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The Concept of Just Price in Islam: The Philosophy of Pricing and Reasons for Applying It in Islamic Market Operation

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Abstract – Islamic Economics covers a large number of economic areas including the theory of pricing. This theory has been developed in conventional economics, while only a few are covered by Islamic economics. This paper aims to conceptualize the just price in Islam using the qualitative approach. It is exploratory research and content analysis; the analyzed data were obtained from various sources: Quran, Sunnah, Islamic philosophers, and jurisprudence. This paper reveals that a just price in Islam is based on the principles of ‘*an taradhin minkum* (mutual goodwill) and *al’adl* (justice) which must exist in goods and services pricing. These are also described in the principles of Islamic market operations which is to uphold justice and the willingness between the market players as well as to maintain the order of the supply and demand in the market.

Keywords – pricing, justice, Islam, market, transaction, ‘*an taradhin*

1. INTRODUCTION

The just price is a concept involving both economics and ethics. The idea seeks to distinguish between just and unjust methods of gain in commerce. Its classic exposition was given by a Catholic theologian, Thomas Aquinas; although it was not his original idea. It was derived from the traditional Christian opposition to usury, originally meant any/all interests on money lent.

The concept of just price in its traditional sense is largely considered obsolete. As an example, the tradition of artisan guilds deciding the goods’ price would be considered a cartel, an unethical and often illegal practice today. It does not imply that, in certain situations, prices which are too high or too low would not be problematic; the issue, however, is seen to lie in the imperfect competition, or possibly the exploitation of an insufficiently informed party, not in the deviation of prices from a specific range per se.

In the Islamic context, Prophet Muhammad SAW (*Sallallahu Alayhi Wa salaam* - may God's prayers and peace be with him) was sent by Allah to deliver the message of Islam which is a blessing for the entire universe (Abu Zahrah, 1994: 21). Thus, Islam is a religion for all humanity regulating human life based on its nature. However, the message of Islam conveyed as a religion by Allah is attributed to human beings with reasons as well as common sense, and are not charged to those without (Rifa'i, 1994: 11).

Religion is interpreted as a system of faith and worship of the Absolute One, as well as rules governing the relation of human with human and human with nature. As a religion of revelation, the teachings of Islam are derived from divine knowledge and notices in the holy books of the Qur'an and as-Sunnah (Siregar, 1999: 127).

The definition of *Kâffah* is to call on Muslims, so that life is intended to fully devote to Allah in all sincerity (al-Fattah, 1995: xiii). The word *al-Silm* in surah (a term for a chapter of the Quran) *al-Baqarah*: 208 is Islam. This verse points out: "enter all of you wholly into all the teachings of Islam", which means to proclaim Islam and practice it thoroughly. Taking one part and leaving the others is fallacious.

Furthermore, Shari'a in this context is the implementation of economic activities included in the process, in dealing with fellow humans. The results of this implementation are determined by Allah with a warrant, so that Muslims enter into *Kâffah* Islam, particularly about pricing.

2. LITERATURE REVIEW

According to the *Kamus Besar Bahasa Indonesia*, "price" is defined as: 1) the value of goods determined or in form of money; 2) the amount of money or other means of exchange, which must be paid for the product or service, at a certain time and in a particular market; 3) honor (of oneself); 4) use (meaning, interest, information, etc.). In Arabic, the word *ثمن* (*tsaman*) has fairly the same meaning, which is price.

The definition of price, in general, is *ملا لا يَبْعَيْنُ بِالْتَّعْيِينِ*, meaning a case that is not necessarily determined. This *tas'ir* is derived from the word *sa'ara*. In the Arabic dictionary *al-Muhîth fiy al-lughah* (Şāhib ibnu Ubbad in the 4th century H), the expression *sa'aro ahlu sûq* (traders in the market set prices) means *as'arû* (they set prices). Meanwhile, *as-si'r* means price and is a price benchmark (*allaži yaqûmu 'alaihi tsaman*). Thus, *at-tas'ir* means pricing (*taqdîr as-si'r*).

In the economic context, prices are manifested in the supply and demand mechanism summarized in the Supply and Demand Theory—a description of various relationships in the market existing among prospective buyers and sellers of an item. The supply and demand model is used to determine the prices and quantities sold

in the market (Landsburg, 2008: 3). This model is essential for conducting a microeconomic analysis of buyers and sellers behavior and interactions. It is also used as a starting point for various other economic models and theories. This model estimates that in a competitive market, prices will function as a counterweight between the quantity demanded by consumers and the quantity offered by producers, thus creating an economic balance between price and quantity. This model accommodates the possibility of factors that can change balance, which will be displayed in the form of a shift from demand or supply.

Prices also manifest in transactions. Transactions, which is approval/ payments in trade between parties involved in the business, work according to the price mechanism. This occurs through an agreement on the price of goods or services offered; it is also one of the elements determining a transaction's occurrence. A buyer agrees in a business transaction because the price offered by the seller seems to fit, whether it occurs through bargaining or direct purchase. In Islam, however, the *muamalah* (means dealing/ transaction) is more specific to historical or business transactions. Moreover, based on the principle of *fiqhiyah*, such as harmony and conditions, transactions must be agreed voluntarily and mutually (*'an taraḍin minkum*) as well as uphold the principle of justice among those involved in the transaction.

The principle of willingness or mercy can be viewed in the Qur'an 4: 29, while the principle of upholding justice is in the Qur'an 16: 90, revealing that Allah commands to be fair, do good and be generous towards relatives, as well as prohibits acts of abomination, *munkar* (anything bad), and oppression.

In terms of the transaction, the Quran clearly states that in addition to the willingness (*'an taraḍin*), Allah requires justice to be a condition involved in a transaction. This is because being just will bring you (adherents) closer to Allah and to being God-conscious, as written in Al Quran surah 5: verse 8, explaining the command for adherents to uphold justice for Allah is well-aware of what they do. Therefore, justice is one of the central themes in all of the Muslim activities, including in the economy.

3. METHODOLOGY

This paper aims to conceptualize the just price in Islamic perspective using the qualitative approach, of which the type is exploratory research. The research is conducted for a problem that has not been studied (Stebbins, 2001) (Shields & Rangarajan, 2013) regarding the conceptualization of just price in Islam; this will enrich the Islamic Economics study, particularly on the pricing theory. The research employs technical-narrative descriptive analysis (Yin, 2013). The data were collected with Islamic finance, investment, and jurisprudence experts.

This research used the content analysis method, which is a technique for concluding by objectively, systematically and generally identifying the specific characteristics of a message (Holsti 1969: 14). This

method is intended to analyze all discussion about the concept and basic principles of a just pricing theory in Islam. The author prepared basic procedures for the research design and the content analysis consisting of six steps of data analytics:

1. Formulating research problems.
2. Arranging the thinking framework of research concept operationalization.
3. Collecting data through a sampling of the selected data sources.
4. Creating the categories used in the analysis.
5. Collecting data from the selected documents using descriptive quantitative.
6. Interpreting the data obtained.

4. RESULT AND DISCUSSION

Transactions in the economy are done based on the price mechanism. This mechanism occurs through an agreement on goods or service price and becomes one of the determinants of a transaction's occurrence. A buyer agrees in a business transaction because the price offered by the seller seems to fit, whether it occurs through bargaining or direct purchase. In Islam, however, the *muamalah* (means dealing/ transaction) is more specific to historical or business transactions. Moreover, based on the principle of *fiqhiyah*, such as harmony and conditions, transactions must be agreed voluntarily and mutually (*'an araḍin minkum*) as well as uphold the principle of justice among those involved in the transaction.

The principle of willingness is stated in Qur'an 4: 29. In a transaction, it is not only will that should be part of the process, but also justice, as inferred from the Quran 16:90. Thereby, as stated in the Qur'an, in addition to willingness (among the adherents), Allah requires justice to be a condition involved in a transaction. This is because being just will bring you (adherents) closer to Allah and to being God-conscious, as written in Al Quran surah 5: verse 8, explaining the command for adherents to uphold justice for Allah is well-aware of what they do. Therefore, justice is one of the central themes in all of the Muslim activities, including in the economy.

4.1. Value and Price according to the Concepts of *Qimah*, *Tsaman*, and *Si'r*

'Price' in Arabic terminology, which is *as-si'ru*, is anything that can be used as a *tsaman* (a barter tool in buying and selling). In the book *Mausu'ah al-Iqtisad al-Islamy*, Dr. Rif'at Sayyid al-Iwadi explained that in terms of Islamic economics, price is defined as an estimation (measure) for the sale of goods, of which being expensive or cheap are determined by Allah only, without removing some factors affecting the item (al-Iwadi, 2009: 396).

Qimah is the value to be achieved in doing a charity. Four types of *qimah* must be placed in their respective places; they are *qimah ruhiyah* (affluence value), *qimah insaniyah* (human value), *qimah khuluqiyah* (moral value), and *madiyah qimah* (material value). In the context of the business, *qimah* (value/price) is the power of items

or service exchange quantitatively measured by the number of goods or amount of money.

Islam upholds justice (*al`adl*) in pricing. Several terminologies in Arabic which mean ‘just price’ among others are: *si`r al-mitsl*, *tsaman al-mitsl*, and *qimah al`adl*. Accordingly, the term ‘just price’ is obtained. In Arabic, some sentences that show ‘just price’ are *Si`r al-Mitsl*, *Tsaman al-Mitsl*, and *Qimat al-`Adl*.

Additionally, in the days of the first Islamic scholar, Ibn Taymiyah, he paid special attention to the term. He often used two terminologies in discussing the term ‘price’: *Iwad al-Mitsl* (equal compensation) and *Kamal Tsaman al-Mitsl* (equal price). In his *al-Hisbah*, he stated that equal compensation will be measured and estimated by equal things, and that is the essence of justice (*nafs al`adl*). These days, the term *Al`Adl Qimat* is also widely used by judges in Islamic law regarding business transactions in defective goods sale, power struggles, collateral for property disposing, etc. (Solomon Ramadhan Muhammad, 2010: 282).

4.1.1. Value and Price in the *Qimah* Concept

Qimah is a price in the context of value (price). It is the power of items or service exchange quantitatively measured by the number of goods or amount of money. The term *qimah al`adl* is also widely used by judges in Islamic law regarding business transactions in defective goods sale, power struggles, collateral for property disposing, etc. The term *Qimat al-`Adl* (just price) was used by the Messenger of Allah and the Caliphs, as an example, when the Prophet commented on the compensation prescribed in freeing a slave. The slave was freed and the owner received a just price for compensation or *Qimat al`adl* (*Shahih Muslim*). It is also reported by Khalifa Umar bin Khattab and Ali bin Abi Talib, when Umar bin Khattab determined the new price (value) in *Diyah* (fine/ransom); (the value of) dirham (UAE currency) decreased and prices increased.

The just price has become a fundamental grip on Islamic transactions. In the principles, business transactions must be carried out at a just price because it is a reflection of the Islamic *Sharia* commitment to comprehensive justice. In general, a just price does not lead to exploitation or oppression harming one party and benefits the other. Prices must fairly reflect the benefits to the buyer and seller; for instance, the seller gets a normal profit and the buyer receives benefits equal to the price he pays.

The just price concept based on equal price clearly shows an advanced view in price theory. The price theory concept is only viewed from the producer’s price because it is only based on production costs. The just price concept provides a sense of justice from a broader perspective because consumers are also involved in estimating the price of an item. This is why Islamic *sharia* highly values the price formed by the strength of demand and supply in the market.

a. *Qimah* consists of several types as follow:

- 1) *Qimah Tijariyyah*
Market value; the prices of goods or services are determined by market demand and supply.
- 2) *Qimah Mudla'afah* (Value-added)
- 3) *Qimah Haliyah*
Value added is the economic added value of goods or services due to economic activities.
- 4) *Qimah Dakhiliyah*
Intrinsic value is the original value that is physically inherent, for example, the value of metal contained in coins.
- 5) *Qimah Daftariyyah*
Book value is the value of the assets listed in the accounting records.

4.1.2. Value and Price in the *Si`r* Concept

There are 6 parts of value and price concept:

- a. *Si`ru Taklifah*
Price based on cost (BEP price) is the price of a product that can only cover production costs and distribution without profit margins
- b. *Si`ru al-Suq*
The market price is the price formed based on supply and demand.
- c. *Si`ru as-Sharf*
The exchange rate is the price of a currency in terms of another currency.
- d. *Si`ru al-Iqfa*
The closing price is the price of securities traded at the end of trading time.
- e. *Si`ru al-Atho`*
The quotation price is two prices commonly used in the trade of securities or foreign exchange (bid-ask price).
- f. *Si`ru al-Asas*
The basic price is the price used as the basis for calculating the price of the goods being traded.

4.1.3. Value and Price in the *Tsaman* Concept

From the previous explanation, in Arabic the term *tsaman* refers to the medium of exchange or money, while the term means the price displayed or written, and the meaning of *Qimah* implies more on ‘value’. In the context of justice, the term *tsaman al`adli*, or in Ibn Taimiyah's term, *Kamal Tsaman al-Mitsl*, is also known as ‘equal price’ – the standard price applied when people sell their goods and can generally be accepted as something equivalent for the items (or similar item) at a specific time and place. So, equal prices are prices formed by market forces operating freely, without fraud.

4.2. The Concept of Price in Islam

4.2.1. The Concept of Price from Islamic Thinkers

The concept of price in Islam has attracted Islamic thinkers. They used the economic conditions around the price and on its mass; their views are as follows:

4.2.1.1. The Concept of Price According to Abu Yusuf

Abu Yusuf was a mufti of the Caliphate of Harun al-Rasyid. He wrote the first book on the taxation system in Islam entitled *Kitab al-Kharaj*. Abu Yusuf was listed as the earliest ulama (a Muslim scholar whose knowledge concerns Islamic sacred law and theology) that started the discussion of the market mechanism. The phenomenon that Abu Yusuf experienced was when goods were scarce, prices tended to increase, whereas when the goods were abundant, prices tended to decrease.

Abu Yusuf asserted that there are no certain limitations on cheap and expensive price. Something must have regulated this phenomenon, yet the principles are unknown. Cheap price is not caused by the abundance of food, nor is it expensive due to scarcity of food. 'Cheap' and 'expensive' are God's provisions, as sometimes food is scarce but the price is cheap. This view indicates a negative relationship between supply and price. Indeed, the price does not depend on the supply, and therefore the decrease or increase in prices is not solely related to the increase or decrease in the supply. In this case, Abu Yusuf seems to deny public opinion about the inverse relationship between demand and price. In fact, the price does not only depend on the offer but also on the demand. He emphasized that other variables were affecting this, but he did not explain extensively.

In the economic analysis concerning the problem of price control, Abu Yusuf opposed the authorities who set prices. This opinion is based on a Hadith discussing the price narrated by Abu Dawud: Allah is the one who sets the price, the closest, the most magnificent, and the most gracious. I hope to meet God in a situation where none of you demands that I treat tyranny in terms of blood and wealth (Abu Dawud). In his view, the price is God's provision. It will be formed following natural laws applied in a certain place and time based on the factors affecting the price itself. Abu Yusuf's opinion is relevant to a perfectly competitive market in which there are many sellers and buyers; thus, prices are determined by the market.

4.2.1.2. The Concept of Price According to Al-Ghazali

Similar to the previous Muslim scholars, Al-Ghazali's attention to people's lives was not focused on one particular field but all aspects of human life. He conducted extensive Islamic studies to defend the teachings of Islam. His attention in the economic field can be seen in his fiqh science because, in essence, it is an inseparable part of Islamic jurisprudence.

Al-Ghazali's socio-economic thinking is rooted in a concept which in his term is called the Islamic social welfare function. The theme that forms the basis of all his

work is the concept of social welfare or utility (common good) – a concept covering all human activities and creating a close connection among individuals and society.

According to Al-Ghazali, the law of nature is everything: an expression of various desires coming from a person to satisfy each other's economic needs. In his view, the market is the natural order as prices in the market will be naturally formed by the factors affecting prices. Al-Ghazali's opinion is more suitable for perfectly competitive markets.

Like other thinkers of his time, he also discussed prices often directly related to profits. Profits are not related to income and costs. For al-Ghazali, the benefits are compensation for travel exhaustion, business risks, and a self-safety threat to the merchant. Although he did not agree with the excess profits being the motivation of traders, he thought that the real advantage was the profits in the hereafter. The normal profit is in the range of 5 to 10 percent of the goods' price (Karim, 2006: 156).

4.2.1.3. The Concept of Price According to Ibn Taymiyyah

Ibn Taimiyah explained the mechanism of exchange, the free market economy, and how price trends occur as a result of demand and supply forces. If the demand for goods increases while supply decreases, the price will increase. On the contrary, scarcity and abundance of goods may be caused by fair or unfair actions. This occurred because there was an assumption in his time that the increased price was a result of injustice and actions from breaking the seller's law, or market manipulation.

Ibn Taymiyyah pointed out that increase and decrease in prices are not always related to tyranny (*zulm*) committed by someone. Sometimes, it is due to a production shortage or a decrease in imports of the goods requested. If there is a demand to increase the number of goods while the ability to supply them decreases, the price will naturally increase. On the other hand, if the ability to supply goods increases and the demand decreases, the price will decrease. Scarcity and abundance of goods must not be caused by a person's actions. It could be related to things that do not involve injustice, or occasionally, it can also be caused by injustice. Allah is the Greatest that creates the will in the hearts of men (Islahi, 1997: 37-42).

4.2.1.4. The Concept of Price According to Ibn Khaldun

In his work, Ibn Khaldun divided the types of goods into basic and luxury. He stated that if a city develops, the population will subsequently increase, and the prices of basic necessities will be prioritized. As a result, offers increase and prices decrease. As for luxury goods, the demand will increase in line with the development of the city and changing lifestyles; this leads to the increased price of luxury goods. In his view, prices are the result of laws of demand and supply. The only exception to this law is the price of gold and silver, which uses a monetary standard. All other items are subjects to market-dependent

price fluctuations. If a product is rare and is often requested, the price is high. If a product is abundantly available, the price will be low (Muhammad, 2004: 46).

4.3. The Islamic Concept of Justice

The Islamic concept of justice will be discussed following the Quran and Sunnah. It is essential because economic and business justice is part of a broader concept of justice in Islam. The concept of ultimate suffering defines injustice to certain ideologies. The Islamic concept regarding the peak of suffering is punishment on the day of vengeance. An economic life which is not under the benchmarks of Islam may lead to failure in the Hereafter. Thus, to save yourself, your family and all those involved in the torment of hellfire will require justice to be established; it will apply otherwise when someone fails to enforce justice. Moreover, welfare in the world is upright if justice is upheld. This is the conclusion of *Mufasssir Quraish Shihab* (Shihab, 1998: 68) citing the Quran surah Al-Maidah verse 8 as related to surah Al-A'raf verse 96, and surah Nuḥ verses 10-12. Therefore, an explanation of Islamic justice is generally needed.

4.3.1. The Meaning of 'Just' in Islam

Allah reveals justice in the Quran in three words: *'adl*, *qisth*, and *mizan*. When the Quran refers to Allah having a just nature, the word used is only *al-qisth* (Surah Ali 'Imran (31: 18)). The word *al-'adl* which recurs twenty-eight times in the Qur'an, none of which is Allah's attributes. Nonetheless, various aspects and objects of justice have been discussed by the Quran, which also concerns the partakers. This diversity results in various meanings of justice.

The word *'adl* is the *masdar* form of the verb *'adala* - *ya'dilu* - *'adlan* - *wa' udulan* - *wa'* for - *عَدَلَ - يَعُولُ - عَدْلًا - (وَعَدُولًا - وَعَدَالَةٌ)* (Ma'luf, 1982: 556) This verb rooted with the surahs *'ain* (عَيْن), *dal* (دَال) and *lam* (لَام), whose main meanings are *'al-istiwa'* (الاستواء = straight state) and *'al-i'wijaj'* (الإعوجاج = deviant state) (Munawwir, 1997: 217). The series of surahs contain contradictory meanings, which are straight or equal, and deviant or different.

From the first meaning, the word *al-'adl* means set the law correctly. Therefore, a person who is fair is straight and his attitude always shows the same standard, not a double-standard. This is the original meaning of the word *al-'adl*, which makes the partaker "not take sides" with one of the disputants because both sides (the right and the wrong) must obtain their rights. Thus, he does something properly and not arbitrarily (Shihab, 1998: 44).

Al-Asfahani asserted that the word *'adl* means giving the same share. Meanwhile, other experts define it by placing something in its proper place. Some state that giving is a right to give to the owner through the closest way. This is in line with Al-Maragh's definition of the word *al-'adl* by conveying the rights to the owner effectively.

In addition, the understanding of 'just' in the Quran is often related to being balanced and mediating. Guided by

the principles of moderation and tolerance, it is also stated in the term "*wasath*" (middle). "*Wasath*" is an attitude showing a balance between two extremities and reality in understanding human nature, both by refusing extravagance and excessive asceticism. A balanced attitude immediately emanates from the attitude of monotheism or profound insight into the presence of God Almighty in life, which means awareness of the unity of purpose and the meaning of the entire natural life that He created (Maarif, 2006: 17).

In details, the meaning of justice based on faith is demonstrated in respect of the mandate (the sacred deposit of God) to humans, for each other and the mandate concerning the rule of power, in particular. The power of government is a necessity to order our lives. Each form of power is combined with people obedience to the ruler; thus, power and obedience are inseparable. However, the power that is worthy and must be obeyed is one that only reflects the sense of justice for the sake of carrying out God's mandate.

The word *al-'adl* in the Quran various aspects and objects of justice have been discussed by the Quran, which also concerns the partakers. This diversity results in various meanings of justice. According to the research conducted by Shihab (1998), there are at least four meanings of justice: 1) Equality, 2) Equity: putting something in its place, 3) Balance / Harmony, 4) Justice attributed to the Divine

4.3.2. The Urgency and Wisdom of Justice Enforcement: Bringing Welfare into Reality

Justice and prosperity are noteworthy topics in Islamic economics. It is because people always question the connection between justice and welfare. Among the Muslim scholars, there are clashing opinions about which one that must take precedence: welfare or justice. However, when referring to several Quran verses, it is revealed that Allah's commandment to uphold and to put justice first. Allah's command to uphold justice is conveyed in some verses, such as in the verses of surah Al-A'raf verse 29, Al-Nahl verse 90, Al-Rahman verses 7-8, and Al-Maidah verse 8. In these verses, Allah explicitly commands to uphold justice. Therefore, it is in accordance with the *fiqhiyah* rules, stating that God's command is obligatory for Muslims. Allah, in Al-Quran Surah Al-Maidah verse 8, instructs the adherents to uphold the truth because being just will bring you (adherents) closer to Allah and to being God-conscious (piety). This will bring eternal happiness in the hereafter because God will ask for accountability from every human being in the world. Devotion is the standard of "passing" on the judgment day called the *yaumul*.

From various verses about the command of Allah in upholding justice, and His word in Al-Quransurah Al-A'raf verse 96, as well as in surah Nuḥ verses 10-12, justice will lead to piety and piety results in prosperity. Welfare, which is based on the word "Prosperous" meaning safe, secure and wealthy (according to *Kamus Besar Bahasa Indonesia*), means to survive (apart) from

all kinds of disturbances, and difficulties, etc. Thereby, social welfare is a condition of a prosperous society.

4.4. The Concept of Just Price in Islam

Market economy transactions operate based on price mechanisms. For the transaction to provide justice for all parties involved, the price must also reflect justice. In the view of Islam, transactions must be carried out voluntarily (*'an taraḍin minkum*) and provide proportional benefits to the partakers. The concept of a just price has been introduced by the Messenger of Allah that became a subject of discussion from the scholars in later times. In a normal situation, just prices are created through a mechanism of demand and supply, provided that the market mechanism can run perfectly.

However, the market price created is often deemed incompatible with policies and the overall state of the economy. In the real world, the market mechanism sometimes does not work well due to various factors. For this reason, the government has a big role in managing prices. Islam highly upholds justice (*al-'adl*) in pricing. Several terminologies in Arabic meaning 'just price' are: *si'r al-mitsl*, *tsaman al-mitsl*, and *qimah al-'adl*. The term *qimah al-'adl* (just price) was once used by the Messenger of Allah in commenting on compensation for the liberation of slaves, in which the slave would become an independent human, and his employer still received compensation at a just price or *qimah al-'adl* (Shahih Muslim). The use of this term is also found in reports related to the caliph Umar bin Khatab and Ali bin Abi Talib. Umar bin Khatab used the term *ice* when setting a new value for *diyah* (fine/ransom) after the value of the dirham decreases so that prices increase (Ibnu Hanbal).

The term *qimah al-'adl* is also widely used by judges who have codified Islamic law regarding business transactions regarding defective goods sale, power transfer, forcing goods hoarders to sell their stockpiles, removing collateral for a property, and so on. In general, they thought that a just price of something is the price paid for the same object given at the time and place submitted. They also often used the term *tsaman al-mitsl* (equal price) (Nujaim, 1980, p.362). Even though these terms have been used since the time of the Prophet and *Khulafaurrasyidin*, the first Muslim scholar who gave special attention to them was Ibn Taimiyah. He often used two terminologies in price discussion, namely *'iwad al-mitsl* (equal compensation) and *tsaman al-mitsl* (equal price). In his ratio, Taimiyah (1976) said that equal compensation will be measured and estimated by equal things, and that is the essence of justice (*nafs al-'adl*). He distinguished between two types of prices: prices that are unjust and prohibited, as well as just and preferred prices. He considered that the equal price was a just price.

Ibn Taimiyah defined equal price as the standard price (*s'ir*), in which the population sells their goods and generally accepts the price as equal to the same item at a specific time and place. In the ratio, he explained that this equal price followed the desires or the prices set by the market forces operating freely - competitive and

undisturbed - between supply and demand. He asserted that if people sell their goods in a normal way (*al-wajh al-Ma'ruf*) without using unjust methods, the price increases due to the effect of the lack of inventory or increasing population (increasing demand), and it is all because of God. In such cases, forcing the seller to sell his goods at a special price is a wrong compulsion (*ikrah bi ghairi haq*).

A just price has become a fundamental grip on Islamic transactions. Based on the principles, business transactions must be done at a just price because it is a reflection of Islam's *Sharia* commitment to comprehensive justice. In general, a just price is a price that does not lead to exploitation or oppression (injustice), inflicting harms to one party and benefits the other. Prices must fairly reflect the benefits to buyers and their sales, that is, the seller gets a normal profit and the buyer receives benefits equal to the price paid (Islahi, 1997, p.101-102).

The concept of a just price based on the equal price concept clearly shows an advanced view in price theory compared to, for example, the just price concept. The price theory concept is only viewed from the producer's price because it is only based on production costs. The just price concept provides a sense of justice from a broader perspective because consumers are also involved in estimating the price of an item. This is why Islamic *Sharia* highly values the price formed by the strength of demand and supply in the market.

4.4.1. Preferring the Hereafter to This Worldly Life

The utility and price theory in Islam, referring to Imam Al-Ghazali and Mufti Muhammadi Taqi Usmani, stated that 'achievement' in the Hereafter is more important than in the worldly life; in fact, this world is only a test, a preparation and a path to the Hereafter. From this point, the market players are expected to lean towards the welfare of others rather than self-interest, or at least apply self-interest in *Sharia*. A market player will thus collaborate with others rather than compete with other players. This is expected only when individual players are believers and have confidence in metaphysical dispositions confirmed by Islam.

4.4.2. The Essence of Islamic Market Operation Principles: Upholding Justice

Islam is a religion of justice. Allah commands every Muslim to be just. Therefore, upholding justice is the duty of every Muslim. The enforcement of justice can be realized if injustice and falsehood are abolished, or at least avoided; doing something good that leads to injustice is also prohibited (it is the principle of *sad zariah*). Being unjust is a prohibition; it must always be suppressed and avoided. Therefore, it is not surprising that God prohibits and instructs us to avoid some actions to realize justice in the world; this has implications for the afterlife. This becomes the principle in *muamalah*, stating that all affairs or transactions are permitted unless there is an argument prohibiting them (Karim, 2010: 29).

Essentially, the prohibition applied only if the transaction causes injustice; thus, Islam provides boundaries.

God instructs Muslims to avoid and negate some of the factors affecting the prohibition of transactions. Al-Quran and Sunnah of The Prophet Muhammad have provided various guidelines. It is believed that the obedience will ensure a just economic order: an order in which all partakers are saved from worldly losses (directly caused by any partaker's crime) and eternal losses in the hereafter. These guidelines are related to the individual's internal conditions and how he is expected to apply them in the market. The guidelines are explained as follows:

4.4.3. The Do's and Dont's (related to being just and unjust)

Avoiding all activities declared *haraam* or prohibited by Sharia is Muslims' first priority for 'achieving success' in the Hereafter (the Judgement Day) over the worldly life. This includes avoiding *Riba*, *Garar*, *Maysir*, trading illicit goods, stockpiling, committing fraud, and using force or taking over an item without the buyer or seller's consent:

- 1) **Avoid all forms of *Riba*-based transactions:** Usury (*riba*) is simply defined as profit on loans or debt. There are two types of this: (a) Usury in the Quran and (b) *Riba* in the Hadith. In the Quran, usury is the profit of loans or debt refers to the second type (*riba*) found only in the Hadith, which prohibits a barter of similar type of goods in different quantities and weights.
- 2) **Avoid Hoarding:** Imam Al-Ghazali cited various Hadiths of the Prophet Muhammad, who was very strict in hoarding prohibition and encouraging the sale of goods without storing them somewhere (Ibid, p. 125). It is permitted only when the goods are not basic necessities and are available as surplus; they are given to poor people who cannot purchase these goods when they need them. This is preferred because it will ensure that the business is 'expensive' in the Hereafter.
- 3) **Have free will (for the trading participants):** This means obtaining any item by threat or vanity. It is prohibited and the exchange contract is not allowed. This is mentioned in Surah Al-Nisa, verse 29. Tahir Mansoori (Mansoori, 2008: 5) further added an explanation by saying that the important parties have a certain and definite knowledge of the subject matter of the contract, the rights, and obligations derived from it. This rule brings serious implications when dealing with devaluation or reduction in purchasing power of the currency applied because the actions of financial institutions are performed without the consent of the rightful owner.
- 4) **Avoid speculative transactions such as *Garar*, *Qimar* or *Maysir*, etc.:** *Garar* means speculation, danger, and risk. As a technical term, it refers to uncertainty about the outcome of a contract that can lead to disputes and a court (Mansoori, 2008: 10).

This uncertainty can be related to the outcome of the contract, the product itself, the medium of exchange, or how it will be paid (*Ibid*). Two mutually exclusive transactions giving conditions to each other will also fall into this category; for example, I will sell this car to you at the price of X if you sell your house at price Y, or I will sell this car for the price of X if the third party sells his cell phone. Furthermore, *Qimar* means gambling and *maysir* is a game of chance, which has been banned in the Quran Surah al-Maidah, verse 90.

- 5) **Avoid fraud and whistle-blowing.** Fraud and whistle-blowing are also prohibited by Sharia. It is mentioned in the Quran Surah al-Humazah verses 1-6. Imam Al-Ghazali explained various forms of fraud that might occur while doing business; they are: overestimating the product quality, underestimating or hiding product defects, underestimating or hiding the actual quantity of the product (purchased based on price, volume, etc.), and overestimating or hiding market prices. This also includes the issuance of counterfeit money and its use on the market (al-Ghazali, 2007: 129-35).
- 6) **Avoid all illicit goods:** These include wine, pork, all products made from alcohol, or containing chemicals extracted from non-halal sources, blood, or animals slaughtered not based on the rules of Sharia. It also involves pornography, images of animals or humans, films containing vulgarity, statues resembling animals or humans, prostitution or any related item, music instruments and recordings in the form of CDs, tapes, DVDs or soft copies such as MP3 or other digital formats. Human body parts are also prohibited from being traded except in the case of an emergency. Selling someone else's goods (without consent) is also considered sinful (Mansoori, 2008: 35-36).

Apart from avoiding all of the above, a Muslim trader will fulfill the contract, agreement, promise (Qur'an 2: 177; 17:34). He will not bribe to win the contract (Tirmizi, Hadith: 1256; Musnad Ahmad, Hadith: 6490; Al-Mu'jam Al Kabeer, Hadith: 1400). He will appreciate meritocracy (Ahmad, 1999: 86). He will not exploit the vulnerability of sellers and buyers if he possesses high bargaining power (Khan MA, 1994: 10).

Imam Al-Ghazali also emphasized not to set a higher level of profit facilitating customers. In his view, taking high profits under the agreement of the buyer is not haram, but setting lower profits or doing an act of generosity (al-Ghazali, 2007: 135) is *Ihsan* (it should not be lower than market prices (Usmani MM, 1999: 41)). In the same context, he further exemplified that many participants usually give more than what is stipulated when making transactions (ibid: 137).

According to Al-Ghazali, lending money (as a debt) to the needy, providing flexibility when the payment is deferred (to help the debtors), and giving them extra time is also some ways to do *ihsan* (in the view of various Hadiths). On the other hand, the debtor is also encouraged to pay off the debt without interfering with the creditor.

He also recommended sales to facilitate any buyer who intends to return the product and cancel the transaction (ibid, pp. 138-40).

These are some of the main guidelines to follow in an Islamic economic order. These principles sketch the scope for any trader to play in the market. Even though those who are spiritually motivated will apply more than just avoiding haraam activities, they try to carry out mandated practices emphasized by referring to Imam Al-Ghazali. Therefore, from the Islamic perspective it is believed that once the market players (individuals or business companies) have the motivation and spiritual orientation needed for doing the obligation and recommendation in their minds and hearts, a fair order of economy will help the whole community reach success in the Hereafter.

5. CONCLUSION

The concept of Islamic just price is based on principles revealed from the Quran and Hadits; they are *antaradin minkum* and justice. The practice of these principles are revealed in the mechanism of market operation which is to avoid practicing the usury, hoarding, gambling, uncertainty, cheating, illicit goods; additionally, the participants should have free will in trading. This idea can be further researched in other areas of the Islamic concept of pricing, such as the Islamic contract of *mudharabah*, *murabahah*, *ijarah*, *sukuk*, etc.

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