat kebijakan dan wajib pajak. Model konseptual yang dikembangkan menghubungkan nilai

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Pancasila, etika keuangan publik Islam, legitimasi kelembagaan, dan kesediaan memenuhi kewajiban fiskal. Pendekatan kuantitatif digunakan melalui kuesioner Likert terhadap 23 responden yang dipilih secara purposive, didukung data primer dan sekunder serta tinjauan pustaka. Analisis deskriptif berbasis "tax-to-expenditure ratio", "zakat-to-expenditure ratio", dan "sukuk-to-expenditure ratio".pada 2020–2024. Temuan menunjukkan kepatuhan fiskal tidak semata-mata dibentuk oleh ancaman sanksi, tetapi juga oleh persepsi keadilan, transparansi, dan tanggung jawab moral. Responden memandang Pancasila dan etika agama relevan bagi integritas fiskal, meski mengkhawatirkan penegakan yang tidak setara, transparansi terbatas, serta kesenjangan antara nilai dan praktik administratif. Rasio pajak terhadap pengeluaran meningkat dari 41,31% (2020) menjadi 63,12% (2024), sedangkan rasio zakat terhadap pengeluaran naik dari 0,46% menjadi 1,34%. Kenaikan rasio pajak, zakat, dan sukuk hanya merupakan bukti kontekstual/deskriptif, bukan bukti peningkatan kepatuhan, kepercayaan, atau tata kelola etis. Studi menyimpulkan bahwa penyelarasan Pancasila dan etika keuangan publik Islam dapat menjadi pedoman normatif integritas fiskal, dengan efektivitas yang bergantung pada administrasi yang inklusif, transparan, dan adil. Kontribusi utama adalah kerangka eksploratif B-BPF, bukan model kausal yang telah diuji secara statistik. Kerangka eksploratif keuangan publik berbasis perilaku (B-BPF) yang mengintegrasikan ideologi, etika agama, kepercayaan institusional, dan perilaku fiskal dalam konteks Indonesia.

INTRODUCTION

Based on the Pancasila ideology, there is significant potential to incorporate these philosophical values into the behavioral financial paradigm. Pancasila provides holistic moral and ethical guidance for societal and individual behavior. Therefore, Pancasila can provide balance. A study by (Ferri & Minsky, 2013), noted that the global financial crisis not only involved structural imbalances but also moral and ethical errors in decision-making. Many phenomena that occur due to poor decisions can affect human psychology, particularly in relation to finance.

Studies by (Shleifer, 2000) and (Barberis & Thaler, 2003) found that traders' behavior was disrupted, particularly in relation to disrupted financial income due to relocations without clear reasons and prior socialization. In the context of behavioral financial management, previous literature has paid little attention to the integration of local values or national ideologies such as justice, honesty, responsibility, and harmony, (Kaelan, 2019). Pancasila is frequently cited in the context of public policy and character education throughout Indonesia. This aligns with what (Hassan & al., 2018) stated, stating that significant gaps remain in the development of a distinct financial ecosystem. Specifically, in the context of this study, Pancasila serves as a code of conduct. Ethical and fairness principles, aligned with the values of the environmental, social, and governance (ESG) framework, aim to instill ethics into financial practices, which can be achieved through cultural and ideological intersections, (Praptiwi & Wijaya, 2020) and (Suryani & al., 2021).

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The significance of this study is reinforced by Indonesia's increasingly complex financial ecosystem and growing public participation in the capital market through fintech platforms and digital investment tools, which have led to an increased risk of irrational behavior, (Shahzad et al., 2024) and (Zhang et al., 2024). It also considers the findings of the Indonesian Financial Services Authority((OJK), 2023) which identified numerous manipulative behaviors that threaten retail investors. This study also supports the National Action Plan for Pancasila Revitalization, as outlined in Presidential Decree Number. Law No. 7 of 2020 on the internalization of Pancasila values in all aspects of life.

Previous studies on fiscal compliance have generally developed along three main streams. First, deterrence-based research emphasizes the role of audits, penalties, and the probability of detection in shaping taxpayer behavior (Allingham & Sandmo, 1972; Slemrod, 2021). Second, institutional and behavioral studies show that compliance is also influenced by tax morale, perceived fairness, transparency, and trust in public institutions (Kirchler, Hoelzl, & Wahl, 2008; Torgler, 2017; Alm & Torgler, 2021). Third, research on religiosity and ethical values suggests that moral and religious commitments may strengthen voluntary compliance, particularly when fiscal governance is perceived as fair and inclusive (Starks & Robinson, 2023; Hasanah & Prasetyo, 2021; OECD, 2022).

In the Indonesian context, several studies have examined the relevance of Pancasila values and Islamic financial ethics for public governance. Kian and Sabri (2021) emphasize the institutionalization of Pancasila-based economic policy, while Prasetyo and Rahayu (2022) highlight the ethical dimensions of taxation derived from Pancasila. Hidayatullah et al. (2024) argue that integrating Pancasila principles with Islamic fiscal ethics may strengthen public trust in fiscal policy. Similarly, Zulkarnain et al. (2021) and Al-Mamun et al. (2023) show that Islamic financial literacy, religious work ethics, and Sharia-based financial principles can be associated with higher intentions or levels of tax compliance.

However, these studies remain limited in three respects. First, most behavioral-finance research focuses on individual investment decisions, market behavior, or household financial behavior, rather than fiscal behavior and public financial governance. Second, studies on tax compliance tend to examine deterrence, economic incentives, institutional quality, or religiosity separately; they rarely integrate national ideological values, Islamic public-finance ethics, institutional trust, and perceived fiscal fairness within one analytical framework. Third, discussions on Pancasila and Islamic finance are often normative or conceptual, with limited empirical linkage to taxpayer perceptions and descriptive fiscal indicators.

Despite the growing attention to behavioral approaches in public finance, previous studies have generally examined tax compliance through deterrence, economic incentives, institutional quality, or religiosity separately. Less attention has been given to the integration of national ideological values, religious public-finance ethics, and behavioral perceptions of fiscal governance in a single analytical framework. In Indonesia, this gap is particularly relevant because Pancasila provides a national ethical foundation, while Islamic public finance offers additional moral principles related to justice, trustworthiness, and collective welfare.

Therefore, the novelty of this study lies in integrating Pancasila values, Islamic public-finance ethics, institutional trust, perceived fiscal justice, tax morale, and fiscal behavior into an exploratory

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Behavioral Public Finance (B-BPF) framework for Indonesia. Unlike prior studies that treat these factors separately or focus primarily on normative arguments, this study examines how taxpayers and fiscal stakeholders perceive the relevance of these values for fiscal governance. It also contextualizes these perceptions with descriptive trends in tax revenue, government expenditure, zakat, and sukuk during 2020–2024. This study does not claim a direct causal relationship between Pancasila values, Islamic ethics, and tax compliance; rather, it identifies the potential mechanisms through which these values may shape perceptions of fairness, institutional legitimacy, and willingness to fulfil fiscal obligations.

Based on this background, there are three research gaps addressed in this study. First, previous research in behavioral finance has largely focused on individual financial decisions and market behavior, whereas this study centers on fiscal behavior and public financial governance. Second, existing literature on tax compliance often emphasizes deterrence, economic factors, or religiosity in isolation; in contrast, this study integrates the values of Pancasila, Islamic public finance ethics, institutional trust, and perceptions of fiscal fairness. Third, current discussions regarding Pancasila and Islamic finance tend to be normative and conceptual, while this study seeks to link these values to empirical indicators derived from fiscal instruments and taxpayer perceptions.

Consequently, this study contributes to the field of Behavioral Public Finance by proposing an exploratory framework that connects ideological values, religious ethics, institutional legitimacy, and fiscal behavior in Indonesia. This framework does not claim that the values of Pancasila or Islamic financial ethics directly lead to higher levels of tax compliance. Instead, it identifies the mechanisms through which these values may influence perceptions of fairness, trust, and the willingness to fulfill fiscal obligations.

Based on existing research gaps, this study addresses three research questions: How do the values of Pancasila and Islamic public finance ethics shape taxpayers' perceptions regarding fiscal responsibility? How do perceptions of fairness, transparency, institutional trust, and sanctions relate to fiscal compliance? And how can the values of Pancasila and Islamic public finance ethics be integrated into the Behavioral Public Finance framework for fiscal policy in Indonesia?

Accordingly, the objectives of this study are to examine taxpayers' perceptions of fiscal compliance, analyze the relevance of Pancasila values and Islamic public-finance ethics to fiscal governance, and develop an exploratory Behavioral Public Finance framework for Indonesia.

The contribution of this study is conceptual and contextual: it integrates national ideological values and religious public-finance ethics into the discussion of fiscal behavior, while explicitly distinguishing normative values, institutional practices, perceptions, and actual compliance behavior. The study contributes an exploratory framework linking Pancasila values, Islamic public-finance ethics, institutional trust, perceived fiscal justice, tax morale, and fiscal behavior, rather than establishing a causal relationship.

LITERATURE REVIEW

Behavioral Economics

Behavioral Economics is a branch of economics and psychology that provides a better understanding of its practices for financial decision-making. Studies conducted by researchers consistently support these concepts, such as the study by (DellaVigna & Linos, 2022), which

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consistently states that behavioral economics encourages people to demonstrate behavior that is compliant with tax payments and always involves themselves in existing social programs. According to (Chetty et al., 2021)), this can provide a positive perception of taxes for the public or consumers as their responsibility.

This also aligns with what (Allcott & Rogers, 2023) stated how this can continuously provide behavioral interventions to existing habits. The core point is clearly proven in the field, where behavioral economics makes a real contribution to increasing public savings, (Meier & Sprenger, 2021) also emphasized this by (Thaler, 2024) in the era of modern digital technology and big data, transparency and the importance of ethics in behavioral economics.

This study adopts Tax Morale Theory as its primary framework and integrates it with the Slippery Slope Framework to explain the behavioral relationship between tax morale, institutional trust, perceived fiscal justice, and tax compliance.

Behavioral Public Policy

Behavior in Behavioral Public Policy (BPP) relates to behavioral economics in its implementation for the government in issuing regulations and policies for the public interest. This was effectively conveyed by (Thaler & Sunstein, 2008) where BPP is an instrument to regulate the encouragement, arrangement, and design in strategic decisions taken while maintaining the public interest in existing freedoms. This effort is carried out according to (Oliver & Heffernan, 2021) requires an ethical balance to provide motivation between autonomous activities and reduce the potential for policy manipulation. This effort can also be supported by reducing administrative bureaucratic obstacles by preparing better policy strategies, (Sunstein, 2022).

Behavior across the public sector globally will be determined by the capabilities of the BPP, as evidenced by (Hallsworth & et al., 2023) and (Mols & Stern, 2024). A study by (Rebonato & Denev, 2025) found that well-informed policy decisions will provide a boost to empowering citizens to become self-sufficient.

Fiscal Policy

In economic activity, the government implements spending strategies through fiscal policy. Fiscal policy is strongly supported by a modern tax system for government spending to improve global economic growth amidst intense competition and a global economy currently experiencing a depression. Fiscal theory adopts theories developed in the Keynesian system. This effort is undertaken by the government to stabilize the economy to improve the existing business cycle. This also refers to the modern economic system, which focuses on the effectiveness and efficiency of allocation, a fair distribution system that can generate positive responses from taxpayers, (Auerbach & Gorodnichenko, 2021). In a modern economy, according to (Gupta & Pattillo, 2022) digitalization of tax administration can improve compliance and increase state revenue.

In 2023, the International Monetary Fund stated that fiscal policy can be implemented to reduce inequality in each taxpayer, especially after the pandemic which is associated with progressive taxes. Well-designed fiscal rules can provide a balance of budget discipline to face complex economic challenges more effectively, (Wren-Lewis, 2025). Explained that the redistribution of tax revenues can be felt and accepted by the public at large, especially carbon taxes,(Bastani & al., 2024).

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Ideological Values

According to (Schwartz, 1992) and (Jost et al., 2003) public policy preferences can be influenced by political ideology, which is also determined by fundamental values related to redistribution, government policies in a country carried out for the welfare of society. Although this, according to (Van der Toorn et al., 2021), redistribution is often carried out as a justification for the system.

Political ideology can provide a sense of security rather than becoming economic insecurity, which has an impact on shifting state ideology that has its own characteristics. Political ideology is a political foundation reflected in moral foundations such as concern, justice, and authority in a fair taxation and social spending system, (Crawford, 2023). Each government in a country has its own identity that connects political ideology in providing fair and equitable social policies, (Huddy & Del Ponte, 2024). In the existing political ideology system, society or individuals provide strong moral convictions to reject government policy encouragement if the government's political policies are very contrary to the ideological principles of a country,(Skitka & Morgan, 2025).

Religious Ethics

According to (Pirson & Lawrence, 2021), religious ethics can incorporate dimensions of religious values into public policy, both in management and economic policies. The religious values in question can be internalized into management and economic policies, as conveyed by (Abdullah & Obaidullah, 2022) where religious values in Islam, such as zakat, are fiscal instruments in accordance with the ethics taught by Islam. From these two expert opinions, it can be interpreted that religious ethics is a tool of interest for the government in making policies to be able to evaluate itself in the policy decision-making process in accordance with religious teachings related to ethics such as the ethics of justice, having empathy and a sense of social responsibility, and having high moral integrity in governance.

Religious ethics with the principles of zakat in Islam, tzedakah in Judaism, and caritas in Christianity are part of the teachings of religious ethics in increasing a sense of solidarity in distributing all resources professionally. Religious ethics have a positive relationship related to the level of religiosity of a follower of any religion towards the progressive tax that has been determined. This has been explained by (Starks & Robinson, 2023) and (Alam & Naqvi, 2024) have also emphasized that public policy behavior can be implemented through Islamic moral principles, public policy has a close relationship with the role of religious communities to provide enlightenment and social trust to assist the government in implementing inclusive policies, (Putnam & Campbell, 2025).

METHODOLOGY

Research Design

This study employs a quantitative descriptive design to examine taxpayers' perceptions regarding fiscal compliance, Pancasila values, Islamic public finance ethics, institutional trust, and perceptions of fiscal fairness. The research integrates survey-based perception data with a descriptive analysis of selected national fiscal indicators for the 2020–2024 period.

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Population and Sample

This study involved 23 respondents selected through a purposive sampling technique. Respondents were chosen based on their direct or professional involvement in fiscal, economic, religious, or public policy issues. Respondents were selected through purposive sampling based on direct or professional involvement in fiscal, economic, religious, or public-policy issues. The sample included SME owners, workers, government employees, academics, religious leaders, and civil-society representatives. Given the use of purposive sampling, the study's findings reflect the perspectives of the selected respondents.

Data Collection

Primary data were collected using a structured survey response with a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The survey response measured respondents' perceptions regarding fiscal compliance, tax morale, trust in institutions, perceptions of fiscal fairness, Pancasila values, and Islamic public finance ethics. Secondary data were obtained from official reports and published statistics concerning tax revenue, government expenditure, zakat collection, and financing through sukuk for the 2020–2024 period. Furthermore, a structured literature review was conducted to support the theoretical framework and the interpretation of the research findings.

Research Instruments

The survey response consisted of indicators measuring: (1) fiscal compliance; (2) tax morale; (3) institutional trust; (4) perceived fiscal justice; (5) Pancasila values; and (6) Islamic public-finance ethics. Each indicator used a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The survey response was used as the main instrument for collecting primary perception data. Secondary fiscal indicators were used only for descriptive context and were not combined with individual survey responses in a statistical regression model.

Data Process

The survey responses were coded and tabulated for descriptive analysis. Responses were summarized using frequencies and percentages to identify dominant perceptions among respondents. Secondary fiscal data were compiled into annual series for 2020–2024 and converted into expenditure-based ratios. The analysis distinguishes between individual-level perception data and aggregate national fiscal indicators. The two data sources were interpreted separately and were not treated as measurements of the same unit of analysis.

Data Analysis

The data were analyzed using descriptive quantitative analysis. First, survey responses were analyzed using frequency and percentage distributions to describe respondents' perceptions of fiscal compliance, fairness, transparency, trust, Pancasila values, and Islamic public-finance ethics. Second, fiscal indicators were analyzed using descriptive ratio analysis. The tax-to-expenditure ratio was calculated as tax revenue divided by government expenditure multiplied by 100. Similar descriptive comparisons were calculated for zakat and sukuk in relation to government expenditure.

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RESULTS

The research results are presented in two parts: descriptive findings from survey responses and descriptive fiscal indicators for the 2020–2024 period. The findings from the survey responses outline the perceptions of 23 respondents regarding fiscal compliance, fairness, transparency, trust, the values of Pancasila, and Islamic public finance ethics. The fiscal indicators provide contextual information on trends in tax revenue, government expenditure, zakat, and sukuk. Both sets of findings are interpreted separately and are not used to establish causal relationships.

All percentages and frequency statements are now explicitly related to the 23 valid responses; for example, "16 of 23 respondents," "19 of 23 respondents," and "14 of 23 respondents". The results of interviews in this study revealed that 16 of 23 respondents stated that tax compliance is a moral responsibility to the state and fellow citizens. The 23 research respondents include small and medium-sized enterprise (SME) owners, employees, government officials, academics, religious leaders, and representatives of civil society.

Table 1. Perceptions of Fiscal Compliance, Pancasila, and Islamic Finance

No.	Statement / indicator	Frequency (n)	Percentage (%)
1	Fiscal compliance is influenced by the fear of sanctions.	18	78,0
2	Fiscal compliance is voluntary when the use of funds is transparent and fosters a sense of fairness.	15	65,0
3	The values of Pancasila can serve as a reference and foundational framework for fiscal policy.	20	87,0
4	The implementation of Pancasila in fiscal policy remains symbolic rather than substantive.	17	73,0
5	Islamic finance principles are considered more trustworthy because they embody fairness and are anti-corruption.	19	83,0
6	Taxes can be seen as the social equivalent of zakat if used optimally for welfare and social justice	14	60,0
7	There are differences between zakat, taxes, and infaq.	12	52,0

Source:Analysis Author, 2025.

Survey responses from 23 respondents indicated that 78% associated fiscal compliance with fear of sanctions. Fiscal compliance is voluntary and is adhered to if funds are used transparently, which fosters a sense of fairness 65%. The results of the respondents' responses indicate that fiscal compliance is carried out by the public in the hope that the fiscal received or spent will align with the five principles of Pancasila. They expressed a conditional willingness to pay taxes, but that the tax money could support education for underprivileged children or provide health subsidies to the community.

When asked about the role of Pancasila in fiscal policy, 87% of respondents agreed that it can serve as a reference and serve as a basic framework for fiscal policy, particularly regarding the principles of humanity and social justice for all Indonesians. However, 73% still viewed the implementation of Pancasila as merely symbolic and largely non-substantive. When interviewed, tax

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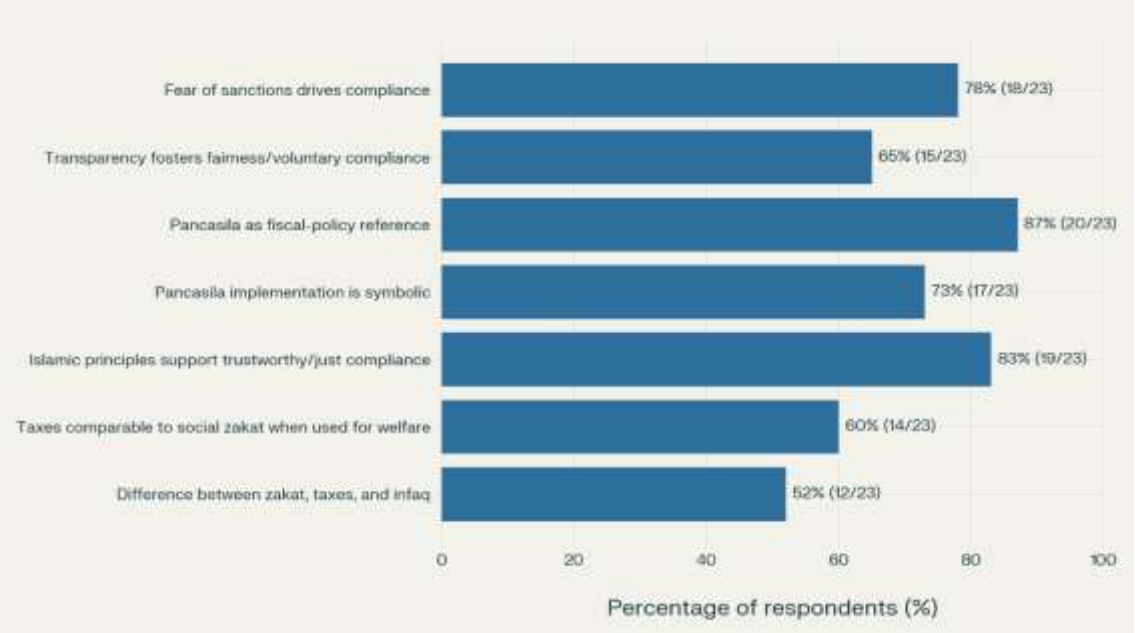
officials responded that Pancasila's integration is not ceremonial. Officers said that in the audit and budget preparation procedures there is no and there is no detailed framework of Pancasila principles.

This study also found the relevance of Islamic finance in shaping the fiscal behavior of society, this was revealed by 83% of respondents believing that Islamic financial principles are more trustworthy, contain principles of justice, and anti-corruption as part of the considerations for compliance in paying taxes and 60% of respondents responded that taxes are a modern equivalent that is part of social zakat when the tax is used optimally for the welfare and social justice for all Indonesian people in accordance with the fifth principle of Pancasila.

Paying taxes with the intention of benefiting society aligns with Islamic moral teachings and is comparable to worship (maslaha mursalah). This was conveyed by religious leaders. However, according to religious leaders, 52% believe there is a difference between zakat, taxes, and infaq. Current fiscal policy challenges remain inconsistencies in law enforcement, equal access to education, and values based on local wisdom. Public sentiment clearly indicates a substantial gap between the values conveyed to the public and their implementation in practice. The results regarding Perceptions of Fiscal Compliance, Pancasila, and Islamic Finance can be seen in the infographic below.

Figure 1. Perceptions of Fiscal Compliance, Pancasila, and Islamic Finance.



Source: Analysis Author, 2025.

However, there were also responses expressing public distrust of budget allocations. Twelve respondents stated that weakening tax compliance is caused by the government itself, which has not transparently explained the use of government taxes each year. Eighteen respondents responded that they believe the current fiscal policy is not fully in the public interest and lacks proportional justice. For example, many large companies continue to evade taxes. The public hopes that justice will also be achieved for low- and middle-income communities. and there were 14 people who said that there

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was a need for educational institutions, community organizations and influencers to play a role in providing tax awareness from a more ideological perspective.

Table 2. Perceptions of Trust, Fiscal Fairness, and the Role of Religious Values

No.	Statement / indicator	Frequency (n)	Percentage (%)
1	Tax compliance is a moral responsibility toward the state and fellow citizens.	16	69,6
2	Confidence in tax compliance is weakening because the government has not been transparent in explaining how tax revenue is used.	12	52,2
3	Current fiscal policy is not yet fully oriented toward the public interest and does not yet reflect proportional justice.	18	78,3
4	Educational institutions, community organizations, and influencers need to play a role in raising tax awareness from an ideological perspective.	14	60,9
5	Religious teachings and beliefs can influence tax compliance.	19	82,6
6	Policies for MSMEs are still considered weak and unfair, especially due to ongoing cases of corruption.	4	17,4

Based on the table above, which concerns Perceptions of Trust, Fiscal Fairness, and the Role of Religious Values, the findings can be described as follows:

1. Key Drivers of Compliance: Tax compliance is strongly influenced by religious values (82.6%) and the perception of tax payment as a moral responsibility (69.6%).
2. Barriers & Crisis of Trust: A majority of respondents view current fiscal policies as unfair (78.3%), and their trust has weakened due to a lack of government transparency (52.2%) regarding the use of tax funds.
3. Educational Solutions: To address these issues, there is a strong need for tax education and awareness campaigns (60.9%), delivered through educational institutions and influencers.
4. MSME-Related Issues: The perception that policies for MSMEs (Micro, Small, and Medium Enterprises) are weak and unfair due to corruption is a concern for only a small minority of respondents (17.4%).

The public possesses a strong moral and religious sense of duty to comply with tax obligations. However, this intention is hindered by perceptions of unfairness in fiscal policy and a lack of government transparency. Therefore, a persuasive approach—utilizing public education and influencers—is crucial for bridging the trust gap between taxpayers and the government. The results regarding perceptions of trust, fiscal fairness, and the role of religious values can also be seen in the graph below.

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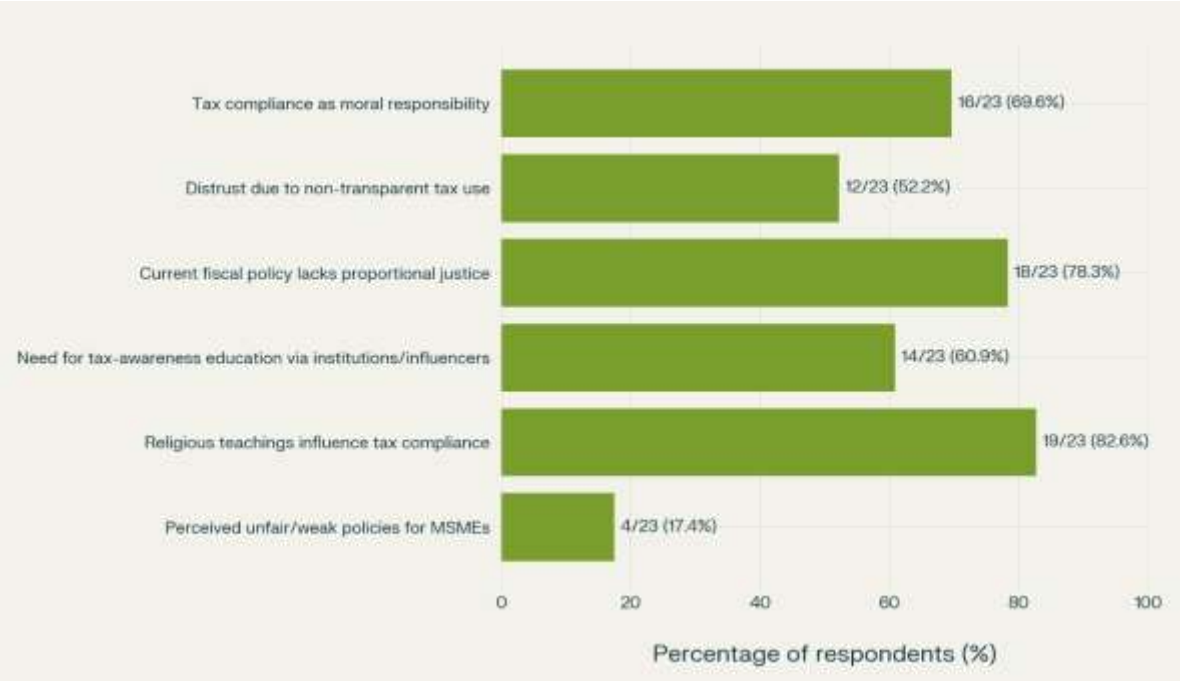
Figure 2. Perceptions of Trust, Fiscal Fairness, and the Role of Religious Values.



Source: Analysis Author, 2025.

The public will be more compliant in paying taxes when the government also demonstrates fairness, transparency, and commitment. Equality and accountability in fiscal administration policy reform, strengthened by a moral foundation, will significantly assist the public in fostering unique social and cultural compliance in synergy with the government. The public will comply with taxes, and the government will also comply by implementing fiscal policies based on the principles of Pancasila and fiscal allocations in accordance with Islamic financial principles.

Fiscal compliance in Pancasila means "Social Justice for All Indonesian People." Justice, in this sense, is not merely technical and administrative, but must align with Pancasila as the foundation of the state, a guideline for life that embodies the principles of social justice. Social justice for all Indonesians is the responsibility of the state, in accordance with the mandate and mandate of Pancasila and the 1945 Constitution.

Tax compliance is largely determined by the influence of deterrent mechanisms, social norms, and procedural justice, (Kirchler et al., 2008). Tax compliance is part of the Normative Compliance theory, as proposed by (Alm & Torgler, 2021), who also explain that tax compliance has a more ideological alignment of values and principles, as national identity also significantly influences tax compliance across all levels of society.

This theory suggests that when citizens perceive state authorities as legitimate and fair, legal compliance, including tax compliance, will increase. Many people in Indonesia still doubt fiscal legality. This difficulty is further reinforced by previous studies. As many as 38% of taxpayers are satisfied with the use of public funds (Indonesia, 2023) and ((DGT), 2021), while only 61.2% of individual taxpayers comply with annual tax returns. This indicates a gap between taxpayer awareness and practical compliance. Meanwhile, widespread distrust and its consequences for public

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confidence in taxes are reflected in Indonesia's 2024 ranking of 110th out of 180 countries in Transparency International's Corruption Perceptions Index.

This study also links fiscal policy to ideological values, as demonstrated by (Slemrod, 2021) Pancasila values, along with principles of tax compliance among millennials, have shown a 23% increase in tax morale. In Europe, left-wing ideologies prioritizing social justice are associated with higher tax compliance, while more individualistic right-wing ideologies demonstrate greater tax skepticism,(Calabrese & al., 2022).

Studies conducted by (Suryanto & Wibowo, 2022) and (Prasetyo, 2023) found that fiscal injustice reduces compliance by 31%, regardless of taxpayer income group. Although ideological values significantly influence fiscal compliance, the interaction between social norms, state legitimacy, and distributive justice also aligns with the interview results in this study. In principle, the public will comply with tax obligations as long as the taxes received by the government are allocated properly and fairly.

This emphasizes how important it is for ideologies to be represented in just and open policy processes. These results, along with earlier studies on fiscal policy and ideological conformity, present a chance for the Pancasila Ideology Development Agency to improve tax education by integrating ideological principles in conjunction with pertinent ministries and governmental organizations. For instance, as part of citizen education, tax awareness campaigns could use stories that highlight Pancasila values and promote a feeling of shared social responsibility.

In Indonesia, tax compliance still faces significant challenges. In 2024, the tax revenue ratio was only 8.75, far behind ASEAN countries whose average tax revenue was around 12-15%. Based on the results of interviews with respondents related to religious ethics in implementing tax compliance, the answers from 23 respondents interviewed were 19 people who believed that the teachings and beliefs of their religion could have an influence, because they considered paying taxes part of the teachings of the values of amanah (trust), social jihad (charity), for the welfare of all people. Responses were also given by various Christian respondents who said that this had been explained in their book in (Mark 12:17) as a basis for carrying out their fiscal responsibilities to the State. However, four respondents representing these two religions stated that regarding MSMEs (micro, small, and medium enterprises), they perceived many obstacles in policies that are still considered weak and unfair, as many corruption cases persist in Indonesia.

Religious norms can be implemented into broader social values. Religious norms serve as a moral compass for everyone to comply with tax payments. According to (Alm & Torgler, 2021), countries with highly religious populations generally exhibit higher tax morale, provided their fiscal policies are inclusive and implement fair public policy governance. Farther substantiation supports the interplay between religiosity and duty compliance. Demonstrated that religiosity appreciatively affects duty compliance by enhancing taxpayers' natural provocation or duty morale to contribute freely, (Suryanto & Wibowo, 2022).

Across-country study by (Torgler, 2017) stressed a positive correlation between religiosity and compliance, but only in nations characterized by effective governance practices. also, (Kusuma et al., 2023) revealed that incorporating religious dispatches within duty juggernauts significantly boosts voluntary participation among youngish taxpayers. The (OECD, 2022), through its special report on Behavioral perceptivity and duty Compliance, underscored the efficacity of incorporating values-

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grounded approaches, including religious values, in encouraging compliance.

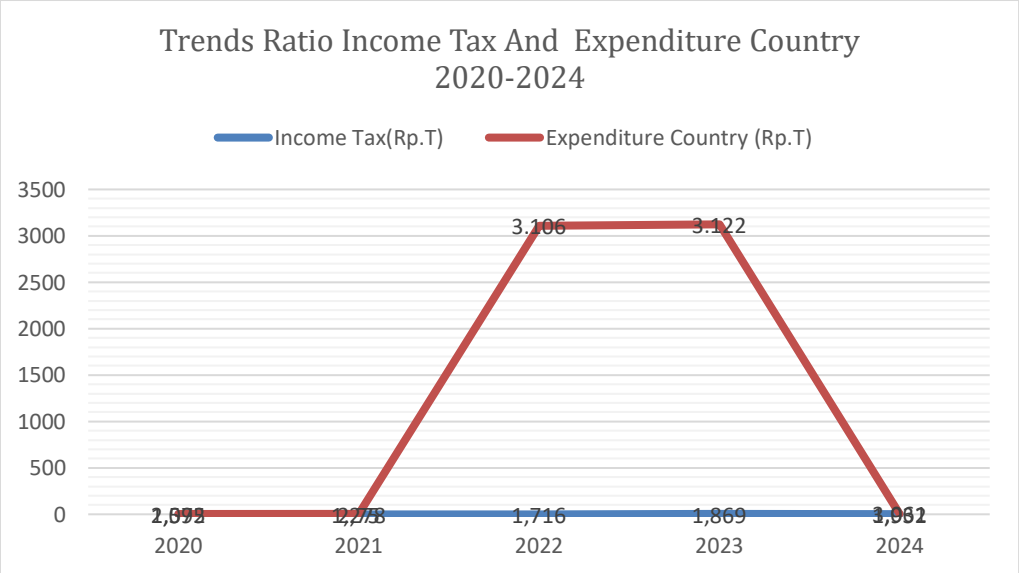
Further emphasized that in Indonesia, duty compliance is frequently bolstered when taxpayers perceive levies as a form of social deification. In sum, while religious ethics give an influential foundation for promoting voluntary duty compliance in Indonesia, their effectiveness is largely dependent on transparent, inclusive financial programs and effective executive systems, (Hasanah & Prasetyo, 2021).

Table 3. Ratio Income Tax and Expenditure Country-2020-2024

Year	Income Tax (Rp.T)	Expenditure Country (Rp.T)	Ratio (%)
2020	1.072.	2.595.	41.3%
2021	1.278.	2.750.	46.5%
2022	1.716.	3.106.	55.2%
2023	1.869.	3.122.	59.9%
2024	1.932.	3.061.	63.1%

Source:Analysis Author, 2025.

Figure 3. Trends Ratio Income Tax And Expenditure Country- 2020-2024



Source: Analysis Author, 2025.

In 2020, the duty income reached IDR 1.072 trillion and rose markedly to IDR 1.932 trillion by 2024. Ironically, expenditure surged in resemblant with state spending reaching a record IDR 3.122 trillion in 2023 and also declined to IDR 2.595 trillion in 2024. "The growth in duty profit following the epidemic highlights the nation's progress in profitable recovery, bettered duty collection compliance and enhanced government credibility in duty collection. Regarding Pancasila, this profitable advancement aligns with the fifth Principle (i.e.,Social Justice for All Indonesians), which details the function of impositions in promoting a fair distribution of wealth through government spending.

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The earlier gap between duty earnings and state spending during 2020 – 2021 stressed the critical need for social spending touched off by the epidemic. still, advancements in the duty- to-spending rate in the posterior times signified stronger financial discipline and lesser responsibility in public policy, reverberating with the Pancasila values of translucency andanti-corruption.

The Zakat to State Expenditure rate also offers sapience into financial responsibility intertwined with religious observance. Between 2020 and 2024, public zakat earnings displayed stable and progressive growth, rising from IDR 12 trillion in 2020 to around IDR 41 trillion in 2024. Despite its fairly modest donation to state expenditures, the harmonious periodic increase reflects growing public mindfulness of religious scores, enhanced trust in zakat operation institutions, and its part as an indispensable social redivision tool outside the formal state budget frame.

In Islamic public finance, zakat serves as aquasi-fiscal instrument completing formal government financial programs. It embodies principles of liberality, equity, and social justice while supporting sustainable development pretensions and buttressing social justice values as elevated in Pancasila. Although not institutionalized as a formal financial instrument, zakat plays a pivotal part in weal redivision, emblematizing Islamic ideals of justice, integrity, and collaborative responsibility.

Table.4 Ratio Reception Zakat and Expenditure Country-2020-2024

Year	Receipt Zakat (Rp.T)	Expenditure Country (Rp.T)	Ratio(%)
2020	12.0.	2.595.	0.46%
2021	15.0.	2.750.	0.55%
2022	22.5.	3.106.	0.72%
2023	32.3.	3.122.	1.03%
2024	41.0.	3.061.	1.34%

Source: Analysis Author, 2025

Indonesia's tax revenue has been climbing steadily from 2020 to 2024. Back in 2020, the government collected Rp 1.072 trillion in taxes. By 2024, that number jumped to Rp 1.932 trillion—a big leap. Government spending followed a similar path, starting at Rp 2.595 trillion in 2020 and peaking at Rp 3.122 trillion in 2023, before dipping a bit in 2024. This sharp rise in tax revenue after the pandemic really shows the economy bouncing back. People are paying taxes more faithfully, and there's a growing sense that the government's getting better at handling tax collection.

From the perspective of Pancasila, this budget development aligns with the fifth principle, "Social justice for all of Indonesia's people," emphasizing the role of taxes in ensuring equitable distribution through government spending. The initial gap between tax revenue and government expenditure during 2020-2021 reflects the need for social spending caused by the pandemic. However, improvements in the tax-to-expenditure ratio in subsequent years signify better fiscal management, stricter oversight, and enhanced accountability in public policy values that resonate with Pancasila's principles of transparency and anti-corruption. Meanwhile, the ratio of zakat (Islamic charitable contributions) to government spending sheds light on fiscal concerns tied to

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religious observance.

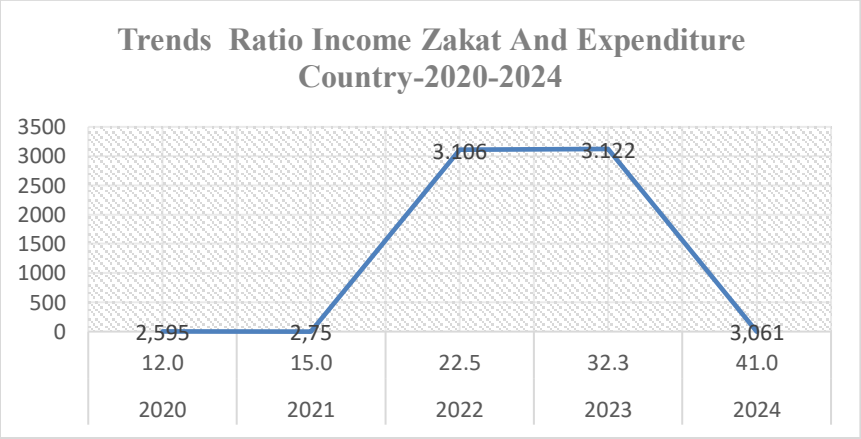
Between 2020 and 2024, the reported national collection of zakat increased from approximately Rp12 trillion in 2020 to approximately Rp41 trillion in 2024. Although this amount remains small relative to government expenditure, the increase indicates a larger reported scale of zakat collection through formal and informal reporting channels. However, this trend does not by itself demonstrate an increase in public religious awareness, trust in zakat management institutions, or willingness to fulfil religious obligations. Such interpretations would require additional empirical evidence, such as survey data on donor motivations, institutional performance indicators, audit results, or studies on the relationship between religiosity and zakat participation.

In the Indonesian fiscal context, zakat should not be treated as a component of tax revenue or as a direct source of state budget financing. Zakat is a religious social-finance instrument collected and distributed under Islamic principles, whereas taxes are legally enforced public revenues managed through the state budget. Therefore, the ratio of zakat collection to government expenditure in this study is used only as a descriptive scale comparison, not as an indicator of zakat's contribution to the state budget.

The term "quasi-fiscal instrument" is not used in this study because its meaning and institutional status require a more specific theoretical and legal definition. Instead, zakat is positioned as a religiously based social-finance instrument that may complement public welfare programs outside the formal state budget. Its relevance to fiscal governance lies in its potential role in redistribution, social protection, and community-based welfare provision. Nevertheless, claims regarding its effectiveness in reducing inequality or supporting sustainable development require evidence on beneficiaries, distribution outcomes, governance quality, and program impact.

In relation to Pancasila, zakat may be interpreted as having normative relevance to the principle of social justice, particularly through its potential contribution to welfare redistribution. However, this study does not claim that the increase in zakat collection demonstrates stronger implementation of Pancasila values, improved social equity, or greater collective responsibility. Further research is needed to examine the relationship between zakat collection, institutional governance, beneficiary outcomes, and perceptions of fiscal fairness.

Figure 4. Trends Ratio Income Zakat And Expenditure Country-2020-2024



Source: Analysis Author,2025.

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Table 5. Financing Sukuk And Ratio Expenditure Country-2020-2024

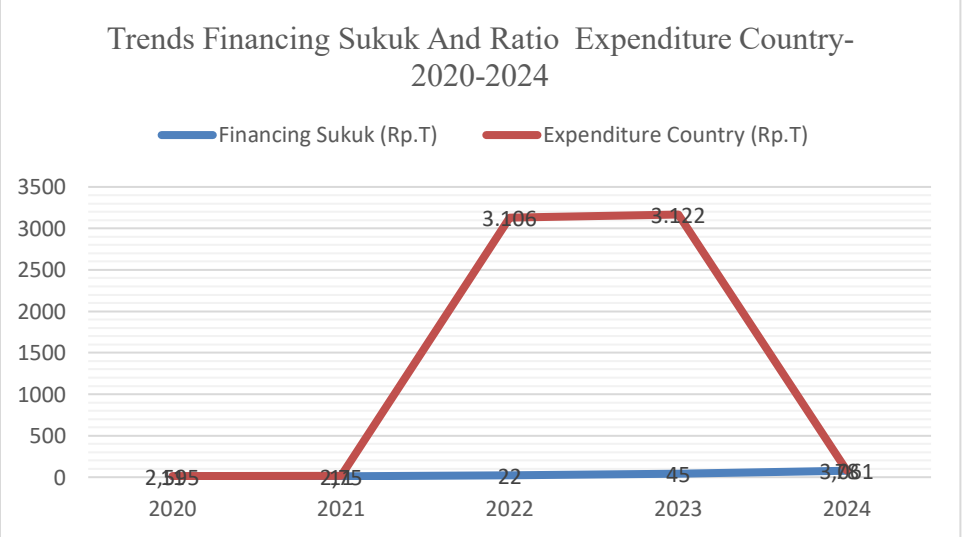
Year	Financing Sukuk (Rp.T)	Expenditure Country (Rp.T)	Ratio(%)
2020	11.	2.595.	0.42%
2021	11.	2.750.	0.40%
2022	22.	3.106.	0.71%
2023	45.	3.122.	1.44%
2024	78.	3.061.	2.55%

Source: Analysis Author, 2025

Between 2020 and 2024, the reported sukuk-related indicator increased from approximately IDR 11 trillion to IDR 78 trillion. However, the interpretation of this increase depends on whether the figure represents annual issuance, outstanding sukuk, financing realization, or project allocation. These indicators have different meanings and should not be used interchangeably.

The increase in the sukuk value does not automatically demonstrate greater ethical financing, fiscal piety, or stronger adherence to Sharia principles. Such claims require additional evidence, including the share of green or social sukuk, project allocation, environmental and social impacts, governance mechanisms, and independent verification. In this study, the sukuk-to-expenditure ratio is used only as a descriptive scale comparison, not as a measure of sukuk's contribution to the state budget. Therefore, the growth of the reported sukuk indicator may reflect greater use of Sharia-based financing instruments, but it does not by itself establish improved ethical governance or sustainable development outcomes. The way each country does this says a lot about how local institutions shape the success of green financing in pushing sustainable development, (Kian, 2025). All of this really ties into bigger ideas about how religious values and government policy can work together to shape how public finance works.

Figure 5. Trends Financing Sukuk And Ratio Expenditure Country-2020-2024



Source: Analysis Author, 2025

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Look at the graphs and you'll see a pretty clear story. Taxes still do most of the heavy lifting for Indonesia's finances. Zakat, once seen mainly as a religious obligation, now has a bigger role as a social tool. And sukuk? It's picking up speed as a go-to option for ethical, sustainable funding. Put all that together and you start to notice a kind of meeting point—Pancasila's core ideas guide how the government collects and spends money, but Islamic values shape how zakat and sukuk work. In the end, they're all pushing for the same thing: public welfare and fairer finances.

DISCUSSION

The findings provide exploratory support for a Behavioral Public Finance perspective on fiscal compliance in Indonesia. Respondents' emphasis on sanctions, fairness, transparency, and moral responsibility indicates that compliance is influenced not only by deterrence but also by perceptions of institutional legitimacy. This is consistent with the Slippery Slope Framework, which distinguishes enforced compliance based on authority power from voluntary compliance based on trust (Kirchler, Hoelzl, & Wahl, 2008).

The findings also align with tax morale research, which suggests that institutional quality, perceived fairness, and conditional cooperation influence taxpayers' willingness to contribute (Frey & Torgler, 2007; Torgler, 2007). Respondents' reference to Pancasila values, particularly social justice, indicates that national ideology may serve as a normative standard for evaluating fiscal governance. Meanwhile, the perceived relevance of Islamic public-finance ethics suggests that religious values may shape perceptions of justice, trustworthiness, and collective welfare.

However, the increase in tax, zakat, and sukuk indicators during 2020–2024 does not by itself demonstrate higher tax compliance, stronger trust, or better implementation of Pancasila values. The fiscal data are aggregate national indicators, whereas the survey findings represent perceptions of a purposive sample. Therefore, the study contributes an exploratory framework linking Pancasila values, Islamic public-finance ethics, institutional trust, perceived fiscal justice, and fiscal behavior, rather than establishing a causal relationship. According to (Kian, 2018) the relationship between religion and politics has been proven to significantly impact the profitable development of a country. This is also in agreement with the opinion of (Suryanto & Wibowo, 2022) and (Hidayatullah et al., 2024) who explain the integration of Pancasila principles with Islamic fiscal ethics to foster public trust, reduce corruption, and encourage duty compliance in financial policy in Indonesia.

The tax compliance theory proposed by (Allingham & Sandmo, 1972) and (Slemrod, 2021) states that fairness, deterrence, and government trust significantly influence taxpayer motivation in fiscal policy in Indonesia. The policy intentions of government officials and taxpayers must synergize with each other. In Indonesia, moral values and religious identity are key determinants, as stated by (Prasetyo & Rahayu, 2022). Pancasila, as the foundation of the state, guides significant public ethics, in accordance with the second principle of Pancasila, "Just and Civilized Humanity," and the fifth principle, "Social Justice for All Indonesian People."

The integration and development of Pancasila values strengthen national unity as part of the development of the Indonesian nation's character, (Kian & Sabri, 2021) emphasize that the principles of Pancasila, with sincere commitment and active participation from the government, business sector, academic institutions, and the wider community, work together in economic development. Public institutions that adhere to Pancasila principles demonstrate higher levels of

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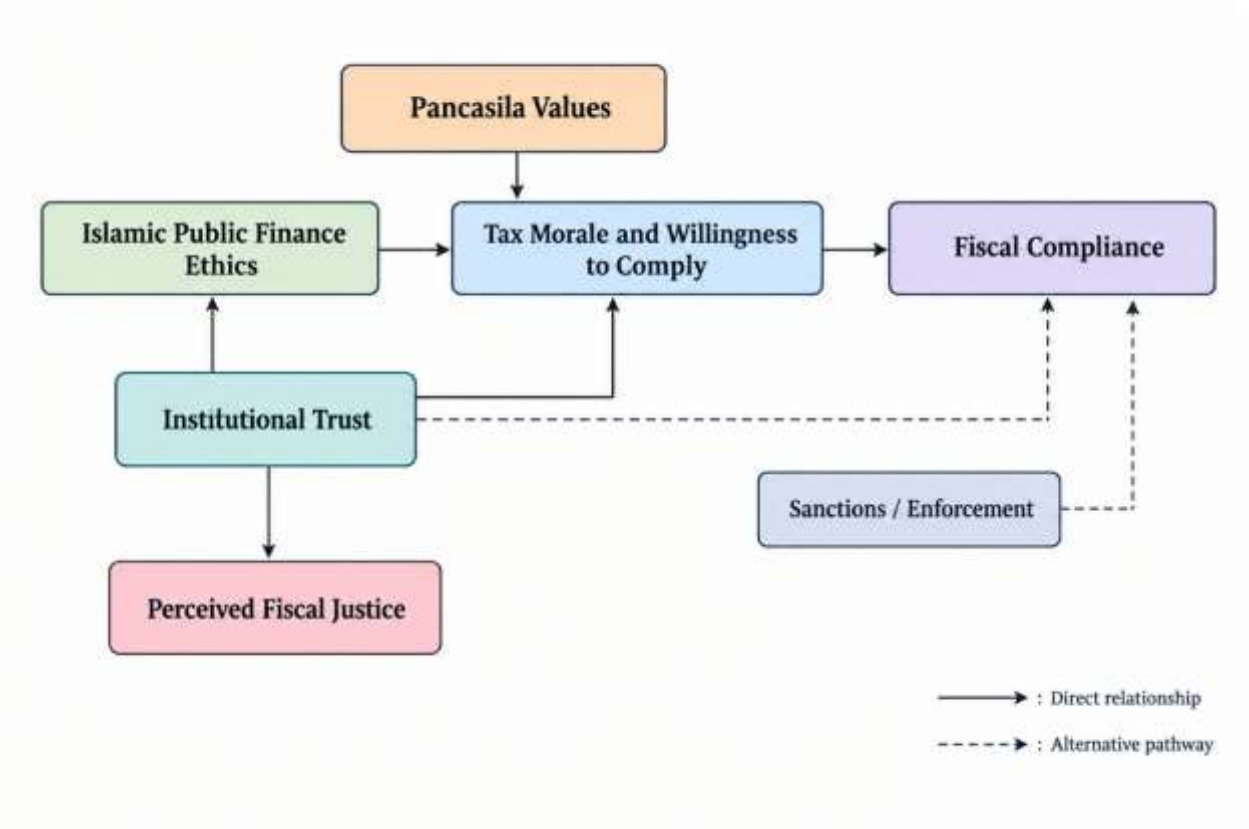
transparency and accountability.

This is evidenced by training programs for tax officials related to Pancasila values, which have been shown to increase public trust and encourage compliance by up to 12% in 18 months (Suryanto & Wibowo, 2022). Islamic financial principles are rooted in the maqasid al-shariah (objectives of sharia), (Kurniawan & Putra, 2023) and (Zulkarnain et al., 2021). Regions with higher levels of sharia financial literacy in Indonesia and Malaysia demonstrate higher levels of tax compliance (Al-Mamun al.et, 2023). The application of the principles of maslaha (general welfare) and 'adl (justice) in regional budgeting can increase public participation and transparency, (Hidayatullah et al., 2024). Emphasized that Islamic identity and Pancasila nationalism have been shown to significantly influence tax compliance levels among the public, (Prasetyo & Rahayu, 2022).

Islamic financial principles demonstrated higher levels of tax compliance than countries without religious-based financial regulations, (Al-Mamun al.et, 2023). For example, in Central Java, a study by (Zulkarnain et al., 2021) found that the implementation of a maqashid-based budget model resulted in a 22% increase in efficiency, demonstrating evidence of an effective relationship between Pancasila values and Islamic finance in fiscal governance in Central Java. Such integration is highly appropriate in the context of Indonesia, a pluralistic nation. From various findings and data analysis that have been carried out, this study offers a Convergence Model: Pancasila and Islamic Finance as shown in Figure 6 below.

Figure 6. Pancasila Values, Islamic Public Finance, and Fiscal Behavior



Source: Author's Analysis, 2025

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At the theoretical level, this study contributes to the discourse on Behavioral Public Finance by introducing state ideology and religious ethics as key factors influencing fiscal behavior. Empirically, this study provides a contextual analytical framework tailored to developing countries with strong ideological and religious foundations, such as Indonesia.

The findings are consistent with the Slippery Slope Framework, which suggests that trust in authorities may strengthen voluntary compliance (Kirchler et al., 2008). Respondents' emphasis on fairness and transparency is consistent with tax-morale research, which highlights the role of perceived institutional quality in shaping compliance (Torgler, 2017; Alm & Torgler, 2021). The perceived relevance of Islamic public-finance ethics suggests a potential normative pathway through which religious values may shape fiscal attitudes, although this relationship requires further empirical testing (Abdullah & Obaidullah, 2022; Hidayatullah et al., 2024). The increase in tax, zakat, and sukuk indicators provides contextual evidence of expanding fiscal instruments, but it does not establish causal improvements in compliance, trust, or ethical governance. Further research using representative samples, administrative tax data, and causal designs is needed to test these relationships empirically.

CONCLUSION

This study concludes that fiscal compliance in Indonesia is shaped not only by sanctions and economic incentives but also by perceptions of fairness, transparency, institutional trust, and moral responsibility. Pancasila values and Islamic public-finance ethics may serve as normative references for fiscal governance, particularly through the principles of social justice, trustworthiness, and collective welfare. However, the findings also indicate a gap between these normative values and administrative practice, especially regarding transparency and equitable enforcement.

Descriptive fiscal indicators show an increase in the reported tax-to-expenditure ratio, zakat collection, and sukuk-related indicator between 2020 and 2024. These trends provide contextual evidence of the growing scale of fiscal instruments, but they do not establish improvements in tax compliance, institutional trust, ethical governance, or the implementation of Pancasila values. Taxes, zakat, and sukuk should also be treated as distinct instruments with different legal, fiscal, and religious meanings.

The study contributes an exploratory Behavioral Public Finance framework linking Pancasila values, Islamic public-finance ethics, institutional trust, perceived fiscal justice, tax morale, and fiscal compliance. Inclusive, transparent, and equitable fiscal administration may strengthen perceptions of legitimacy and fairness, which are relevant to voluntary compliance. Further research using representative samples, administrative tax data, and causal designs is needed to test these relationships empirically.

The majority of respondents believe that fiscal compliance is driven not only by sanctions but also by the transparency of fund utilization and the perception of fairness. Pancasila values particularly the principles of humanity and social justice are considered relevant as a framework for fiscal policy; however, most respondents feel that their implementation remains merely symbolic. Islamic finance principles are viewed as relevant due to their emphasis on justice, trustworthiness (amanah), and anti-corruption, although respondents still distinguish between zakat, taxes, and infak. These findings support the B-BPF exploratory framework: perceptions of fairness, transparency,

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institutional trust, and moral responsibility have the potential to influence taxpayers' willingness to fulfill their fiscal obligations.

Conceptually, these findings suggest that fiscal compliance may be shaped by both enforced and voluntary mechanisms. Fear of sanctions reflects an enforced-compliance perspective, whereas respondents' emphasis on transparency, fairness, trust, and moral responsibility is more consistent with voluntary compliance in the Slippery Slope Framework and Tax Morale Theory. The perceived relevance of Pancasila values indicates that national ideology may function as a normative standard for evaluating fiscal governance, particularly through the principle of social justice. Likewise, the perceived relevance of Islamic public-finance ethics suggests that religious values such as amanah, adl, and maslahah may shape perceptions of trustworthiness, collective welfare, and fiscal responsibility.

However, this study does not claim a causal relationship between Pancasila values, Islamic ethics, and tax compliance. Accordingly, the study proposes an exploratory Behavioral Public Finance (B-BPF) framework that links Pancasila values, Islamic public-finance ethics, institutional trust, perceived fiscal justice, tax morale, and fiscal behavior. This framework is conceptual and contextual; it identifies potential mechanisms through which values and perceptions may influence fiscal behavior, rather than testing causal relationships statistically.

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