

# Supply Stability, From the Islamic Economic Perspective, in the Markets of Pontianakcity, West Kalimantan, Indonesia

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**Abstract:** *This research article aims to show the supply stability from sellers' standpoint. Supply stability is heavily influenced by consumer income, commodity prices, future price forecasts and taste. In order to stabilize prices, in terms of supply, the government sells commodities to reduce prices, so in terms of demand and supply, they work together to stabilize prices and prevent sharp price decline. The methodology used in this research is the phenomenological method, in which the researcher describes the phenomena that occur in the increase in the price of basic necessities from the perspectives of the sellers and buyers who experience the price increase, as well as the views on price increase to maintain the balance of prices. With regard to supply stability in Pontianak City particularly the commodities of staple goods in Pontianak City, even though there is an increase in demand ahead of the Eid, the Government has anticipated it by providing supply of staple goods, and ensuring the distribution of goods runs smoothly, so that it can be said that the state of supply in Pontianak City is stable.*

**Keywords:** Supply Stability, Role of Government, Commodities

## 1. Introduction

The law of supply states that if the price of an item increases, the quantity supplied will increase and if the price of an item decreases, the quantity supplied will decrease. This law shows the existence of a positive correlation between price and quantity of goods supplied. This is because high prices give producers more profits, so producers will supply more goods. High prices cause producers to assume that these goods are highly demanded by consumers but there is a lack of supply in the market. Consumers will increase supply to meet demand

Supply in the field of economics is the amount of goods or services available and can be offered by producers to consumers at any given time. The quantity supplied of any good or service is the amount that sellers are willing and able to sell.

According to Ibn Taimiyah, in economic activities, producers and sellers conduct activities called supply, which is a term that describes the availability of goods in the market. In his view, supply can come from imports and local production and therefore these activities must be carried out by producers and sellers (Center for Islamic Economic Research and Development).2014: 317).

With regard to Islamic theory of supply, people must return to the history of human creation. Earth and humans were not created at the same time. In utilizing nature that Allah has provided for human needs, the prohibition that must be obeyed is "Do not make destruction on earth". This prohibition is found in many verses in the Qur'an and shows how much Allah hates those who do damage to the earth (Abdul Hafid.2015: 207).

In general, there is not much difference between conventional and Islamic theory of demand as far as it is related to the variables or factors that also influence the supply position. Even the general shape of the curve is essentially the same. One of the important aspects that makes a difference in this perspective most likely comes from the philosophical and moral foundations that are based on the premise of Islamic values (Abdul Hafid.2015: 207).

Factors that influence supply according to Ibn Khaldun are the number of requests for the relative profit level (price level), the level of human effort (productivity), for example the size of the labor force, including knowledge and skills, safety and security as well as technical capabilities and overall development. (Vinna Sri Yuniarti.2016: 182).

In the scope of classical Islamic economic thought, supply has been known as an important force in the market. Ibn Taimiyah refers to supply as the availability of goods in the market, namely: (1) *Maslahah*; the effect of *maslahah* on supply basically depends on the level of producer's faith. If the amount of *maslahah* contained in the goods produced increases, then Muslim producers will increase the amount of production. (2) Profit; Profit is part of *maslahah* because it can accumulate capital which can eventually be used for other activities. The factors that affect profit are ((a)) the price of goods; If the price of an item increases, profit will also increase. ((b)) Production cost; Production cost clearly determines the profit margin because profit is the difference between revenue and production costs. If costs decrease, the producer's profit will increase, and it will encourage him to increase supply. (Yenti Afrida.2015: 79 - 80)

There are several markets in Pontianak City, including; the Flamboyan market, Mawar market, and Teratai Market. The

Flamboyan Market is a wholesale market located in Pontianak City, West Kalimantan Province, Indonesia.

## 2. Theory

Supply is the number of goods or services available and can be offered by producers to consumers at each price level during a certain period (Veithzal.2018: 139). The theory of supply is the correlation between the price level and the quantity of supplied goods (Rozalinda, 2016; 71). Based on the theory above, it can be concluded that supply is the number of goods/services that can be sold or offered at a certain price and period.

According to Mario J. Miranda and Peter G Helmberger (2010: 49) in their article entitled *The Effects of Commodity Price Stabilization Programs*, to stabilize prices in terms of demand, it requires policies from the government by taking over private commodities in order to increase prices, whereas in terms of supply, the government sells these commodities in order to lower prices, so supply and demand work together to stabilize prices, where the former prevents sharp price decline while the latter prevents sharp price increase.

According to Benton F. Massel (2014: 290) in his article entitled *Price Stabilization and Welfare*, price stabilization is based on the forces of demand and supply and shifts in supply. Shifts in supply may be related to changes in factor costs and technology. In the case of agricultural commodities, usually there are major shifts in supply due to the weather – related factors.

Producers will supply more goods if there is an opportunity to gain greater profits. In addition to product prices, there are a number of variables or determinants of supply, which include as follows: (Paulus & Made.2015: 20 - 22), (1), Input Costs, if input costs become cheaper or decrease, it indicates a shift in the curve to the right of supply curve because the same price produces a greater product quality of goods provided that all other factors are held constant. (2). Technology or Productivity, technological improvement breakthroughs usually reduce the marginal cost of commodity products that enables producers to supply more. (3) Taxes and Subsidies, taxes on goods paid by companies as additional production costs and therefore will lower the supply curve or shift to the left. Subsidies are basically anti - tax or tax subsidies per unit of goods from the government that will reduce the cost per unit of production. (4) Price Expectations, a producer's willingness to supply today may influence tomorrow's prices. (5) Prices and Other Results, a company can empower the same resources to produce different goods. (6) Number of Suppliers, when suppliers enter the market, it is expected that the supply curve shifts to the right. The number of producers involved causes the supply curve to shift to the right so that the goods supplied increase at the same price.

A number of experts also mention that some of the determinants of supply are the price of goods, technology, number of producers in the market, price of raw materials, expectation and speculation or estimates (Veithzal et al.2018: 139). And according to An'im Fattach (2017: 457)

the determinants of supply are costs, technology, number of sellers, assumptions about the future, natural conditions, and according to Abdul Hafid, (2015: 211) technology, prices of production sources, estimated prices of available future sources, estimated prices of future goods, number of sellers in the market, government policies and stabilization.

The effect of *masalah* on supply basically depends on the level of producer's faith. If the *masalah* contained in the goods produced increases, *ceteris paribus* [all other things remain unchanged]. Producers with an "ordinary" level of faith are likely to supply goods with a minimum blessing content. Under these circumstances, if they see an item with a higher blessing content, *ceteris paribus*, they will abandon the item with a lower blessing content and replace it with an item with a higher blessing content. Under these circumstances, profit may no longer be an important factor in the supply of goods. Profit is part of *masalah* because it can accumulate capital which in the end, in other words, profit will become additional capital to obtain even greater *masalah* to achieve *falah*. The factors that affect profit are as follows: (1) Price of goods. The first factor that determines profit is the price of the goods itself. The role of the price of goods in determining supply has long been recognized by classical Islamic economic thinkers. If the price of goods rises *ceteris paribus*, then the amount of profit per unit to be earned will also increase. This will then increase the total profit and ultimately encourage producers to increase the quantity supplied. On the other hand, if the price decreases, producers tend to reduce their supply because the level of profit earned will also decrease. (2) Production costs, production costs clearly determine profit because profit is the difference between revenue and cost. If costs decrease, *ceteris paribus*, then the profit of producers/sellers will increase which in turn will push it if costs rise, *ceteris paribus*, then the profit of producers/sellers will also decrease which will in turn encourage producers/sellers to reduce the amount of supply to the market. To maintain their profit level, producers will increase prices if costs do increase. Ibn Taimiyah views it as reasonable as he defended merchants who have to increase prices of their goods because these prices had in fact increased in the first place. Production costs will be determined by two factors, namely production input prices and production technology (Center for Islamic Economic Research and Development).2014: 318 - 319)

Based on the theory above, it can be concluded that the determinants of both conventional and Islamic supplies are basically the same, namely the price of goods, technology, number of producers in the market, price of raw materials, taxes/subsidies, price expectations coupled with the goods being sold being *tayyib* and *halal* and *masalah*, are the benefits and blessings provided by sellers / merchants to consumers and these determinants are indicators for creating supply stability.

## 3. Methodology

This study entitled *Supply Stability from the Islamic Economic Perspective in the Markets of Pontianak City, West Kalimantan, Indonesia* was conducted with a qualitative approach. According to John W. Creswell,

"Qualitative research begins with assumptions and the use of interpretive/ theoretical frameworks that shape or influence the examination of research problems related to the meanings imposed by individuals or groups on a social or human problem (John W. Creswell.2015: 59)).

The method used in this study is the phenomenological method. According to John W Creswell (2015: 105) a phenomenological study aims to describe the general interpretation of a number of individuals for various life experiences of these individuals related to concepts or phenomena, focusing on describing what is common from all participants when experiencing phenomena, intended to reduce individual experiences with a phenomenon to a description of the universal essence. This study describes the phenomena that occur in the increase of prices of basic necessities from sellers, buyers who experience the price increase, and views on price increase to maintain the balance of prices.

One of the advantages of phenomenology is that it provides an in - depth understanding of phenomena as experienced by several individuals. Phenomenology can involve an efficient form of data collection by only including one or more interviews with participants (John W Creswell.2015: 114). In this research, in - depth interviews were held with sellers, buyers who have experienced the price increase, and correlated it to previous theories and studies that are relevant to this research.

Primary data are data that directly provide data to data collectors (Sugiyono, 2015: 225) In other literature, it is also stated that primary data sources are sources that can provide information directly, and these data sources are related to the main research problem as required information material (Saifuddin Azwar, 1998: 91). The primary data in this research are the results of interviews with sellers/merchants, buyers/consumers in the market, Head of Office, Head and Secretary of the Market Division of the Office of Cooperatives, Micro Enterprises and Trade of Pontianak City.

In this research, documentation is a secondary data source in the form of interviews with consumers and merchants in the markets in Pontianak City and sources obtained from the internet in the form of news related to this research.

This research used a qualitative approach, with a purposive sampling technique which is used to select individuals and places to examine because they can specifically provide an understanding of the research problems and phenomena under study (John. W. Creswell.2015: 217), and samples in this research were merchants who sell goods at the Flamboyan market, buyers who shop at the Flamboyan market, Head of Office, Head and Secretary of Market Division at the Office of Cooperatives, Micro Enterprises and Trade of Pontianak City.

Qualitative data analysis is inductive in nature, namely analysis based on the collected data, then developed into a hypothesis. Son, the hypothesis is formulated based on these data. Furthermore, it can be concluded whether the hypothesis is accepted or rejected based on the collected

data. Based on data that can be collected repeatedly using triangulation techniques, and it turns out that the hypothesis is accepted, then the hypothesis develops into a theory (Sugiono, 2015: 245).

Data analysis in this qualitative research begins with preparing and organizing the data (namely, text such as transcripts or image data such as photographs) for analysis, then reducing the data into themes through the process of coding and summarizing the code, and finally presenting the data in the form of charts, tables or discussions.

Triangulation in this credibility test is defined as checking data from various sources in various ways, and at various times, and thus there are source triangulation, technical triangulation, data collection and time. In this study, the credibility of the data was tested by checking data from the same sources using different techniques. For example, the data collected from observations were then checked with interviews. If the data credibility testing proves to be different, then further discussions were held with relevant data sources or others to ensure which data were correct. Data triangulation in this research was carried out through data collection, namely at the time of observation and interviews with buyers, merchants, Head of Office, Secretary, Head of the Market Division of the Pontianak City Cooperatives, Micro Enterprises and Trade Office, as well as conclusion - drawing, cross - checking by comparing time and place, namely using different participants (merchants/ buyers) with the same questions at the market and ask the same questions with different merchants or buyers at other markets, for comparison purposes.

#### 4. Discussion

The theory used in discussing the findings with regard to the focus on supply stabilization is the theory of supply. This supply theory is used as relevance in this research with several findings based on the pre - determined discussion and will be analyzed in accordance with the theory which is used as a comparison to determine the match between the findings and the theory.

The law of supply is relevant to the research findings, namely merchants in the markets of Pontianak City increased the quantity of staple food items believing that the high price of these goods was because they were in high demand by the public or buyers but the supply was low in the market.

The indicators that affect supply stabilization are the price of goods, technology, number of producers in the market, price of raw materials, taxes/subsidies, price expectations, *tayyib* and halal goods and *masalahah*. The supply stabilization in Pontianak City can be seen as follows:

##### a) According to Buyer

The results of interview with buyers at the Flamboyan market, namely the buyers, show that if there is an abundance of staple goods, the selling price will decrease; on the contrary if there is little availability of staple goods, the selling price will increase. The staple goods were



abundantly available when the interview with the buyers was held.

Demand is not really affected by current technology because many people still prefer to shop at traditional markets. According to buyers at the market that even though there are many merchants in the market, it does not affect the selling price of staple goods. Buyers do not know the price of raw materials and taxes/subsidies in the market, so according to the buyers, it does not really affect the price of staple goods.

The results of interviews with buyers in the market show that the supply of staple goods is stable, that is, the number of staple goods supplied by merchants is safe or stable, stock availability or supply affects the price of goods in the market, as well as *halal*, *thayyib* and *masalah* greatly affect the supply of basic necessities. However, the effect of technology, taxes/subsidies and price expectations on supply is not really felt by buyers, so it can be concluded that the supply of staple goods is safe in the market.

#### b) According to Merchants

Overall, the availability of staple goods, such as rice, oil, sugar, chicken meat, shallots, garlic, etc., in the markets of Pontianak City is currently stable, although the stocks of some staples - - such as tomato, small red chili pepper, and curly chili - - are running low due to unfavorable weather which causes harvest failure.

According to the merchants, if staple goods are in abundance, the price of goods will decrease, and vice versa, if the stock of staple goods decreases, prices will increase. Technology affects the amount of supply in positive way for example it is easier for merchants to communicate especially when ordering goods.

According to the merchants, there is no influence at this time between the number of merchants in the market and the price offered by the merchants, unless they order goods from one agent only, but this is not possible. Merchants say that raw materials and taxes do not affect their supply, what really affects it is the stock of goods which affects both the price and the amount of goods they supply.

Based on the above data, it can be concluded that the supply of goods is stable, that is, the availability of stocks in the market is safe, and the prices offered by merchants increase during the fasting month and before Eid, even though the stock is safe, this has become a habit for merchants to increase prices during the fasting month and ahead of Eid even though the availability of goods is stable.

#### c) According to the Pontianak City Cooperatives, Micro Enterprises and Trade Office

Based on the results of the interview with the Head of Cooperatives Micro Enterprises and Trade Office of Pontianak City, the stock of staple goods is still stable and can meet the needs of the people. The government, in an effort to meet the increasing demand during the fasting month and ahead of Eid, has prepared supply of staple goods.

Based on the explanation above, it can be concluded that according to the Office of Cooperatives, Micro Enterprises and Trade of Pontianak City, the government has anticipated the availability of staple goods to overcome the increase in demand during the fasting month and ahead of Eid, but what happened in the field was that prices rose up to 40% higher than before the fasting month, and the government considered it to be reasonable based on Regulation of the Home Affairs Minister No.96 of 2018 concerning the Consumer Level Sales Reference price, but this increase was very difficult for people with lower - middle incomes.

Based on the description above, it can be concluded that the supply in Pontianak City was stable, but there were several findings that show that merchants took advantage of the increasing demand ahead of Eid by raising prices even though the availability of goods ahead of Eid was stable.

## 5. Conclusion

Based on the discussion above, it can be concluded that the supply stability in Pontianak City, especially commodities of staple goods in Pontianak City, even though there is an increase in demand ahead of Eid, the government has anticipated it by providing stocks of staple goods, and ensuring the distribution of goods runs smoothly, so it can be said that the stability of supply in Pontianak City is safe.

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