

Equilibrium Theory in Conventional and Islamic Economics: Implications for Price Equilibrium

Article

Abstract

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This study examines the differences and similarities between market equilibrium theory from conventional and Islamic economic perspectives, as well as their impact on price stability. The main issue raised is how each economic system understands and applies the concept of market equilibrium and how its implementation affects justice and social welfare. This study aims to provide a comprehensive understanding of market mechanisms in both economic perspectives, particularly in creating stable and fair prices. The research method used is a qualitative approach with descriptive and comparative methods. The research data are sourced from literature related to equilibrium theory and Islamic economic doctrine, including books, scientific articles, and sharia documents. Literature study and document analysis are applied to identify similarities and differences between the concept of price equilibrium in conventional and Islamic economics. The conclusion of this study shows that conventional economics tends to prioritize efficiency and growth with a focus on free demand and supply. Meanwhile, Islamic economics emphasizes market equilibrium that encompasses the principles of justice, social welfare, and ethical responsibility. Price equilibrium in Islamic economics also prioritizes equitable distribution and avoids exploitative practices , contributing to a more stable and fair market .

Keywords : *market equilibrium, conventional economics, Islamic economics, price stability, justice, social welfare, sharia principles*

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INTRODUCTION

Market equilibrium (*market Equilibrium*) is a fundamental concept in economics that serves as the meeting point between supply and demand, thus creating an ideal equilibrium price. In conventional economic theory, market equilibrium is considered an optimal condition where there is no pressure for prices to rise or fall. ¹Thus, this equilibrium reflects a situation where economic resources ²are allocated efficiently and there is neither a shortage nor a surplus of goods or services

¹ Sugiyanto and Anggun Putri Romadhina, *Introduction to Micro and Macroeconomics* , ed. Gianti Nuke Sanjaya, *Sustainability (Switzerland)* , 1st ed., vol. 11 (Banten: Yayasan Pendidikan dan Sosial Indonesia Maju (YPSIM), 2019), 23.

² Sugiyanto and Anggun Putri Romadhina, *Introduction to Micro and Macroeconomics* , ed. Gianti Nuke Sanjaya, *Sustainability (Switzerland)* , 1st ed., vol. 11 (Banten: Yayasan Pendidikan dan Sosial Indonesia Maju (YPSIM), 2019), 23.

in the market.³ However, in practice, markets often experience disturbances that disrupt this equilibrium, such as price fluctuations, imbalances between supply and demand, and external intervention.⁴ Amidst increasingly complex global economic dynamics, the challenge of maintaining price stability has become a very relevant issue, especially with the economic crisis and the volatility of commodity prices such as energy and food, which can affect price equilibrium in the market.

Meanwhile, within the Islamic economic system, the concept of market equilibrium also plays a crucial role, albeit on a different basis.⁵ According to Alivia, Islamic economics focuses not only on economic efficiency but also on social justice and welfare.⁶ In the Islamic perspective, the market is an instrument that must be operated fairly and transparently, where pricing and business transactions must comply with sharia principles, which prohibit *riba* (interest), *gharar* (uncertainty), and market manipulation such as *ihtikar* (hoarding).⁷ Furthermore, Islamic economics emphasizes that market equilibrium aims not only to achieve efficiency but also to ensure a more equitable distribution of wealth and avoid extreme social inequality.⁸

In the context of conventional economics, although the theory of market equilibrium has become an important foundation for economic analysis, various problems still arise in practice. One observable phenomenon is the gap in achieving price equilibrium across various economic sectors. For example, in certain industrial sectors, prices can be distorted due to the dominance of monopoly or oligopoly power in the market. Furthermore, government intervention, whether through fiscal or monetary policy, often affects the natural market equilibrium and causes price instability, as seen in cases of inflation or deflation. Another phenomenon that also affects market equilibrium is the global financial crisis, which causes major disruptions to the economic system, such as the 2008 financial crisis⁹. In fact, according to Reni Mayerni in *the Focus Group Discussion (FGD) on Urgent and Rapid Studies (Jurpat)* organized by the Directorate of Economic and Natural Resources Studies of the Indonesian National Resilience Institute (Lemhannas RI), Titled "The Risk of a Global Economic Crisis in the First Half of 2024," it is predicted that a global economic crisis in 2024 will pose a serious threat to countries worldwide.¹⁰ These conditions demonstrate that although market equilibrium theory in conventional economics is considered capable of automatically regulating price dynamics, numerous external factors pose significant challenges to its application in the real world.

³ Siti Rohima, *Public Economics*, ed. Maryati, 1st ed. (Palembang: UPT. Publishing and Printing of Sriwijaya University 2020, 2020), 21.

⁴ Regina Patricia Mboeik and Dan Rakhmindyarto, "The Influence of Macroeconomic Policies on Commodity Price Volatility in a G20 Perspective," *Ministry of Finance of the Republic of Indonesia*, last modified 2012, accessed October 26, 2024, https://fiskal.kemenkeu.go.id/files/berita-kajian/file/Pengaruh_Kebijakan_Makroekonomi_Terhadap_Volatilitas_Harga_Komoditas.pdf.

⁵ Ainun Nurul Sya'diah, "GENERAL EQUILIBRIUM THEORY IN ISLAMIC ECONOMICS," *Journal of Islamic Accounting and Business* Vol III (2021).

⁶ Alivia Choerunnisa, Ubaid Aisyul Hana, and Nur Sa'idaturrohman, "Production Analysis in the Islamic Economic System: Principles, Practices, and Their Implications for the Welfare of the People," *Al-Musthofa: Journal al Sharia Economics* 07 (2024): 94–103.

⁷ Ibid.

⁸ Yoga Permana and Fauzatul Laily Nisa, "The Concept of Justice in the Perspective of Islamic Economics," *Darussalam Islamic Economics Journal* 5, no. 1 (2024).

⁹ Herfan Brilianto, "G20 and Handling the 2008 Global Crisis," *Ministry of Finance* (2011): 1–10.

¹⁰ Lemhannas, "Deputy for Economic Studies and SKA Lemhannas RI Conducts FGD on the Risk of the 2024 Global Economic Crisis," last modified 2024, accessed October 26, 2024, <https://www.lemhannas.go.id/index.php/berita/berita-utama/2254-deputi-besar-pengkajian-Ekonomi-dan-ska-lemhannas-ri-laksanakan-fgd-risiko-krisis-Ekonomi-global-2024>.

On the other hand, in Islamic economics, although it also uses the concept of market equilibrium, its approach is very different from conventional economics. The main gap that exists between these two systems lies in their objectives and underlying principles. Conventional economics tends to be oriented towards economic growth and efficiency, while Islamic economics prioritizes the values of justice, welfare, and equitable distribution. One example is the prohibition of *riba* (usury) in Islamic economics, where the interest system common in conventional economics is considered contrary to the principle of justice and can lead to an imbalance in the distribution of wealth. This raises important questions about how the theory of market equilibrium can be applied in these two systems and to what extent such application affects price equilibrium and the welfare of society as a whole.

Although market equilibrium theory in conventional and Islamic economics has been widely discussed, including articles by Angga¹¹ and Dliyaul,¹² there are still limited articles that examine the comparison between market equilibrium theory in conventional and Islamic economics. Most existing studies focus on equilibrium theory within a conventional economic framework, particularly with an emphasis on free market mechanisms and the role of government in maintaining price stability. On the other hand, studies on market equilibrium theory in Islamic economics primarily discuss the moral and ethical principles of sharia related to economic transactions, but rarely explicitly link it to the concept of price equilibrium. Therefore, there is still a research gap that requires further study regarding how these two economic systems understand and apply market equilibrium theory, and how this application impacts price stability in the Indonesian market.

This study attempts to address this research gap by examining market equilibrium theory from both economic perspectives, conventional economics and Islamic economics, in greater depth. Thus, it is hoped that the results of this study will provide theoretical and practical contributions to understanding the differences and similarities in price equilibrium theory across both economic systems and provide solutions for creating more stable and equitable markets, both in terms of economic efficiency and social welfare.

The purpose of this study is to provide a comprehensive understanding of market equilibrium theory within two different economic frameworks: conventional economics and Islamic economics. This study aims to analyze in depth how market equilibrium theory functions in conventional economics, including the underlying mechanisms for achieving price equilibrium based on the laws of supply and demand, and how external factors such as monetary policy, globalization, and changes in market structure affect price stability. Furthermore, this study will examine market equilibrium theory within Islamic economics, highlighting sharia principles related to economic transactions, such as the prohibition of usury, price fairness, and equitable distribution of wealth.

This study also aims to identify the differences and similarities between market equilibrium theories in conventional economics and Islamic economics, thereby providing a clearer picture of the implications of applying these two theories to price equilibrium in the market. Furthermore, this study aims to explore the impact of the application of these two theories on the social and economic welfare of society, both in global and local markets, with the hope of offering more sustainable solutions to achieve fairer and more equitable price stability.

¹¹ Angga Aryanto Prasetyo, "The Influence of Demand and Supply Functions on Market Equilibrium," *RESWARA: Journal of Engineering Research* 1, no. 1 (2023): 1–8.

¹² M. Dliyaul Muflihah, "Demand, Supply and Price Equilibrium in Islamic Microeconomic Perspective," *JES (Journal of Islamic Economics)* 4, no. 2 (2019): 185–195.

RESEARCH METHODS

This article employs a qualitative approach with descriptive and comparative methods. This research examines the concept of market equilibrium in conventional and Islamic economics and its implications for price equilibrium. The data used are secondary, including literature on equilibrium theory and Islamic economic doctrine from books, scientific articles, and related fatwa documents. Literature review and document analysis were the primary methods of data collection, while comparative analysis and *content analysis* were also used. *analysis*) is used to identify the differences and similarities in the concept of price equilibrium from both perspectives. The main focus is on sharia principles, such as the prohibition of usury and gharar, which distinguish Islamic economics from conventional economics.

The research steps include literature collection, theoretical analysis, and drawing conclusions regarding the implications of the differences between the two perspectives. This method is expected to provide a deeper understanding of the comparison of equilibrium theory and its impact on price equilibrium from both Islamic and conventional economic perspectives.

ANALYSIS AND DISCUSSION

A. Equilibrium in Conventional Economics

Market equilibrium is something condition when supply and demand be at a the same point. The ¹³curve that describes it normal known with curve Market Equilibrium. In the curve this, the equilibrium point will capable endure in term long when at the point the consumers and producers You're welcome benefited or only get very small loss.

Agreed purchase and sale prices in a way together between consumers and producers For amount commodities certain will called with point balance price. At the point balance said, the curve request intersect with curve offer. A conditions in the market that can it is said experience balance or equilibrium is when amount commodities offered at one level price certain The same with amount commodities demanded by consumers.¹⁴

Following is a number of aspect important in economic market equilibrium conventional:

1. Law of Supply and Demand

In law price request show sacrifice buyer For get items needed. Question, if needed more sacrifice big compared to previously, will still buy like amount previously? Request more from just only desire. Want car new, is statement that will become request if accompanied by with Power buy or willingness For willingness to pay. Why? between price with amount requested items have connection upside down? The main reason Because effect substitution. If the price goes up, buyers will increase purchase goods substitution as replacement goods that are priced relatively rising. As for example, if price drink light brand "X" goes up, consumers will replace with add purchase "Y" brand drink

Whereas law offer stated, if price increasing, *ceteris paribus*, the number the goods offered also increase, accordingly on the contrary if price down, *ceteris paribus*, the number the goods offered are also reduced. So between price with amount goods offered have connection positive Because have direction the same changes.

The company produces goods and services For get benefits. With higher price per unit high, showing profit per unit is also higher high, so that company offer more amount

¹³ Gatot Sasongko, "Market Equilibrium," *Form 1099* (2013): 45.

¹⁴ Vera Sylvia Saragi Sitio, *Concept of Microeconomic Theory* (Jakarta: Suryadarma University, 2020), 10, [http://eprints.universitassuryadarma.ac.id/84/1/Modul Ekonomi Mikro - Vera Sylvia S 2020.pdf](http://eprints.universitassuryadarma.ac.id/84/1/Modul%20Ekonomi%20Mikro%20-%20Vera%20Sylvia%20S%202020.pdf).

many . Another reason for the curve offer has a positive slope (going up from bottom left to right above), because law cost increasing opportunities (the *law of increasing opportunity costs*).

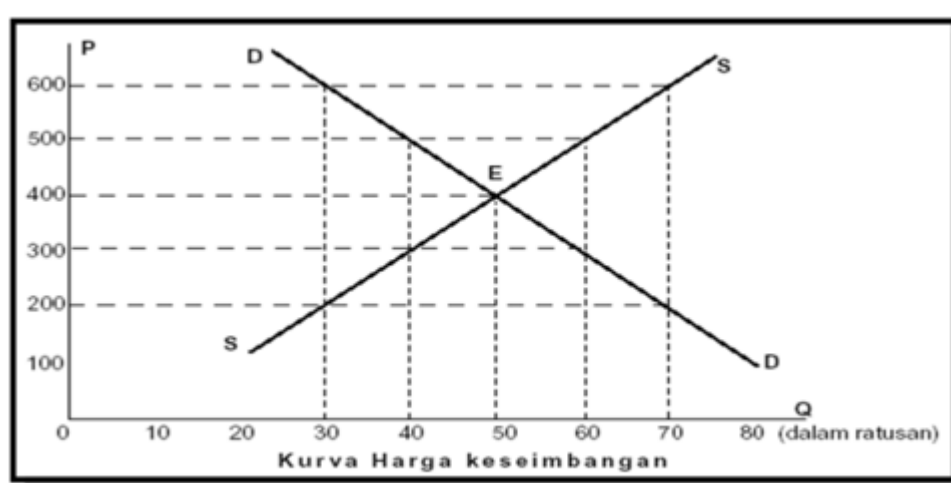
2. Equilibrium Curve price

Formation market prices are influenced by factors that influence demand and supply . Each factor can cause shifting amount demand and quantity offer . With shifting supply and demand will result in shifting level price balance .

Pay attention to the following table and observe the changes

Table 1: *Schedule Supply and Demand*

Harga	Jumlah yang diminta	Jumlah yang ditawarkan
Rp. 200,00	7.000 unit	3.000 unit
Rp. 300,00	6.000 unit	4.000 unit
Rp. 400,00	5.000 unit	5.000 unit
Rp. 500,00	4.000 unit	6.000 unit
Rp. 600,00	3.000 unit	7.000 unit



When price Rp. 400.00, equilibrium price occurs with the quantity supplied (S) is the same with quantity demanded (D), namely of 5,000 units. Seller offer with price Rp. 600.00 with amount goods sold / offered 7,000 units . Meanwhile buyer bargain with price Rp.200.00 and quantity the requested goods are 7,000 units. Because there is no happen agreement , then seller try lower price and buyers try raise offer , thus next until Finally meet at a price of Rp. 400.00 with amount goods offered The same with the quantity requested is 5,000 units.

3. Intervention Government : Taxes and Subsidies

Taxes discussed in the section This is taxes collected by the government in connection with offer / sale goods or services , for example tax Selling motorbikes, books , cigarettes , drinks , etc. Seller / supplier obliged pay tax sale to government , so that seller called Taxpayers. Taxes collected by the government relatively influence offer goods or services that are affected tax said . Sales tax push price goods or services increase, and reduce quantity offered . The parties sellers who aim make big profits will try shift part or overall burden tax sale This to consumer with raise price goods or services sold . So , tax sales paid by the manufacturer to government will shift or create balance new .

If the tax is collected by the government cause price goods or service increases , then subsidies provided government cause price goods or service relatively more cheap . Subsidy government to society / consumers usually through sale goods certain , for

example, subsidies material burn oil (BBM), fertilizer and insecticide, rice and granulated sugar through BULOG/DOLOG, and services transportation. The size subsidies enjoyed consumer reflected from difference between price balance before subsidy with price balance after subsidy provided by the government. For producer, size subsidies received can counted of the total subsidy government reduced part subsidies enjoyed consumers. Total subsidies provided government that is size subsidy per unit of goods multiplied with amount goods or services sold.

B. Market Equilibrium in Islamic Economics

1. Understanding Market Equilibrium in Islamic Economics

equilibrium, from an Islamic economic perspective, has a broader meaning than simply the balance between supply and demand that results in stable prices. In Islamic economics, market equilibrium encompasses price balance achieved through ethical market mechanisms and in accordance with Sharia principles. This definition of equilibrium not only considers efficiency in resource allocation but also emphasizes justice and the welfare of society as a whole.¹⁵

In conventional economic systems, the concept of market equilibrium is often seen as the point at which the quantity of goods or services demanded by consumers equals the quantity supplied by producers.¹⁶ At this point, prices stabilize, and the market is said to be in a state of "balance." However, in the Islamic perspective, the concept of equilibrium is not simply determined by the mechanisms of supply and demand. Islamic economics emphasizes that market equilibrium must also be maintained in accordance with sharia rules, which prohibit practices that harm either party to a transaction. Therefore, market equilibrium in Islamic economics is not only about economic efficiency but also about integrity, ethics, and fairness in transactions.¹⁷

Equilibrium in Islamic markets means achieving prices that reflect fair value for all parties involved, including producers, consumers, and society as a whole.¹⁸ This refers to prices that are not the result of market manipulation, such as hoarding goods to raise prices (ihtikar) or other exploitative practices, but rather prices that are created through honest, transparent transactions free from elements prohibited in Islam, such as riba (excessive interest) and gharar (uncertainty or excessive speculation). For example, a trader in an Islamic market is not permitted to hoard goods to raise prices and benefit only himself, as this action would harm the people who need the goods and create market imbalance.¹⁹ In the context of Islamic market equilibrium, it is assumed that a fair price is a price that is formed naturally through the free interaction of supply and demand, without any practices that create injustice.²⁰

2. The Concept of Market Equilibrium in Islamic Economics

¹⁵ Misbahul Ali and M.Pd.I Rahwan, S.Ag., "The Principle of Equilibrium Between Islamic Materialist Values," *Jurnal al-Idarah* 1, no. 2 (2020): 32–55.

¹⁶ Sitio, *Concept of Microeconomic Theory*, 10.

¹⁷ Ayada Ulufal Qolbi et al., "Implementation of Sharia Economic Principles in Traditional Markets in Indonesia," *Sahmiyya Journal* 2, no. 1 (2023): 19–30, <https://e-journal.uingusdur.ac.id/sahmiyya/article/download/868/592/4855>.

¹⁸ Ismail Hannanong, Abd.Rahman Ambo Masse, and Muh Ilham Nur Haslin, "Ibn Taimiyah's Islamic Economics: The Context of Market Mechanisms, Price Justice, and Monetary Policy," *Solusi* 22, no. 3 (2024): 239.

¹⁹ Sri Wulandari, Candy Yuniari Putri, and Putri Nailah, "Hoarding Activities That Cause Economic Losses According to an Islamic Perspective," *Jurnal Religion: Jurnal Agama, Sosial, dan Budaya* 1 (2023): 975, <https://maryamsejahtera.com/index.php/Religion/index>.

²⁰ Hannanong, Ambo Masse, and Nur Haslin, "Ibn Taimiyah's Islamic Economics: The Context of Market Mechanisms, Price Justice, and Monetary Policy."

The concept of equilibrium in Islamic economics is firmly grounded in the principles of justice, transparency, and social responsibility. In Islamic economics, market equilibrium is not simply the meeting point between supply and demand, resulting in stable prices.²¹ Rather, equilibrium in Islamic markets is viewed as a condition in which economic transactions reflect justice and fulfill the primary goal of Islamic economics, namely achieving the welfare of society at large.

Essentially, the concept of equilibrium in Islamic economics aims to create a market that functions naturally while still adhering to sharia principles. In conventional economics, equilibrium prices are established through supply and demand mechanisms driven by market forces. However, in Islamic economics, this equilibrium is expected not only to create economic efficiency but also to safeguard the rights and interests of all parties involved. This means that markets in Islamic economics are expected to operate within ethical boundaries, so that prices generated by market mechanisms reflect fair value without injustice, exploitation, or detrimental uncertainty.²²

This concept emphasizes that markets in Islamic economics must be free from elements that undermine fairness, such as *riba* (excessive interest or unfair profit-making), *gharar* (uncertainty or excessive speculation), and *ihtikar* (hoarding of goods with the aim of raising prices). These three elements are considered to disrupt the natural balance in the market because they create an imbalance that benefits one party over another, thereby eliminating transparency and disrupting the market's function as a tool for achieving shared prosperity.

concept of equilibrium states that the interaction between supply and demand occurs in an open and honest environment. For example, when demand for a good increases, sellers are permitted to adjust prices to balance the available supply. However, this adjustment must be made in accordance with Islamic principles that prohibit exploitative practices. If price increases are solely intended to take advantage of market conditions, then such actions are not in accordance with Islamic values. Instead, sellers are expected to maintain prices that reflect their true value and not burden consumers with excessive prices.

Equilibrium in Islamic economics is closely linked to the principle of social responsibility. Islam views trade and markets not only as tools for meeting individual economic needs but also as tools for promoting social welfare. Therefore, if an imbalance between supply and demand occurs, causing prices to spike or plummet, both individuals and the government are expected to take steps to ensure that societal needs are met without harming any particular party.

Furthermore, in a market that is in Islamic equilibrium, every individual involved in a transaction has equal rights and obligations to ensure justice. There should be no monopolistic or oligopolistic practices that hinder competition and harm consumers. Islamic economics discourages large players from dominating the market, thereby squeezing out smaller players.²³ This relates to the concept of *maslahah* (public benefit), where private gain should not be obtained at the expense of the wider community. A market in equilibrium is expected to provide equitable benefits to all parties, including small producers and consumers, rather than solely benefiting those with substantial capital or power.

²¹ Ali and Rahwan, S.Ag., "The Principle of Equilibrium Between Islamic Materialist Values."

²² Al Haq Kamal et al., *Fundamentals of Islamic Economics*, ed. Enbookdesign (Yogyakarta: PT Penamuda Media, 2024), 118.

²³ Rumadi Ahmad et al., *Fiqh of Business Competition*, ed. | Alif Nurul Fazri, 1st ed. (Klaten: Lakpesdam PBNU (Institution, 2019), 72, <https://kppu.go.id/wp-content/uploads/2021/06/Buku-Fikih-Persaingan-Usaha.pdf>.

Therefore, equilibrium in Islamic markets is a concept that not only regulates the mechanisms of supply and demand but also integrates ethics and Sharia principles. The ultimate goal is to achieve market conditions that are not only efficient but also just and beneficial. This underscores the importance of markets functioning not only as venues for economic transactions but also as vehicles for achieving social welfare, minimizing economic disparities, and avoiding practices that conflict with Sharia.

Overall, the concept of equilibrium in Islamic economics aims to achieve harmony between individual and societal well-being, maintain market integrity, and uphold the moral and social principles established by Sharia. This equilibrium is not simply the result of economic interactions, but rather a manifestation of the values of justice and well-being that are at the heart of Islamic economics.

3. Principles of Market Equilibrium in Islamic Economics

The principles of market equilibrium in Islamic economics are based on Sharia values, which aim to create balance not only economically but also ethically, socially, and equitably. These principles ensure that markets not only balance supply and demand but also ensure that every transaction within them is fair, transparent, and accountable. The following is a more detailed explanation of the principles of market equilibrium in Islamic economics:

a. Principle of *Justice*

Justice is a fundamental principle in Islam, including in the economic context. In Islamic markets, price balance must be achieved fairly, without any exploitative practices that harm either party. Every individual transacting in the market, both sellers and buyers, has the right to receive equal value for the goods or services they offer or purchase. Islam views a just price as one that reflects the fair value of a good or service without any manipulation or exploitation.

b. Prohibition of Usury (*Prohibition*) of *Interest*)

Another important principle in Islamic economics is the prohibition of *riba*, or excessive interest. In Islamic economics, *riba* is considered a factor that disrupts market equilibrium because it tends to create inequality and injustice in the distribution of wealth. *Riba* often puts borrowers at a disadvantage because they are forced to pay more than their true value, thus hindering the ideal market equilibrium. By eliminating *riba*, it is hoped that markets will function more fairly without undue burdens on the less fortunate. In a *riba*-free market, prices of goods and services will more closely reflect their true value without unnecessary additional burdens.

c. Prohibition of *Gharar* (*Avoidance*) of *Uncertainty and Speculation*)

Gharar is an element of uncertainty or speculation in a transaction. Islam prohibits *gharar* because this practice often results in losses for one party due to the lack of transparent information. In the market context, *gharar* can occur in transactions where the quality, quantity, or specifications of goods are unclear. The prohibition against *gharar* emphasizes the importance of transparency and clarity in every market transaction. By avoiding *gharar*, markets can function more equitably because all parties have clear and equal information about the goods or services being traded. This builds trust among market participants, resulting in fairer transactions.

d. Prohibition of *Ihtikar* (*Prohibition*) of *Hoarding*)

Hoarding, or hoarding, is the practice of storing large quantities of goods with the intention of raising their prices later when they become scarce. In Islam, hoarding is prohibited because it is considered to create market imbalances by sacrificing the welfare of the wider community for personal gain. Hoarding can cause prices to rise

unreasonably, forcing those in need to pay higher prices. This principle emphasizes the importance of social responsibility in business, where the market should not be used to seek profit at the expense of others, especially the poor. By prohibiting hoarding, Islam encourages the creation of markets that maintain price balance by consistently providing goods to meet societal needs.

e. *Openness and Transparency and Transparency*)

Transparency in transactions is a crucial principle for achieving fair market equilibrium in Islamic economics. In every transaction, sellers and buyers must conduct themselves honestly, providing clear information about goods or services, including quality, price, and other specifications. This transparency is crucial to avoid misunderstandings or potential losses arising from incomplete information. Transparency also fosters mutual trust among market participants, ensuring that no party feels disadvantaged. In Islam, transparency is not merely about providing clear information but also about honesty in providing that information. With openness, markets are better able to reflect the true value of traded goods or services, creating a fairer and more stable environment.

f. *Social Responsibility (Social) Responsibility*)

Markets in Islamic economics function not only to maximize individual profits but also to support the welfare of the wider community. Therefore, market participants are expected to be socially responsible, for example by considering the impact of the prices they set on society. If a crisis or price spike threatens people's access to basic necessities, both the government and market participants are expected to intervene to maintain price stability for the public good.

The principle of social responsibility also leads to support for fair and pro-social business practices, for example by avoiding exploitation or monopolies. In situations where basic community needs are threatened by market imbalances, Islam permits intervention to maintain fairness and price balance.

C. Comparison of Market Equilibrium Theory in Conventional and Islamic Economics

In economic theory, the concept of market equilibrium is recognized as the point at which supply and demand reach equilibrium, resulting in stable prices. However, conventional economics and Islamic economics view market equilibrium differently, which influences the practices and expected outcomes of market systems.

1. Equilibrium Theory in Conventional Economics

In conventional economics, market equilibrium is the optimal point where there is no upward or downward pressure on prices. This theory is based on the assumption that a free market, without external intervention, will automatically reach this optimal point. In other words, when the quantity supplied equals the quantity demanded, stable prices are achieved, reflecting efficiency and productivity. Conventional economics views equilibrium as a way to allocate resources effectively, avoiding oversupply or undersupply, so that all parties benefit in the long run.

The primary factor underlying equilibrium in conventional economics is the law of supply and demand. The price of a good or service will reach equilibrium when consumers' purchasing power is balanced with producers' willingness to provide that good. A price increase typically reduces demand and increases supply, while a price decrease tends to increase demand but reduce supply. In this model, market equilibrium is achieved when prices are at an optimal point, ensuring the efficient allocation of goods and services without any surpluses or shortages.

However, the conventional economic approach to equilibrium is not without its critics. Free markets often do not create social justice because access to resources is not always equal among society. Monopolistic or oligopolistic practices, which often arise in free market systems, cause price imbalances. For example, large companies that dominate a particular market have the power to significantly influence prices, disrupting the ideal natural equilibrium. According to Ainul, companies can influence prices by taking profits above normal by selling fewer goods at higher prices (hoarding goods).²⁴ Furthermore, external factors, such as government policies or economic crises, can also affect market equilibrium, creating price instability that is detrimental to society.

2. Equilibrium Theory in Islamic Economics

Equilibrium in conventional economics focuses on efficiency and optimal allocation, while equilibrium in Islamic economics is based on the values of justice, social welfare, and moral responsibility. Islamic economics views market equilibrium not simply as the result of the interaction between supply and demand, but as a manifestation of ethical market mechanisms in line with sharia principles. Sharia principles, such as the prohibition of *riba* (interest), *gharar* (uncertainty), and *ihthakar* (hoarding), play a crucial role in ensuring fair and non-exploitative market functioning.

According to Al-Ghazali, in his book *Nurani*, defines true market equilibrium as a condition where prices reflect fair and ethical values for all parties involved.²⁵ This contrasts with the conventional approach, which considers equilibrium achieved when supply and demand are equal, regardless of whether the transaction meets standards of fairness. Islam emphasizes that every transaction must be conducted honestly and transparently, and free from elements that harm either party, such as price manipulation or hoarding goods to raise prices. Such practices are considered disruptive to market equilibrium and contrary to the goal of common welfare.

Islamic economics also promotes social responsibility in economic activities. In an ideal market according to Islam, producers and consumers are both expected to act ethically, not solely pursuing personal gain but also considering the impact of their actions on the wider community. When demand for goods or services increases, sellers are permitted to adjust prices to reflect the available supply. However, these adjustments must be made ethically, not simply to exploit consumer needs or raise prices unreasonably. A just price, according to Islamic principles, is one that arises from honest and open market mechanisms, not the result of market manipulation.²⁶

3. Comparison of the Two Theories

Overall, the fundamental difference between equilibrium in conventional and Islamic economics lies in the goals and principles underlying their respective approaches to the market. Conventional economics is oriented toward efficiency and profit, where market equilibrium is measured in terms of resource optimization

²⁴ 'AINUL IMRONAH, "MARKET STRUCTURE AND PRICE COMPETITION IN PERFECT COMPETITION MARKETS (Islamic Economic Review)," *J-EBI: Journal of Islamic Business Economics* 1, no. 01 (2022): 26–35.

²⁵ Jati Prihantono Nurani Puspa Ningruma, Maryatin, "Market Mechanisms According to Islamic Figures," *Journal of Islamic Economics and Accounting* 4, no. 1 (2023): 30–37, <https://ejr.umku.ac.id/index.php/JEISA/article/view/1978>.

²⁶ Euis Amalia, "Market Mechanisms and Fair Pricing Policies in an Islamic Economic Perspective," *Al-Iqtishad* 5, no. 1 (2013): 1–22, <https://journal.uinjkt.ac.id/index.php/iqtishad/article/view/2552>.

without considering its impact on social justice. In contrast, Islamic economics prioritizes not only efficiency but also makes justice and social welfare the foundation of market equilibrium. Islamic economics seeks markets that are not only efficient but also free from exploitative practices that harm certain parties for personal gain.

In this context, Islamic economics seeks to create a more holistic balance. An ideal market is governed not only by the laws of supply and demand but also by Sharia principles, which ensure that the resulting market equilibrium benefits society at large. Thus, Islamic economics offers an alternative to the injustice and instability that can occur in conventional economic systems, providing a market model that is not only economically beneficial but also socially and ethically just.

4. Comparison of Islamic Economic Market Equilibrium Theories Based on Human Typology

In Islamic economic theory, market equilibrium is determined not only by the interaction of supply and demand, but also by the behavior of human beings as economic actors. This behavior is rooted in the values, principles, and orientations of individuals who actively participate in market transactions. Human typologies, such as Maslahah-oriented Economic Man, Conventional Economic Man, Ascetic Economic Man, and Apathetic Economic Man influences market dynamics and equilibrium in different ways.²⁷The following is a discussion of each typology within the context of Islamic economics:

1. Maslahah-oriented Economic Man

Maslahah-oriented The Economic Man is a typology of economic individuals who are oriented toward the welfare of others, ensuring that every economic decision benefits not only themselves but also society at large. They integrate sharia principles such as justice, equality, and sustainability into every economic activity.

Main characteristics

1. Priority on the common good: They prioritize decisions that produce maximum benefits for all parties, including the poor.
2. Balance between worldly and ukhrawi: They pay attention to moral and spiritual aspects in the economy.
3. Principle of sustainability: Maslahah-oriented Economic Man supports economic activities that do not damage the environment and consider the rights of future generations.

Impact on Market Equilibrium

1. Economic stability: By prioritizing honesty and ethics in transactions, they create a transparent and stable market.
2. Reduced market distortions: No manipulative practices such as monopolies, excessive speculation, or hoarding of goods.
3. Increased distributive justice : Their economic decisions take into account the equitable distribution of wealth.

This typology is considered ideal in Islamic economics because it aligns with the maqashid sharia (the goals of sharia) which aims to realize social justice and balance in life.

²⁷ Irfan Syauqi Beik et al., *Islamic Microeconomics*, ed. Ali Sakti and Nurzaman, *Bank Indonesia in Collaboration with the National Committee for Islamic Economics and Finance and Universities* (Jakarta: Bank Indonesia, 2022).

2. Conventional Economic Man

Conventional Economic Man is a typology of economic human beings oriented towards rationality and utility maximization. They make decisions based on profit and loss logic without regard for spiritual or moral values.

Main characteristics

1. Primary goal of personal gain: They focus on increasing personal well-being through optimizing resources.
2. Materialistic orientation: No attention to non-material aspects such as sustainability or social values.
3. Competitive behavior: They try to dominate the market to gain maximum profits.

Impact on Market Equilibrium

1. Market efficiency: They encourage efficiency in the allocation of resources, which often results in market equilibrium based on the laws of supply and demand.
2. Vulnerability to imbalances: Practices such as speculation, price manipulation, and wealth inequality can undermine market stability.
3. Increased productivity: Although sometimes at the expense of ethical aspects, they contribute to rapid economic growth.

Although this model is common in conventional economics, from an Islamic perspective, this behavior can be considered less than ideal because it tends to ignore the values of justice and welfare.

3. Ascetic Economic Man and Apathetic Economic Man

Ascetic Economic Man is a spiritually oriented economic person. They view economics solely as a means to meet basic needs and are not interested in the accumulation of wealth. In contrast, Apathetic Economic Man is a human typology that tends to be passive or does not have significant economic motivation.

Main characteristics of Ascetic Economic Man:

1. consumption : Focus on essential needs, without chasing luxury items.
2. Rejection of materialism: They place the afterlife above worldly interests.

Main characteristics of Apathetic Economic Man:

1. Minimal economic participation: Not active as a producer or consumer.
2. Dependence on others: They tend to depend on external help or support.

Impact on Market Equilibrium

1. Ascetic Economic Man: Reducing demand. Minimalist consumption patterns can reduce market dynamics. Positive impact on the environment. Low consumption helps maintain resource sustainability.
2. Apathetic Economic Man: Market stagnation leads to their minimal participation, which can slow economic growth. Market imbalances result from the loss of contributions from this segment of society.

These two typologies have limited impact on market dynamics. However, in certain contexts, they can provide balance by suppressing excessive consumption and production.

The theory of market equilibrium in Islamic economics is heavily influenced by human behavior as economic actors. Maslahah- oriented Economic

Man is considered most in line with the goals of Islamic economics because it prioritizes justice and welfare. Economic Man contributes to market efficiency but is prone to imbalance if not balanced with ethical values. Meanwhile, Ascetic Economic Man and Apathetic Economic Man tends to undermine market dynamics, despite its advantage in suppressing excesses . This combination of typologies reflects the diversity of human behavior in markets that can be used to create a sustainable and inclusive balance.

D. Impact Price Equilibrium in Conventional and Islamic Economics

Balance price in economy is very important in determine market stability , both in the economy conventional and in system Islamic economics . Basically , the balance price happen when request something goods or service The same with its offer , resulting in the price called “ price balance ”. In economics conventional , concept This regulated by free market mechanisms and interactions request a quote without Lots regulations ethics . On the other hand , Islamic economics integrates moral and ethical principles based on the sharia that regulates How prices and market equilibrium should be walk .

1. Impact Price Equilibrium in Conventional Economics

In economics conventional , balance price driven by dynamics demand and supply . Some impact important from balance price in context economy conventional among others:

a. Economic Stability

Balance price achieved in a competitive market can help reach stability economy . When demand and supply balanced , price become stable , which prevents excessive inflation or extreme deflation . Stability the resulting price can create conducive atmosphere for investment and consumption .

b. Efficiency Allocation Resource

The price reached balance push allocation source efficient power . Conventional market mechanisms depend on price For give signal to producers and consumers . When prices be at the point balance , source Power tend allocated to areas where demand is highest , so maximize satisfaction consumers and profits for manufacturer .

c. Impact To Market Competition

In a competitive market , equilibrium price help maintain healthy competition . In the environment like this , efficient producer can survive , while those who don't efficient tend eliminated . Balance price reflect fair market price , which in the end support market sustainability and reducing possibility monopoly .

2. Impact Price Equilibrium in Islamic Economics

Islamic economics has different views about balance price Because consider appropriate ethics and morality with sharia principles . Principles main in Islamic economics is justice and welfare social . Therefore that , the impact balance price in Islamic economics is as following :

a. Social welfare

In Islamic economics , balance price No only about the point where supply and demand meet , but also have to consider welfare social . Determination price in Islamic economics must fair and can ensure that need base public fulfilled . This prevents exploitation and stress equality in the market.

b. Stability and Fair Prices

In Islamic economics , stability price become priority that prioritizes principle justice . Islamic economics prohibits practice usury (interest), gharar (uncertainty), and

practices speculative that can trigger market imbalance . As example , manipulation price or hoarding damaging goods price balance forbidden Because considered violate principle justice in Islam.

c. Distribution Equal Wealth

Islamic economics prioritizes distribution fair wealth . Balance working price Good in Islamic economics prevents accumulation wealth in hand few people and push equitable distribution . In addition , zakat (tax) charity) functions For distribute riches so that all over member public can fulfil need basically .

d. Ethical Principles in Pricing and Markets

Islamic economics integrates values ethics in determine balance price . Concept overpricing or No in accordance considered violate Islamic ethics . Therefore that , balance the price here also involves accountability social , where producers must consider moral and social aspects moment determine price .

CONCLUSION

Based on this article, it can be concluded that the concept of price equilibrium in conventional economics and Islamic economics has different approaches and impacts. In conventional economics, price equilibrium is considered a tool for achieving efficiency and resource optimization in the market. This equilibrium refers to the point where supply and demand meet, enabling price stability, which is believed to benefit producers and consumers in the long run. However, this approach often ignores social justice, and free markets can lead to economic inequality , especially when large corporations exploit market structures to dominate prices.

On the other hand, Islamic economics prioritizes the values of justice, social welfare, and moral responsibility. Price balance in this system not only serves to ensure economic efficiency but also considers social and ethical impacts. Islam prohibits the practices of usury (*riba*), *gharar* (*gharar*), and *ihthakar* (illegal smuggling), which can lead to imbalances that harm consumers. Therefore, price balance in Islamic economics is designed to ensure a fairer and more prosperous market for the wider community.

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