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Market Mechanisms in Islamic Economic Perspective

Article

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Abstract

Market mechanisms are a key element in economic systems, playing a role in the distribution of resources and the allocation of goods and services. In conventional economics, markets operate based on the laws of supply and demand without regard for moral aspects, often giving rise to problems such as economic inequality and exploitation. In contrast, Islamic economics offers a sharia-based approach that emphasizes justice, transparency, and social responsibility. This article examines market mechanisms from an Islamic perspective through principles such as the prohibition of usury, gharar , and monopoly, as well as the implementation of redistributive policies such as zakat and infaq to create balance and blessings. This research uses a qualitative descriptive approach based on relevant literature. The analysis shows that the application of market mechanisms in Islamic economics is not only effective in addressing modern economic problems but also creates a more just and sustainable system.

Keywords: Market Mechanism, Islamic Economics, Economic Justice

INTRODUCTION

The market mechanism is a fundamental element in the economic system, regulating the allocation of resources, goods, and services. In conventional economic concepts, the market mechanism operates based on the laws of supply and demand, assuming that free interaction among market participants will produce optimal efficiency. [1]However, this mechanism often leaves gaps in the form of unequal wealth distribution, exploitation of the weak, monopolies, and negative environmental impacts. This system tends to be dominated by profit alone, ignoring the moral, social, and spiritual aspects that should be integral to economic activity.

[1] Sunarno SastroAtmodjo et al., *Introduction to Microeconomics* , ed. Khairul Azzam (Makasar: Mitra Ilmu, 2024).

Islamic economics, as a system based on Sharia teachings, offers a distinct approach to understanding and managing market mechanisms. [2]Islam recognizes the importance of markets as institutions that facilitate human needs, but emphasizes that markets must be governed by Sharia principles aimed at creating justice, balance, and blessings. [3]These principles include the prohibition of usury (riba), gharar (excessive uncertainty), maysir (gambling), and monopolistic practices. Furthermore, Islam teaches the importance of implementing values such as honesty, transparency, and social responsibility in all economic transactions.

In addition, the market mechanism in the Islamic economy is also supported by a policy of wealth redistribution through instruments such as zakat, infaq, sadaqah, and waqf. [4] These instruments function to overcome social inequality and encourage economic inclusion, so that the market mechanism not only pursues efficiency, but also justice and the welfare of society as a whole. Thus, the market mechanism in the Islamic view is not only seen as an economic tool, but also as a means of worship that pays attention to worldly and hereafter interests.

In the modern context characterized by globalization and dynamic changes in the global economic structure, the application of Islamic principles to market mechanisms is increasingly relevant. [5]Challenges such as economic crises, social inequality, and moral degradation demand solutions that are not only technical, but also ethical and spiritual. Therefore, a discussion of market mechanisms from an Islamic economic perspective is crucial to providing a deeper understanding of the contribution of Islamic economics to creating stability and justice in the global economic order. This article aims to explain in detail how market mechanisms in Islamic economics work, their underlying principles, and how their application can provide solutions to contemporary economic problems. Furthermore, this article aims to highlight the potential of Islamic economics to provide an alternative economic system that is not only just and sustainable but also brings blessings to all humanity.

RESEARCH METHODS

This study uses a descriptive method with a qualitative approach to describe and analyze the market from an Islamic economic perspective. The data used are secondary data collected through a literature review, including books, scientific articles, and relevant sharia documents. The purpose of this research is to provide a qualitative descriptive analysis that explains the phenomena, data, and previous research, as well as draw conclusions from relevant subjects. [6]This analysis is conducted by examining various market mechanisms from an Islamic economic perspective .

[2] Sukanto, "Keywords: Market, Price, Islamic Economics," *Understanding Market Mechanisms in Islamic Economics* 5, no. 1 (2012): 19–33.
[3] Dadang Muljawan et al., *Enrichment Book for Sharia Economics Learning for Senior High School Grade X* , *Department of Sharia Economics and Finance, Bank Indonesia* , vol. 5 (Jakarta: Department of Sharia Economics and Finance, Bank Indonesia, 2020).
[4] Madnasir, "Economic Stabilization in Islamic Economics," *ASAS Journal* 2, no. 2 (2010): 46–60.
[5] The Wisdom of Dzil Hijjah, "The Application of Islamic Economic Principles in Sustainable Economic Transformation" : Literature Analysis " 3, no. 5 (2024): 4541 – 4553.
[6] Yolanda Britania et al., "The Role of Fiscal and Monetary Policy in Maintaining and Creating Stability in the Indonesian Economy from an Islamic Perspective," *Media Mahardhika* 22, no. 3 (2024): 417–428.

ANALYSIS AND DISCUSSION

Market Mechanisms in Islamic Economic Perspective

In Islamic thought, the market mechanism is defined as price determination by market forces, namely supply and demand. The determination of supply and demand must occur voluntarily; no party should feel forced to engage in a transaction at any given level. [7] Islamic teachings' appreciation of the market mechanism stems from God's decree that trade must be conducted in a manner that promotes mutual benefit, ensuring the market mechanism functions effectively and provides *mutual benefit. goodwill* for the actors. The prohibitions that disrupt Islamic market mechanisms include : (1) *Tallaqi rukban* (2) Reducing the weight (3) Hiding defective goods because the seller gets a good price for poor quality goods (4) *Najasy Transaction* (5) *Ikhtikar* (6) *Ghaban faa-hisyi* (large) is prohibited, namely selling above market price. [8]

The market has received adequate attention from classical scholars such as Abu Yusuf (113 - 182 H), Al-Ghazali (450 - 505 H), Ibn Khaldun (732 - 808 H), and Ibn Taimiyah (661-728 AH). Their thoughts on the market not only provided a sharp analysis of what was happening at that time, but were also considered 'futuristic'. Many of their thoughts were not discussed by Western scholars until hundreds of years later.

1. Market in Abu Yusuf's View (113 - 182 H)

   One of his writings describes the fluctuations in production that can affect market prices. According to him, there is no definitive limit to what constitutes cheapness or expensiveness. This is a matter decided by heaven; its principles are unknown. Cheapness is not due to abundance of food, nor expensive due to scarcity. They are subject to God's commands and decrees.[9]

   At that time, people understood that the price of a good was determined solely by supply. In other words, if there was only a small amount of a good available, the price would be high; conversely, if there was a large amount, the price would be low. Abu Yusuf even indicated that other variables also influenced prices, such as the amount of money circulating in the country, hoarding or holding of goods, and other factors. Abu Yusuf's thinking was essentially based on his observation of empirical facts: that an abundance of goods was often accompanied by high prices, while scarcity was followed by low prices.[10]

2. The Market in Al-Ghazali's View (450 - 505 H)

   Al-Ghazali also discussed markets in his works. He discussed barter and its problems, the importance of trade, and the evolution of markets, including the workings of supply and demand in influencing prices. In explaining the process of market formation, he stated:

[7] Adiwarman A. Karim, *Islamic Microeconomics* (Jakarta: PT RajaGrafindo Persada, 2012).
[8] Ni'matul Fitria Mukaromah and Temmy Wijaya, "Perfect Competition Markets and Imperfect Competition Markets in an Islamic Perspective," *PROFIT: Journal of Islamic Economics and Banking Studies* 4, no. 2 (2020): 1–16.
[9] Abu Yusuf, *Buku Al-Kharaj* (Beirut: Dar al-Ma'arif, 1979).
[10] Muhammad, *Microeconomics in Islamic Perspective* (Yogyakarta: BPFE Yogyakarta, 2004).

"It's possible for a farmer to live where agricultural tools are unavailable. Conversely, a blacksmith and a carpenter can live where there's no agricultural land. However, they naturally meet each other's needs. It's possible for a carpenter to need food, but a farmer doesn't need those tools. This situation creates a problem. Therefore, people are naturally compelled to provide storage for tools on the one hand, and storage for agricultural products on the other. This is where buyers then come to meet their needs, thus forming a market. Farmers, carpenters, and blacksmiths who can't directly barter are also compelled to go to this market. If there's no one willing to barter in the market, they will sell to traders at a relatively low price, which is then stored as inventory . The traders then sell it at a profit. This applies to every type of goods."[11]

Referring to the statement above , Al-Ghazali realized the difficulties that arose due to the barter system, which in modern economic terms is called *double coincidence* , and therefore the need for a market. Furthermore, he also predicted that this phenomenon would continue on a broader scale, encompassing many regions or countries. This conclusion is clearly implied by his question, "Furthermore, these practices occurred in various cities and countries. People traveled to various places to obtain tools and food, and transport them to other places. This situation, in turn, gave rise to the need for transportation. This gave rise to a regional merchant class within society. The motive, of course, was to seek profit. These merchants worked hard to meet the needs of others and profited from being fed by others as well."

Al-Ghazali did not deny that profit-seeking was the primary motive in trade. However, he placed significant emphasis on business ethics, derived from Islamic values. True profit is the benefit to be gained in the afterlife. He also advocated the role of government in maintaining the security of trade routes to ensure smooth trade and economic growth (P3EI UII, 2008).

3. Taymiyah's View (661 - 728 H)

Taimiyah's thoughts on market mechanisms are expressed in his very famous book, Al-Hisbah. fi'l Al-Islam and Majmu ' Fatawa . Ibn Taimiyah's view on this matter actually focused on the problem of price movements that occurred at that time, but he placed it within the framework of market mechanisms. In general, he has shown *the beauty of market* (the beauty of the market mechanism as an economic mechanism), despite all its weaknesses. Ibn Taimiyah He argued that price increases were not always caused by injustice (*zulm / injustice*) from traders/sellers, as was widely understood at the time. He pointed out that prices were the result of the interaction of the laws of supply and demand, which were formed by various complex factors. [12]In his Al - Hisbah , Ibn Taymiyyah refuted this assumption by stating:

"Price fluctuations are not always caused by injustice *on the part of some parties involved in the transaction. Sometimes the cause is a deficiency in production or a decrease in the demand for goods, or market pressure* . Therefore, if the demand for goods increases while their availability decreases, the price will rise. Conversely, if the availability of goods increases and the demand for them decreases, the price of the goods will also decrease. Scarcity *and* abundance of goods may not be caused by

[11] P3EI UII, *Islamic Economics* (Jakarta: Rajawali Press, 2008).
[12] Sumar'in, *Islamic Economics: A Microeconomic Approach from an Islamic Perspective* (Yogyakarta: Graha Ilmu, 2013).

the actions of some people; sometimes they are caused by unfair actions or not. This is the will of God who has created desires in the hearts of humans. [13]"

4. Market Mechanism According to Ibn Khaldun (732 - 808 H)

Ibn Khaldun's thoughts on markets are contained in his monumental book, Al-Muqaddimah . He divided goods into two categories: basic goods and luxury goods. He argued that as a city grows and its population increases, the prices of basic goods will decrease, while the prices of luxury goods will rise. This is due to the increased supply of food and other basic goods, as these are essential and needed by everyone, and therefore their procurement will be prioritized. Meanwhile, the prices of luxury goods will rise in line with improving lifestyles, which in turn will increase the demand for these goods. Ibn Khaldun actually explained the influence of supply and demand on price levels. He also explained in more detail the impact of competition among consumers and the increasing costs of taxes and other levies on price levels.[14]

In the book, Ibn Khaldun also describes the effects of increases and decreases in supply on the price level. He states,

"When goods are in short supply, prices will rise. However, if the distance between cities is close and travel is safe, many goods will be imported, so the supply of goods will be abundant and prices will fall."[15]

Taymiyyah also considered the influence of high and low profit rates on market behavior, particularly for producers . He argued that a reasonable profit rate would encourage trade growth, while a too low profit rate would stifle trade. Traders and other producers would lose their motivation to transact. Conversely, if the profit rate were too high, trade would also weaken because it would reduce consumer demand.[16]

Monopoly Market

Monopoly market originate from Greek Monos that is one and Polein that is sell . In etymology can interpreted as a form of market in which only there is One sellers who control the market. By terminology can interpreted as procurement situation goods his merchandise certain (local market) or national) at least one third controlled by one person or One group so that result in mastered production , marketing on goods and services certain.

In perspective Islamic economics , monopoly own different meanings compared to with understanding in economy conventional . In etymology , term monopoly in Islam it is known as *ihtikâr* , which originates from the word *al- hukr* . This word contain meaning *al- ẓhulm wa al -' isâ'ah al- mu' âsyarah* , ie actions that reflect injustice and arbitrary treatment in interaction social .[17] Whereas

[13] Ibn Taimiyah, *Al-Hisbah Fi Al-Islam* (Cairo: Dar al-Sha'b, 1976).
[14] Ibn Khaldun, *Muqaddimah* , Indo Edition. (Firdaus Library, 2000).
[15] Sumar'in, *Islamic Economics: A Microeconomic Approach from an Islamic Perspective* .
[16] Bank Indonesia and KNKS, *Islamic Microeconomics* (Jakarta: Bank Indonesia, 2022).
[17]Majd al- Din Muhammad ibn Ya' qûb al- Fayrûz Worship al- Syrāzi , al- Qâmous al- Muhîth Juz II, (Bairut : Giving al-Fikr, 1398 AH), h. 12

in a way terminologically , monopoly (ihtikâr) is refers to action withhold or hoard goods in a way intentionally , especially moment goods the rare , with objective raise future prices . Practice This bother market mechanisms , causing manufacturer sell goods with price more tall from price reasonable . As a result , the seller get profit large (*monopolistic rent*), while consumer must bear loss . Impact from *ihtikâr* This harm public in a way general Because action a handful the acting party No responsible answer .

1. Monopoly in the Perspective of Islamic Law

In practice monopoly or *ihtikâr* , there is difference view among the fuqaha . Some scholars forbid *it* in a way absolute , while others allow it with conditions certain . According to scholars from sect Shafi'i and Hanbali, prohibition hoarding only valid For goods primary needs , whereas goods need secondary No including in prohibited category . On the other hand , there are also scholars who argue that prohibited hoarding is common items traded , because action the can cause instability prices in the market.

In Islam, everyone is free doing business , regardless from whether He become the only one seller (monopoly) or own competitors . Conditions kind of This often called as monopoly natural . It is also important to differentiate between keep goods as supply with on purpose hoard stock to achieve more benefits big . For example , a owner shop in one of the islands in Indonesia perhaps keep stock goods in amount more Lots Because unpredictable weather uncertain , which can hinder distribution goods . Situation kind of This become argument that *ihtikâr* No always in line with draft monopoly .[18]

The criteria included are : in category *understanding* if one of them from three matter fulfilled [19]:

1. Strive existence scarcity goods Good with method hoard goods or wearing obstacle entry barriers, so that goods the rare in the market .
2. Sell with higher price tall compared to with price before emergence scarcity
3. Take more benefits tall compared to profit before actions (1) and (2) are carried out .

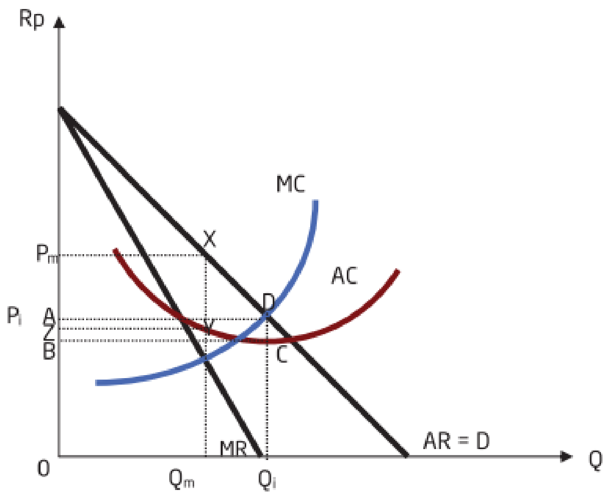
While the experts jurisprudence have an opinion that the monopoly or prohibited hoarding is fulfil criteria following

1. Hoarded goods is advantage from his needs and responsibilities for preparation a year full
2. The goods he hoarded in frame wait moment rise price , so that goods can for sale with price more high , and consumers really need it

[18]Irfan Syauqi Beik, M. Nur Rianto Al Arif, Sri Herianingrum , Alfiah Hasanah, Islamic Microeconomics, (Bank Indonesia works The same with National Committee for Islamic Economics and Finance and Higher Education , 2022), p. 197
[19]Ibid, p. 197

3. Hoarding done at the time humans really need the things he hoard , for example : food , clothes , etc. With thus , monopolizing items that are not needed consumer No considered as hoarding , because No will result in difficulties in humans .

Monopoly Market Curve



Gambar 1 : Pasar Monopoli

In figure 1, if manufacturer behave as monopolist , then He will choose level production in conditions get maximum profit , namely when MR = MC, with the amount of Q is Qm , and P is Pm, the profit enjoyed is as big as box PmXYZ . In the condition monopolis Where manufacturer can determine price , for maximize utilization in the form of more access widely used by consumers , producers maslahah -oriented can produce at the level Where request The same with offer , or when MC=AR. At the level this , the amount goods produced more many , namely as big as Qi, and the price is also more cheap , namely as big as Pi. Of course just profits generated more a little , namely as big as box ABCD. Difference profit between PXYZ box with This ABCD box is the monopoly's rent. If condition monopoly This utilized by one manufacturer or a number of producers (oligopoly) with do action overview For engineer price to be more high , then profit transaction from action This forbidden by religion.[20]

Practice *ihtikâr* result in disturbance market mechanisms , where producers sell goods with far price more tall from normal price . This is allows seller scoop up profit large (*monopolistic rent*), while consumer experience losses . As a result , society in a way wide harmed

[20]Ibid. p. 198

by action a handful the party that does not responsible answer . For overcome practice hoarding this , the government can take various steps , such as uphold law with firm or do intervention directly , for example with confiscate stockpiled goods and distribute them return to the market.

2. Role of Government To Monopolistic Behavior

Imperfection economic problems caused by destructive behavior market structure , such as manipulation side offer through monopoly (*ihtikâr*), require solution alternative For protect the perpetrators economy , good trader and buyers . Islam offers anticipatory and preventive approach For overcome problem this , with emphasize importance role government in supervise activity economy . Supervision This aim For ensure that access information can accessible to all parties involved in activity economy , so that created fair price (*tsaman al-* mitsl *)* and in the end realize balance economic equilibrium). This *effort* can achieved through steps certain that support sustainability system fair economy .

a. Preventive Action
   1) Prevent *talaqqī al- rukbān*

Actions taken by traders who have information complete For buy goods manufacturers who do not own information Correct about price For get higher price cheap from the real thing . Scholars differ opinion regarding legal status *talaqqî al- rukbân* .

According to Abû Hanîfah, *talaqqî al- rukbân* can has two different impacts . First , society Possible must buy goods with very high prices Because height request , while perpetrator *talaqqî al- rukbân* only will sell the goods with price above the actual market price . Second , there is possibility perpetrator *talaqqî al- rukbân* sell the goods with higher price low Because ignorance they to actual market price . For impact first , Abu Hanifah evaluate practice the as *makrûh tahrîm* (almost approaching haram), whereas For impact second , Abu Hanifah consider it allowed during still in accordance with sharia provisions .[21]

Different with Abû Hanîfah, Imam Mâlik (93–179 H) argued that *talaqqî al- rukbân* It is forbidden by law . This is based on assumptions that perpetrator *talaqqî al- rukbân* tend sell the goods with very high price , far beyond price at the time He buy it . According to Mâlik ibn Anas, practice This harm sellers who do not know the actual market price . In addition , the public or the parties involved in the transaction are also disadvantaged Because must buy goods with far price more tall from price reasonable .[22]

Imam Malik's opinion reinforced by Imam Shafi'i (150-204 H) who stated that the person who does transaction talaqqī al- rukbān when the purpose engineer offer , that is

[21]2Akmâl al- Dîn Muhmmad ibn Mahmûd al- Bâbartî , Syarh al- ' Inâyah ' alâ al- Hidâyah with a Fath al-Qadir's Hamisy Juz VI, (Beirut : Dâr al-Fikr, 1977), h. 476-477.
[22]Muhammad ibn Ahmad ibn Muhammad ibn Ahmad ibn Rusyd al-Qurthubî, Bidâyat alMujtahid wa Nihâyat al- Muqtashid Juz II (al- Qahirah : Al- Maktabah al- Tijâriyyah al-Habrî bi Mishrâ , tt) , 144 . Juz V, h. 101.

prevent entry goods (*entry barrier*) or prevent seller from outside city for to know prevailing price then The law is haram. [23]The main reason the prohibition according to Shafi'i is for protect consumers in the market from toss it the price resulting from the practice *talaqqî al-rukbân* and not deep skeleton protect seller , because seller have right to choose (*khiyar*) between sell the goods or no . The reason of Shafi'i This was also stated by Imam Malik.

A little different with the three scholars above Ahmad ibn Hanbal forbade it transaction This although the goal No For engineer offer , namely prevent entry goods to the market (*entry barrier*) or prevent seller from outside city For know applicable price . In the view of Imam Ahmad ibn Hanbal, reason prohibition practice *talaqqî al- rukbân* No only protect rights people who transact in the market will but protect sellers who do not know price indeed , so that khiyâr (right) choose For sell or whether or not goods) based on perfect information about the price prevailing in the market. and they No feel deceived by the perpetrator *talaqqî al- rukbân* .

Based on the above information so basically the majority of scholars forbid it practice talaqqî al- rukbân Because No fairness actions taken by traders a city that is not inform real price . Islam does not forbid his people look for goods with higher price cheap , but if transaction sell buy between two sides the party in which one own complete information about prices and others no , then condition This utilized For look for more benefits , then it happened behavior abuse committed by one party (trader) city) against other parties (sellers / farmers outside city).

2) Preventing *bay' al-hâdhir li al- badi*

Practice broker (sam - sarah). which is done by someone (city people) to people who come from village (desert) Sahara) for become intermediary in sell goods with take huge profits and benefits obtained from the rising price is taken For himself myself . Transaction This potential For to soar the price that can be harm public

b. Repressive Actions

Islam provides authority to government For do the actions that cause it effect deterrent to those who do actions that can damage order economy public in a way general . Government can do a number of alternatives in between with method intervention price , forcing it sell the things he monopoly , confiscate the goods and give punishment .

According to some scholars, intervention price Actually is unpopular things in treasury thinking Islamic economics , because intervention price basically can create injustice . Intervention price permitted under certain conditions certain with still hold on steadfast in values justice . When the perpetrator economy direct activity the economy to negative ways (cheating , deception) power , games price manipulation scales , and so on), then Islam recommends mix hand government through functioning hisbah system as supervisor activity economy that has authority For prosecute the perpetrators prevailing economy cheat and make intervention price .

[23] Jalal al- Din Muhammad ibn Ahmad al-Muhalla, Syarh Jalal al- Din al- Muhalla ' alâ Minhaj alThâlibîn Volume II, (Beirut : Dar al-Fikr, tt), p. 183.

Basically , if activity economy has Work with perfect , then No There is reason For arrange level price . Determination price possibility precisely will distort price so that Finally bother activity economy That alone . Therefore that , if government want to influence price , then what is done is with method influence demand and supply , so price in a way automatic will adjust . Addition supply will shift curve offer to right lower so that level price down (*cateris paribus*), whereas improvement Power buy public will shift curve request to right on .

Oligopoly Market in Islamic Economic Perspective

Definition of Oligopoly Market

In economics, an oligopoly refers to a market structure consisting of a few producers or sellers who dominate the supply of goods or services. This dominance can be achieved independently or through covert cooperation. Oligopoly markets often have low levels of product efficiency, potentially leading to exploitation, and often giving rise to price wars between producers . In this system, each company plays a role in the market dynamics, where profits are significantly influenced by the actions of competitors. Therefore, various strategies such as promotions, advertising, new product introductions, or price adjustments are designed to divert consumer attention from competitors.[24]

Oligopoly practices are often used to restrict the entry of new firms into a market. The primary goal is to maintain profits by setting specific selling prices, ultimately reducing price competition among the participating firms. This type of market structure typically occurs in industries requiring significant capital investment, such as cement, automotive, and paper.[25]

Oligopoly Model

The oligopoly market model has Lots type , following This is sample alternative For behavior or actions of oligopoly companies. All oligopoly market type has One similarities namely " behavior Each oligopoly company depends on its behavior other companies in the oligopoly industry ."[26]

a. Collusion Model

Assumptions oligopoly entrepreneurs are No There is superiority cost or technology from own one company. When many companies compete independently , they produce more many , apply price more low , and produces profit more A little than it will be they have If they act as one single unit .

If the Companies unite agree cut production and increase price (if the Company agrees) For No compete in a way price) then they will own portion profit more big .

[24] Mohamad Zakaria Husni Fuad and Nanda Anggun Kharisma, "Oligopoly Markets in Islam," no. 222105020022 (2023): 1–10.
[25] Ibid.
[26] Karl E. Case and Ray C. Fair, *Case Fair "Principles of Economics,"* ed. H. Wibi Hardani, 8th ed. (PT. Gelora Aksara Pratama, 2006).

However , when One oligopoly groups unite maximize profit collude on price and output, the result will exactly The same with a monopoly company that controls the entire industry.

A united group For set price and quantity of output together The same in an oligopoly market called cartel . A suspected organization is form cartel is OPEC which provides oils raw world and as controller price . The case by OPEC has happened in the 1970s, OPEC cut production so that price to price oil raw materials rose by up to 400 percent . This is illegal and known existence meeting confidential from a number of people to discussing related profit and amount production , finally plan the known and less more than 12 people involved thrown into prison to in prison .

In order for the cartel This can succeed so There is conditions that must be met filled that is request will product the must inelastic , no existence goods substitution , individual cartel must follow the rules of the game in it . Collusion and cartels own differences , a number of countries legalize collusion because determination price and quantity of output is done in a way transparent whereas cartel is illegal actions that all his activities done For interest personal , but collusion Once found almost case similar like cartel that is done collusion tacit collusion which causes one company that does formation prices and other companies followed suit .

Therefore that , department justice and commission US federal trade has powers granted by congress For together regulate possible mergers impact For reduce competition .[27]

b. Cournot Model

oligopoly behavior model was proposed by Agustin Cournot, which assumes 3 things. that is only there are 2 companies that produce the same goods , each company gets a certain output from another company, both companies maximize profit .

Story started from a new company that does not produce What what and the old company that has produce everything . The old company dominates curve market demand such as his , act like monopolist . When a new company start operating , new company That assume that the old Company will Keep going produce at the same level and wear same price like previously . Market demand New company This is market demand with amount more commodities A little than those sold by the old Company. Basically , the new Company assume that curve his request be on the curve market demand below the price set by the old Company.

When the Company is new start operating , the old company found that his request reduce because some of the output has been sold by the new company . The old company is now assume that the output of the new Company will The same or constant reduced new company request from market demand and produce higher levels of output low . However

[27] Ibid.

, the ball now rolling to the new company that found that competitors produce with amount A little .

Adjustment This increasingly small and small , where the new company increase output and the old company reduces output to both companies divide the market and determine same price like the collusion model .[28]

1. Oligopoly Market According to Islamic Economics

Oligopoly markets from an Islamic perspective can be analyzed based on Islamic economic principles of justice, transparency, and balance. Oligopoly markets, in which a few business actors dominate the market and exert significant influence over prices and supply, are acceptable in Islam as long as certain conditions are met. The following are several views on oligopoly markets in Islam:[29]

a. Fairness in Transactions

In Islam, justice is a fundamental principle in economic activity. Large producers in oligopolistic markets must not exploit their dominant position to oppress consumers or competitors, for example by unreasonably raising prices (*ihtikar* /pricing monopoly) or reducing product quality. Surah Al- Mutaffifin, verse 83, prohibits cheating in weights and measurements, which is relevant to producer ethics in the marketplace.

b. Prohibition of *Ihtikar* (Monopoly and Hoarding)

Islam forbids ihtikar, the practice of withholding goods to raise prices. In an oligopoly market, if market participants collude to withhold supply and fix prices, this is contrary to Islamic principles.

c. Openness and Transparency

Markets in Islam must be transparent, allowing consumers and businesses to make fair decisions. In oligopolistic markets, price transparency and healthy competition must be maintained to prevent any party from being disadvantaged.[30]

d. Ethics in Competition

Islam encourages healthy competition as long as it does not involve exploitation or cheating. Oligopoly markets that compete ethically, for example through innovation and product quality improvement, are permitted.

e. Equal Opportunity

[28] Ibid.
[29] Siti Faizah Hikmahyatun, "Market Structure in the Islamic Economics Perspective," *LABATILA: Journal of Islamic Economics* 3, no. 02 (2019): 131–156.
[30] Nikmatul Masruroh and Attori Alfi Shahrin, "The Contestation of Religion, Market, and State in Raising the Economic Competitiveness of the Ummah Through Halal Certification," *Proceedings of the Annual Conference for Muslim Scholars* 6, no. 1 (2022): 834–853.

The Islamic system promotes equal opportunities in business. The government or Islamic authorities have a role to play in preventing the accumulation of wealth in the hands of a few. In the context of oligopolies, regulation is necessary to ensure that small and medium-sized businesses are not marginalized.

Perfect Market Competition in Islamic Economics

Definition of a Perfect Market

Competitive market perfect is something market structure where it exists Lots sellers and buyers who offer and need product homogeneous (uniform), so that No There is One any party that has strength For influence market price . Under conditions this , price fully determined by market mechanisms , namely interaction between supply and demand .[31]

Competition perfect is the most ideal market structure , because considered this market system is market structure that will ensure realization activity produce goods or very high service efficiency . However , in practice no easy For determine type structured industry the organization can classified to competition perfect pure . [32]In a competitive market perfect, in theoretical seller No can determine price (price taker), where seller will sell the goods in accordance prices prevailing in the market.[33]

1. Characteristics of a Competitive Market Perfect

   Competitive market perfect own a number of characteristics special that makes it different from other market structures . Characteristics This reflect how the market operates , so that often used as an ideal model in analysis economy . The following is characteristics of a competitive market perfect :[34]

   1) The company is taker price . Taker price means there existing companies in the market no can determine or change market price . As for the action companies in the market, it No will cause change to on prevailing market price . The company sells the goods with the set market price , or price taker . because business No can influence individual market prices . For reach profit maximum , company can change amount the output .[35]
   2) Every company easy go out or enter the market. If company experience loss and want leave industry said , he can with easy For go out from the market. On the contrary If There is manufacturers who want to enter to in industry , manufacturers the can with

[31] Mukaromah and Wijaya, "Perfect Competition Markets and Imperfect Competition Markets in an Islamic Perspective."
[32] Sadono Sukirno, *Introduction to Microeconomic Theory* , third edition. (Jakarta: PT RajaGrafindo Persada, 2013).
[33] Adiwarman Karim, *Islamic Microeconomics* (Jakarta: PT RajaGrafindo Persada, 2007).
[34] Sukirno, *Introduction to Microeconomic Theory* .
[35] ach. Faqih Supandi, Bastomi Dani Umbara, and Achmad Fawaid, "PERFECT MARKET COMPETITION FROM AN ISLAMIC ECONOMIC PERSPECTIVE," *JOURNAL OF SHARIA ECONOMICS* 5, no. 2 (2024): 321–334.

easy For do the activities he wants there is no such thing . cost special that hinders business For enter or out of the market

3) Produce goods similar (Homogeneity Products). The goods produced by manufacturers are very similar. or similar . There is no the real difference between goods produced something company with goods results production other companies . As consequence from characteristic This namely No There is its use to companies For do competition in the form of competition No price , because matter the No effective For raise sale remembering consumers Already know that items for sale in industry the between manufacturer No There is the difference The same very .

4) There is Lots companies in the market. This characteristic is what causes company No have power For change price . This property there are two aspects , the first namely amount there are so many companies and the second one namely each company relatively small If compared to with overall amount companies in the market. This is impact on production every company is very little If compared to with amount production in industry the .

5) Buyer know knowledge perfect about the market. In a competitive market perfect for example amount there are a lot of buyers . However thus it is also assumed that each buyer own perfect knowledge about market conditions . This impact on producers No can sell the goods with higher price tall from what is happening in the market

2. Efficiency of Competitive Market Perfect

Competitive market perfect efficient so must ensure the right item has produced so that in term time long and short , company will produce at point Where same output price with cost production marginal .

For prove that system competition perfect produce allocation source efficient power , necessary shown that No There is change in allocation source power that can increase welfare part party without harm other parties . In the context this , competitive market perfect ensure efficiency in three aspect main :

1) Efficiency allocation source Power between company :
Source Power allocated among companies such appearance so that every company produce at the same marginal cost . This means No There is source power that can moved to other companies to increase total output without reduce efficiency .

2) Efficiency distribution product end to House ladder :
Goods and services distributed to House ladder in accordance with preferences and power buy they , so that benefits obtained House ladder from consumption be at the level maximum .

3) Efficiency in fulfillment need society :
System produce goods and services that are truly desired by society , reflecting

harmony between what is produced and what is needed or desired . This happened Because manufacturer try fulfil request consumers at prevailing market prices .

In other words, a competitive market perfect ensure that source Power used For produce goods desired by the public are distributed to the party who values it the most , and allocates it between company with cost production lowest , so that achieved optimal efficiency without conflict between party .[36]

3. Competitive Market Perfect in Islamic Economics

In Islam, the market is seen as in a way proportional , no like capitalism that makes the market a center main . Islam teaches that the market is just one from a number of mechanism distribution regulated by sharia , so that its use still in line with principle justice and balance .[37]

According to Ibn Taimiyah that determination price become important or required For prevent humans (producers) sell food and other goods only to group certain with price set as you wish heart . This is a injustice in the face earth , for the sake of achieving welfare must implemented determination price . " Indeed welfare man Not yet perfect except with determination price . That is That necessary and mandatory implemented in a way fair and wise ," said Ibnu Taymiyah[38]

Competitive market mechanism Islamic perfection according to Ibn Taimiyah must be own criteria following :[39]

1) People should free For enter and exit the market. Force resident sell goods without There is obligation For sell it is actions that are not justice and injustice That forbidden .
2) Sufficient level of information about market forces and goods merchandise is need .
3) Elements monopolistic must eliminated from the market so that all form collusion between groups of sellers and buyers No allowed .
4) Homogeneity and standardization highly recommended product when happen forgery products , fraud and cheating in presenting goods the .
5) Every deviation from freedom honest economy , such as oath fake , improper weighing rightly , is condemned by Islamic teachings .

[36] Karl E. Case and Ray C. Fair, *Principles of Economics Volume 1* , ed. Wibi Hardani and Devri Barnadi, 8th edition. (Jakarta: Erlangga, 2006).
[37] Anas Sidik, *Economic Activities in Islam* (Jakarta: Bumi Aksara, 1991).
[38] Ahmad Afan Zainid, "Perfect Competition Market in Islamic Perspective," *Jurnal Ummul Quran* IV, no. 2 (2014): 99–100.
[39] Sidik, *Economic Activities in Islam* .

Ibn Taimiyah's opinion about market mechanisms in Islam show that the principles it adheres to own similarity with characteristics of a competitive market perfect in theory economy conventional . Islamic market mechanisms reflect existence elements like freedom transactions , fairness , transparency and healthy competition , which are in line with competitive market assumptions perfect . With thus , it can concluded that the market in Islam, as explained by Ibn Taimiyah, has aligned foundation with principles of competitive markets perfect .

One of examples of competitive markets perfect in the Islamic market is what happened during the time of the Caliph Umar bin Khattab RA. At that time that Umar is walking in the market dates , when Umar found one of them traders who sell under the prices in the market . Umar gave the seller two options said , the first raise price until The same with market prices or go out from this market .[40]

From the example the withdrawn conclusion that in a competitive market perfect the price offered is The same with prices offered by all trader in the market If goods merchandise No differentiated (different). This means that the product from One seller No different with product from seller others , good from aspect quality and characteristics others . Therefore that , the traders No own strength For determine price individually , and only can follow the price that has been determined by market mechanisms through interaction supply and demand

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CONCLUSION

In Islamic economics, the market mechanism is not merely a technical system for resource distribution, but also reflects moral and spiritual values aimed at creating justice and blessings. Islam recognizes the role of market mechanisms based on the voluntary interaction of supply and demand, but emphasizes the importance of control through sharia principles. It prohibits practices such as usury, gharar , ihtikar (monopoly), and talaqqī. Al-Rukban aims to maintain balance and prevent harm to the wider community.

redistribution instruments such as zakat (alms), infaq (donations), sedekah (charity), and waqf (endowments), which support economic inclusion and social welfare. Thus, market mechanisms not only reflect economic efficiency but also emphasize the importance of distributive justice and a balance between worldly and afterlife needs.

Furthermore, the role of classical scholars and thinkers such as Abu Yusuf, Al-Ghazali, Ibn Taymiyyah , and Ibn Khaldun demonstrates that the Islamic market concept is futuristic and relevant in addressing contemporary economic challenges. They integrate market mechanisms with ethics and the role of government in maintaining economic balance.

By applying these principles, Islamic economics can offer a fairer, more transparent, and more sustainable alternative to conventional economic systems. Therefore, market mechanisms in

[40] Haris Al Amin et al., "Market Structure in Islamic Perspective," *Jurnal EMT KITA* 5, no. 2 (2021): 105–111.

Islamic economics are not only a solution to modern economic problems but also a means to achieve the goals of sharia, namely the welfare and well-being of humanity .

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