

Fair Price From The Islamic Economic Perspective At The Market Of Pontianak City, West Kalimantan, Indonesia

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Abstract- This research article aims to show the importance of fair price determination at the market for the public. Determining fair price serves as “intermediary” between sellers and buyers by making price regulations that are fair and mutually beneficial for sellers and buyers.

This research, in the context of writing the results of the study, was carried out using a qualitative research paradigm. The research was conducted at the Pontianak Flamboyan Market. This is based on the fact that Flamboyan Market is a wholesale market located in the capital city of West Kalimantan Province. In this study, we collected two types of data, namely: primary and secondary data.

Fair price in Pontianak City is volatile. Prices increase ahead of Eid al-Fitr (Islamic festival that marks the end of Ramadan) because demands increase and the stock of some staple commodities is short. Fair price in Pontianak has yet to be achieved due to prices being exploited by sellers by taking advantage of the increase in demand before Eid al-Fitr. Buyers, especially people with lower-middle income, find it difficult to meet their needs ahead of Eid al-Fitr.

Index Terms- Fair Price, Seller and Buyer.

I. INTRODUCTION

The law of supply and demand applies to transactions of goods and services. Therefore, the role of the Government through relevant agencies must be able to mediate between sellers and buyers by making price regulations that are fair and mutually beneficial for both producers and consumers. (Faris Ihsan. 2014: 9).

In Indonesia, the goods that often experience price volatility are goods that people use for basic needs or more commonly referred to as *sembako* (nine staple commodities). The term *sembako* refers to nine staple food items as stated in the Decree of the Minister of Industry and Trade No. 115/mpp/kep/2/1998 dated 27 February 1998 consisting of rice, sago, corn, sugar, vegetables, fruits, beef, chicken, fish, cooking oil, margarine, milk, eggs, kerosene or LPG, iodized salt. *Sembako* consists of various kinds of food and beverage commodities that are generally needed by the Indonesian people, because they are basic daily necessities that must be sold freely in the market. The categorization of these essential products is important because the

government must ensure the availability of these products and be responsible for not allowing the stock of these basic needs and their prices to go wild following market mechanisms. This price volatility is affected by several factors, such as natural disasters, rising fuel prices, government policies regarding quotas for importing goods from abroad, exploitation by sellers by hoarding goods at certain times, such as ahead of Eid al-Fitr, Christmas and New Year.

The theory of prices according to Ibn Khaldun is that prices are determined by the law of supply and demand. If an item is rare and in demand, the price increases, and if an item is abundant, the price decreases (Ibn Khaldun. 2001: 648). Meanwhile, the theory of fair price according to Ibn Taimiyah is that if the price rises due to a lack of goods (supply) or because there are many people need them (demand), then this is justified, but forcing sell at a certain price is not justified. (Ibn Taimiyah. 2004:28).

Such justification includes increase in prices due to a lack of availability of goods (supply) and an increase in demand, and selling goods in a way that is fair and without injustice (Ibn Taimiyah, 2004: 28). Honesty in transactions is a form of fair pricing which, according to Ibn Taimiyah, can be achieved without any party, both sellers and buyers, being harmed as a result of the price increase (Ibn Taimiyah, 2004: 28).

Fair pricing a manifestation of transaction ethics that will lead business economic actors to act mutually pleased, compete fairly, honestly and not commit fraud in their transactions (Solihuddin, 2011:14). A fair price is a normal price that is acceptable to both sellers and buyers, and according to Ibn Taimiyah, a fair price has the goal of fulfilling justice for the whole community, so that both the buyer and the seller feel the existence of justice (Ibn Taimiyah. 2004:28-29) According to Ibn Khaldun, a fair price is the desired price balance, namely, the profit earned are socially acceptable to sellers and consumers.

Ibn Taimiyah (2004: 30) explains that if the price increase is caused by lack of supply or increase in demand and sellers sell their goods in an acceptable manner, then such price increase is natural and should not force sellers to sell goods at a certain price which may inflict loss on the part of the sellers. However, if the price increase is caused by sellers trying to cheat to get high profits or gain more profits than usual, then such price increase will be unreasonable for the buyer or the public. A fair price is a price that provides fairness for both sellers and buyers so that no one is

harmful, or in other words, the market mechanism runs normally without cheating or price exploitation in the market.

The government's role here is to maintain market prices so as to prevent sharp declines and increases as this will be fatal in the country's economy. When prices continue to decline, there will be a lot of people out of business and unemployment will rise because non-state-owned businesses such as the private sector and small and micro-enterprises (SMEs) will find it difficult to make a profit. Private businesses and SMEs only get even or possibly suffer losses. Meanwhile, if prices continue to increase, inflation will occur, so it is very important to stabilize prices so that the businesses run by SMEs or sellers can continue.

Stable prices will have an impact on people's welfare, where previously people were able to meet all their needs but the increase in prices will lower their purchasing power and thus limiting the fulfilment of their basic needs. According to the law of supply and demand, if the price increases, the purchasing power of the people will also decrease. On the other hand, if the price goes down, the people's purchasing power will increase.

Therefore, the government must maintain price stabilization towards fair price. With stable prices, people's purchasing power will be stable, and traders will not suffer losses that may affect economic growth which will also have an impact on state income. In accordance with the role of local governments concerning trade as stipulated in the Law of the Republic of Indonesia no. 7 of 2014 concerning Trade Article 95 Point c, that the local government is in charge of controlling the availability, price stabilization, and distribution of basic needs and/or important goods.

Pontianak City as the capital of West Kalimantan has several markets, including Flamboyan market, Mawar market, and Teratai Market. Flamboyan Market is the main wet market in Pontianak.

II. THEORY

According to Qardawi (1997: 241) if traders hold a commodity, while buyers need it with the intention that buyers

will buy it at a price twice as much as the previous price, then traders voluntarily accept the price determined by the government which is done so that traders sell the commodity at an appropriate price for the sake of fairness.

The government has an important role in stabilizing prices by ensuring the availability of goods in the market, monitoring the circulating prices, so that prices can be controlled and price stabilization can be achieved (Veithzal et al. 2018: 53).

According to Qusthoinah (2014: 79), a balance in supply and demand is required to maintain economic stability. Surplus supply can harm producers because their goods are not absorbed by the market. On the other hand, excess demand without sufficient production will push prices up, and if it continues, it will reduce the welfare of the people as consumers.

Faris Ihsan (2014: 1) reveals that in stabilizing prices, it is necessary to regulate the distribution of goods, maintain stock of goods based on people's needs, maintain people's psychological state in meeting their basic needs so as to achieve the stability of prices of goods.

According to Lucy Ngare, Franklin Simtowe, Jaqueline Massingue (2014: 160) in their research, *Analysis of Price Volatility and Implications for Price Stabilization Policies in Mozambique*, price stability can be maintained through the use of markets and non-market price stabilization interventions that encourage investment on market infrastructure such as roads, warehouses and market information systems, institutions such as warehouse receipt systems, credit and insurance, maintaining strategic reserves and reducing tariffs and food-for-work programs.

According to Benton F Massell (2014: 297) in his journal article, *Price Stabilization and Welfare*, price stabilization caused by buffer stocks provides a net benefit for producers and consumers simultaneously, and that buffer stocks are a definite policy standard.

Based on the theories above, it can be concluded that the indicators of price stabilization are fair price, demand, supply and market balance.

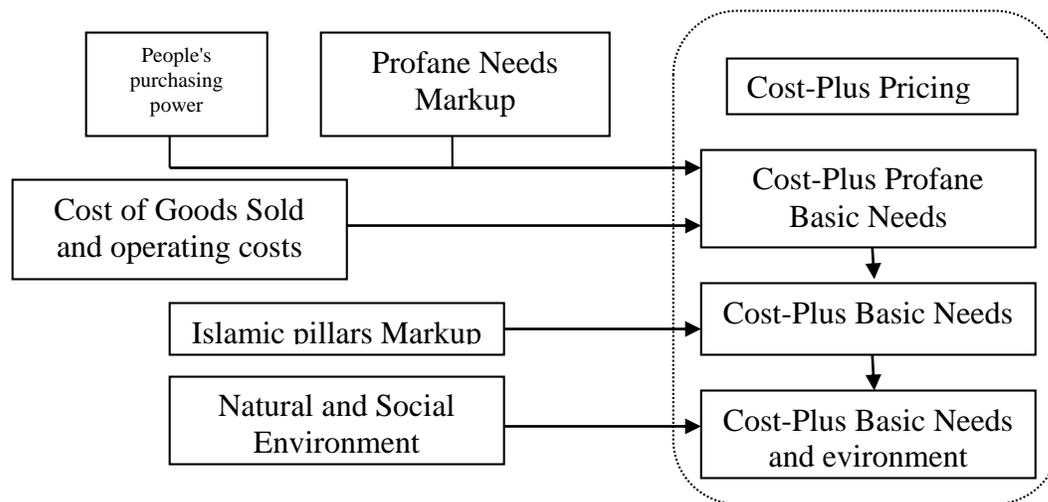
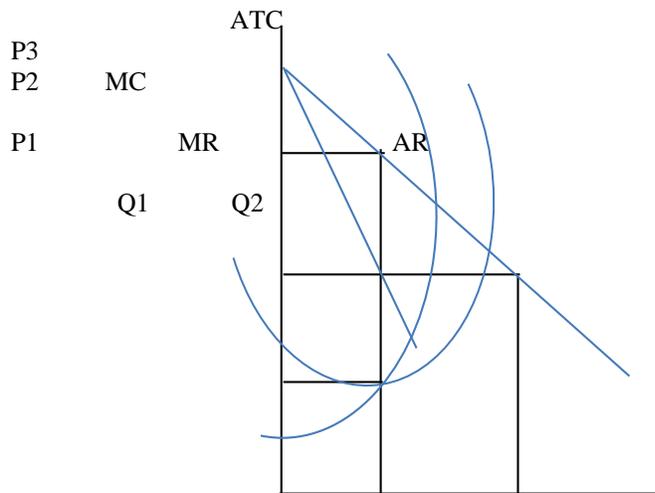


Figure 2.1
Fair Value-Based Pricing Concept
 (Alimuddin. 2011: 540)

Based on the above analysis according to Alimuddin (2011: 541), the concept of selling price based on the Islamic value of fairness is cost-plus pricing which is a selling price concept that takes into account all costs incurred to produce the product until it reaches the buyer in addition to the basic needs of traders and for environmental conservation. At first glance, the concept of selling price is the same as that of cost-plus pricing in conventional terms, namely costs plus the expected profit. The difference lies in the significance of profit and the determination of the amount of profit.

According to Masudul Alam Choudhury (1986: 159-160) in his book, *Contributions to Islamic Economic Theory*, that the price is equal to the average income equal to the average total cost, which is stated in the formula $P = AR = ATC$. In the principles of Islamic Economics, a company is not allowed to gain excessive profits through monopolistic competition, persist with excessive production and use of excessive consumption capital. The principles of Islamic Economics recommend the right economic criteria, namely minimizing costs to get profits within the limits as the curve below shows:

Figure 2.2
 The Curve of the Price Mechanism of an Islamic Economic Company



The figure above illustrates that the price of the product (Q1,P1) shows the result of monopoly competition, by overriding the perfect market mechanism, and also setting aside the determination of the quantity price in perfect competition, while (Q2,P2) shows that in the case of Islamic companies operating in under competitive cooperative conditions, it is possible to produce products at higher quantity levels and still sell at a lower price level, p2 as opposed to the case of monopolistic competition which is appropriate for other companies, whose sales volume is limited to that level, q1 and the selling price is at the level of p3. According to Qardawi, one of the characteristics of fairness is not forcing people to buy goods at a certain price if the market mechanism runs normally. There should be no monopoly in the market, no price exploitation, and no strong grip on the weak and poor. If some goods increase in price because they are limited in number or because of the high demand, then according to the law of supply and demand, at that time the market is left to a fair and reasonable decision (Qardawi. 1997:171).

Ibn Khaldun in his book, *Mukadimah*, specifically wrote a chapter entitled "Prices in the City". According to him, if a city develops and the population increases, the people become more prosperous, then the demand (supply) for goods increases, as a result the price increases, which in this case Ibn Khaldun argued that "if the city is abundant, the development is achieved and there are a lot of needs for luxury, it will be perfect at that time for the motivating factors to fulfill and multiply those needs of each

person according to his circumstances, and as a result the supply becomes very limited. Many people will make an offer even though the number of goods itself is small, people who have the desire to get it fight over it. People who are affluent and live in luxury pay extravagantly, no matter the price, because their needs are greater than those of others. Then at that time the price will be expensive as you can see (Ibn Khaldun. 2001: 648).

According to Ibn Taimiyah, there are two kinds of prices, namely the price that is unfair and unlawful and the price that is fair and lawful, namely when the price contains unfairness against the community, such as containing unjustified coercion in buying and selling at a price that is not agreed upon by the people, or the price hinders the people of what is permitted by Allah, then this is the price that is unfair and unlawful. If that price contains fairness among fellow human beings as it "forces" them to fulfill the requirement to exchange at standard prices and prohibits taking additional profit from standard exchanges, then such prices is possible or even mandatory (Ibnu Taimiyah. 2004:27).

An example of unfair price is what was narrated by Anas Ibn Malik. He recounted that at the time of Prophet Muhammad there was an increase in the price of goods. People then complained about this to the Messenger of Allah: "You should set the price, O Messenger of Allah". The Messenger of Allah replied: "Indeed, Allah is Omnipotent, who makes it easy, who gives sustenance, and who sets the price. I really hope to be able to meet Him in a state without anyone suing me because of the injustice that I have done to them in matters of blood and property"

(narrated by Abu Dawud and Al-Tarmidhi). If people have sold their goods in an acceptable way, while prices continue to rise, whether it is due to a lack of goods (supply) or because many people have the need (demand), then this is up to Allah: forcing people to sell at a certain price cannot be justified (Ibnu Taimiyah. 2004:28).

A. METHODOLOGY

This research uses the qualitative approach. According to John W. Creswell, "Qualitative research begins with assumptions and the use of an interpretive / theoretic framework that forms or influences the examination of research problems related to the meanings imposed by individuals or groups on social or human problems (John W Creswell. 2015:59). The paradigm used in this research is post positivism.

Each scientific research requires data in solving the research problems. The source of the data is the place or person where the data are obtained. The sources of data in this research consist of:

1. Primary Data

Primary data come from sources that directly provide data to data collectors (Sugiyono, 2015: 225) The primary data in this study were the results of interviews regarding fair price with sellers/traders, buyers/consumers at the Flamboyan Market, Head of Cooperatives Office, Secretary and Head of Market Division of the Cooperatives, Micro Enterprises, and Trade Office of Pontianak City.

2. Secondary Data

Secondary data come from sources that do not directly provide data to data collectors (Sugiyono, 2015: 225) Secondary data can be divided into several categories including publications of government or non-government institutions, previous studies, reports or personal notes, mass media.

The approach used this research is the qualitative approach using purposeful sampling, which is used to select individuals and places to be examined because it can specifically provide an understanding of the research problems and phenomena in the study (John. W. Creswell. 2015: 217), and the purposeful samples in this research were traders who sell in the market, buyers who shop at the market, Head of Cooperatives Office, Secretary and Head of Market Division of the Cooperatives, Micro Enterprises, and Trade Office of Pontianak City.

B. DISCUSSION

Development and supervision of trade includes supervision of goods circulating within the city, warehouse data collection, information on prices of staple commodities and other important goods, information on stock availability of staple commodities and other important goods.

Fair price in Pontianak

1. Prices at the Flamboyan market, according to the sellers, increase ahead of Eid al-Fitr due to increased demand.

The increase in prices ahead of Eid al-Fitr at the Flamboyan market, according to the sellers, is due to an increase in demand, which leads to the increase in the prices of staple commodities because demand is higher than usual, while the available stock of goods does not keep up with the increase in the demand. Therefore, it is natural for the prices to increase. The findings

showed that the price of broiler chicken at the Flamboyan market also increased despite the stable stock of the commodity.

The theory of fair price which is relevant to the findings in this study is used as a tool to prove whether or not the findings are relevant.

The relevance of the fair price theory with the findings in this discussion can be seen from the increase in prices caused by an increase in demand and a shortage of supply. This relevance is proven by the fact that as Eid al-Fitr draws near, the public or buyers in Pontianak City increased their purchases of staple commodities to celebrate Eid al-Fitr or Eid al-Adha, and the stock of goods available was not sufficient, resulting in an increase in the price of the basic food items. However, the stock of broiler chicken in Pontianak was stable and had been prepared for an increase in demand ahead of Eid al-Fitr, but the broiler chicken commodity had also increased in price. This finding is irrelevant to the fair price theory because the increase in demand for chicken was in line with an increase in supply. The price of chicken in fact should not have increased, and this had resulted in the absence of a fair price for buyers at the Flamboyan market.

According to the fair price theory, it is justified but the price increase that occurred in broiler chicken commodity at the Flamboyan market was caused by price exploitation by sellers because there was a high demand for beef and chicken ahead of Eid al-Fitr. Sellers usually say that the stock of broiler chicken is empty or there is little available even though the opposite is true. The increase in the price of broiler chicken at the Flamboyan market is not relevant to the theory of fair price.

2. Flamboyan Market sellers took advantage of the lack of information among buyers by raising prices.

The buyers accepted the price offered by the sellers at the Flamboyan Market even though the price had increased and the buyers did not know exactly the cause of the price increase as the information was provided only by Flamboyan Market sellers. The buyers' lack of information was used by the Flamboyan market sellers to exploit the price with the excuse of shortage of stock despite the fact that the stock was available because the government had anticipated an increase in demand ahead of Eid al-Fitr.

The irrelevance of the fair price theory with the findings on the subject of this discussion can be seen from the actions of Flamboyan market sellers who took advantage of the buyer's lack of information regarding prices to gain higher profits as in the case of broiler chicken commodity at the Flamboyan Market. This is clearly against to transaction ethics or Islamic economic behavior, namely honesty in transactions. Islamic law holds fast to the values of honesty in commercial transaction.

Broiler chicken sellers at the Flamboyan Market also exceeded the maximum profit limit, where in the context of fair price, the sellers make a reasonable profit.

Based on the above analysis that according to Islamic economics, broiler chicken sellers at the Flamboyan Market should not increase the price by ignoring market mechanisms, and override the determination of the price in perfect competition, and should be in accordance with the above formula that P (price) = AR (average income) = ATC (average total cost), i.e. price is equal to average income equal to average total costs incurred. If the income and total costs incurred by the broiler chicken sellers are

equal then the price of broiler chicken does not increase or it remains the same, although the demand for broiler chicken increases but the quantity of broiler chicken is also large, then the price of broiler chicken should remain stable, because the income and costs incurred by broiler chicken sellers remain the same.

Broiler chicken sellers who raised the price at the Flamboyant market by taking advantage of lack of information about the stock of the commodity among the buyers or the public and providing incorrect information to the buyers about the stock of the commodity, whereas in fair price theory neither party should be harmed by the price both on the part of the buyer and the seller.

Information given by the Flamboyant market sellers to the buyers by saying there was no broiler chicken stock which resulted in an increase in price had made the price unreasonable or in other words it did not reflect a fair price, and indicated an act of *ikhhtikar* or holding back the commodity that people need with the aim of increasing the price, which is an act prohibited by Islam, because it causes harm to society, as the Messenger of Allah said, "Whoever commits *ikhhtikar* with the aim of increasing the commodity price towards the Muslims, then that person is a sinner, and has been out of the *dzimah* (dependent) of Allah and His Messenger".

Ibnu Taimiyah explained that hoarding is an act of holding back commodities that are needed or in demand by the public with the aim of increasing prices. Such practice is strictly prohibited because it can cause inflation and harm to people's lives (Said Sa'ad Marthon. 2007:89-93). Regarding the information given by the Flamboyant Market sellers to the buyers saying there is no broiler chicken stock which results in an increase in prices when people need the commodity or are in demand of it, make this an act of withholding goods or *ikhhtikar* which is prohibited by Islam.

3. The price set by Flamboyant market sellers ahead of Eid al-Fitr was burdensome for some buyers or those with lower-middle income.

The increase in prices ahead of Eid al-Fitr was burdensome for the lower-middle income people in Pontianak City, forcing them to reduce the amount of food purchased to celebrate Eid al-Fitr or Eid al-Adha.

The theory of fair price which is used as a tool to examine the problem with regard to the findings of this study proves that these findings are contrary to the theory of fair price. The irrelevance between the fair price theory and the findings on this subject can be seen from the statement "the prices given by the sellers are burdensome for the buyers or the people in Pontianak City ahead of Eid al-Fitr".

The increase in prices of commodities in Pontianak city ahead of Eid al-Fitr, especially for broiler chicken based on the findings in section b, was caused by price exploitation by broiler chicken sellers at the Flamboyant Market. It can be concluded that the price received by buyers was an unfair price since sellers make profit by committing fraud, namely providing incorrect information about the lack of stock of broiler chicken at that time, i.e. ahead of Eid al-Fitr.

The fair price theory explains that reasonable profits will encourage trade growth, low profits will make trade sluggish, but if sellers obtain too much profit, it will cause trade sluggishness because demand will decrease (Ibn Khaldun. 2001:720). The relevance of this finding is that the sellers at the Flamboyant

Market made too much profit that the public or buyers objected and this had resulted in a decrease in the people's purchasing power or demand and finally a sluggish trade occurred.

4. The increase in the price of broiler chicken at the Flamboyant market ahead of Eid al-Fitr was still considered reasonable by the government.

The increase in the price of broiler chicken at the Flamboyant market was a burden to the lower-middle income people and thus it reduced the number of purchases made by the buyers, because the normal price which is between IDR 23,000 to IDR 25,000 increased to between IDR 32,000 to IDR 35,000. Such increase in the price was quite significant because the public or buyers were likely to buy broiler chicken for celebration of Eid al-Fitr and Eid al-Adha.

The fair price theory explains that a fair price is a reasonable price that can be accepted by both the buyer and the seller, and a reasonable profit can be obtained without adding burden to the public or the buyers, and there is no fraud committed by the sellers. However, this is not relevant to the findings of this research. The sellers at the Flamboyant Market obtained more profit than usual by providing false information about the lack of stock to the buyers ahead of Eid al-Fitr. In addition, the government explained that there was no shortage of broiler chicken stock. With false information given by these sellers, the increase in the price of broiler chicken reached around IDR 10,000 which is the result of a lie made by the sellers, thereby harming the public/buyers at the Flamboyant Market. This finding is completely irrelevant to the fair price theory.

Profits that are too high or unreasonable for broiler chicken commodity will result in unreasonable or unfair price and harm the public or consumers. The move taken by Flamboyant Market sellers in gaining higher profits was not monitored by the government because the public did not really complain about it, so the government assumed that people could still afford to pay for the price.

The high increase in the price of broiler chicken at the Flamboyant market should be analyzed by the Pontianak City's Office of Cooperatives, Micro Enterprises and Trade, so that the cause of the increase can be identified and strict measures can be taken against the sellers who exploit the price of the commodity because the government plays an important role in monitoring and controlling prices and availability of commodities so that people will not be harmed.

III. CONCLUSION

Based on the research conducted at the market regarding fair price in Pontianak City, it can be concluded that: Fair price in Pontianak City is volatile, while the causes of price increase are due to the increase in demand and decrease in stock of some staple commodities. Fair price in Pontianak has not been achieved due to price exploitation by the sellers by taking advantage of the increase in demand ahead of Eid al-Fitr which causes difficulties to the public/buyers with lower-middle income in meeting their needs. The government, in this case, the Office of Cooperatives, Micro Enterprises, and Trade plays an important role to ensure price stability by checking prices, monitoring sellers or agents who hoard staple commodities and anticipating price increase ahead of

Eid al-Fitr through increasing the stock of commodities so as to suppress price increase. However, the Office has not been able to overcome the increase in prices ahead of Eid al-Fitr. Therefore, it can be concluded that fair price in Pontianak City has not been achieved.

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