Islamic Economic Advantages and The Law No. 5 of 1999 in Preventing Monopoly Practices

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ABSTRACT

Every human being has the right to distribute his property according to what he wants, whether hoarded or sold at a very high price, but if it is entered into a monopoly or ihtikar measure, the issues discussed are no longer about the right to freedom of distribution but have touched on the impact that will be caused for what was done. A monopoly which is prohibited according to religion will certainly have a major impact on the people’s economy. The purpose of this study was to determine the relationship between the advantages of Islamic economics and Law No. 5/1999 in preventing monopolistic practices. This study used a qualitative descriptive method through measured interviews by informants. The result of this research is that the existence of law number 5 of 1999 has certainly provided a sense of security to business actors from monopolistic practices and unfair business competition. The form of law number 5 of 1999 also gives a message that the government through the competent agency (KPPU) is present in an effort to control the existence of all kinds of violations that intimidate many people and benefit a few, such as monopolistic practices and unfair business competition. Even some of those contained in the anti-monopoly law also have a very strong correlation to several principles and arguments in Islamic economics, especially in the aspects of preventing monopolistic practices and unfair business competition.

Keywords: Islamic economics; Law No.5 of 1999; Monopoly; KPPU

1. Introduction

The market is a meeting place between sellers and buyers, so it is often referred to as a means of supply and demand. Ihtikar or monopoly is a form of market distortion caused by engineering in the market. Monopoly based on an Islamic economic perspective is different from ihtikar. According to Islamic economics, producers are prohibited from engineering, either by hoarding or considering scarcity in order to get bigger profits. The government must take an effective role in preventing market distortions in order to maximize the welfare of society (Arif, 2016) In the market there is perfect competition and imperfect competition. However, what often happens in the market is imperfect competition because there is a monopoly practice which is also called no competition. Unfair competition is "competition between business actors in carrying out production activities and / or marketing business of goods and or services which is carried out dishonestly or against the law or obstructing business competition." (Hakim et al, 2015)

Islamic economics is an ideology that is different from conventional economic ideologies because each is based on a different worldview. Conventional economics sees science as something secular and does not include the element of God and human responsibility to it, therefore it becomes value-free (positivistic). Meanwhile the Islamic economy is actually built on Islamic principles and in addition to creating prosperity in the world, Islamic economy will also lead to Allah, namely happiness and glory in the hereafter.

The law also regulates the prevention of monopolistic practices that occur in the market because in the market there are very often monopolistic practices because the actors think that by means of monopoly they can get large profits. Islamic economics also prohibits monopolistic practices because according to him it can harm one party. So that with the existence of an Islamic economy that regulates all human activities, it is necessary to further study the influence of Islamic economics and the Law in preventing monopolistic practices.

This research approach is qualitative which produces data with analytical descriptive, namely field data obtained from several informants carried out by interview method. Informants are those who provide answers from a group of people or society to questions posed by researchers that are directly related to practical problems that occur in society. The instruments used for research data collection were interviews. Based on this, the authors analyzed the data that had been obtained and then presented and described the research results.

Based on the above background, the researchers are interested in conducting research related to the advantages of Islamic economics and Law no. 5 of 1999 concerning the prevention of monopolistic practices.

2. Study Of Learning Outcomes Theory

2.1 Definition of Ihtikar / monopoly

Monopoly in the Islamic perspective is different from monopoly in the conventional perspective. In Islamic economics, the etymology of monopoly ( ihtikar) comes from the word al-bukh which means al-zulum wa al-islaah al-na’asyarah, which is to act arbitrarily, whereas in terminology, monopoly ( ihtikar) is to hold or Hoarding goods on purpose with the aim of increasing the selling price when the goods are scarce in order to get a large profit (Karim, 2007). Muhammad (2008) states that Islam does not understand the law of supply and demand, nor the relationship between profit and interest, such as the phenomenon of diminishing returns or depreciation of production which is covered in economics "The Science of economics."
Karl (2002) defines monopoly in a conventional economic perspective as a condition in a market where there is only one seller of an item so that there are no competitors. Although Islamic economics was developed to serve cultural and political purposes, efforts have been made to realize its ideals. There are now Islamic banks, which claim to offer an interest-free alternative to conventional banking, and government-run Islamic redistribution systems, which were set up to reduce inequality. These institutions have not revolutionized the economic life of Muslims. However, together with various companies that have emerged outside the realm of Islamic economics, they have formed an Islamic sub-economy that lives in many metropolitan cities. This sub-economy develops because it fosters interpersonal trust and offers opportunities for eliminating guilt (Kuran, 1995).

### 2.2 Islamic View of Monopoly

Islamic work ethic as a multidimensional concept that connects prosperity and organizational sustainability with the welfare of society. The four elements of which are effort, competition, transparency and morally responsible behavior - it has the promise to strengthen trade and economic progress in today’s world. Monopoly from a business point of view is defined as a business condition where there is one company that has services needed by many people. Thus, this company is in a condition that has no competitors (competitors). A company that is a monopolist can take maximum profit due to the pressure it exerts on the market. The monopolistic practice that we mean here is the practice of hoarding property, causing goods and prices to rise because of it. The practice of making goods scarce in the market due to this hoarding is known as monopoly.

Rasulullah SAW emphasized that the result of the actions of those who practice monopoly is bankruptcy and jadzam disease. It is indeed a strange thing to associate monopoly practice with jadzam (a type of leprosy). A thing that surely Allah SAW and His Messenger know. However, when it comes to linking monopolistic practices with bankruptcy, there is a point. As a result of the actions of one individual who controls the market for goods, the act of hoarding them can cause a crisis for one country. Allah subhanahu wa ta’ala said which means: "whoever means in it (Mecca) to commit crimes wrongfully, surely We will feel to him a painful torment.” (QS. Al-Hajj: 25)

According to ath-Thobari in his interpretation (9/31): What is meant by committing crimes in it is monopolizing food in Mecca. Abu Sa’id alKhudri radiyallahu ‘anhu narrated that the Prophet sallallaahu ‘alaihi wa sallam said which means: "it is forbidden to give madharat to oneself and to others, whoever gives madharat to others, Allah will give him madharat, and whoever gives burdens to others, Allah will give him a burden. (Narrated by Daruquthni (3/77), the same thing is also found in the book of Bulughul Maram, hadith: 910).

Ibn Sholah emphasized that this hadith was attributed to Daruquthni from various ways, all of which strengthened him and made this hadith hasnan. The majority of scholars accepted it and made it a reference in the law. In order to strengthen the argument that Islam does not really support the existence of monopolistic practices, the hadith was reported by Ma’mar bin Abdullah radiyallahu ‘anhu that the apostle of Allah said: "Whoever hoards goods, no mercy will be shown to him." (Narrated by Muslim (1,605).

From the explanation of the sources of Islamic law, both from the Al-Qur’an and some of the hadiths above, it gives a message that monopoly is an attitude or action that is not good, is prohibited by religion and will have an impact on losses that can cause damage to themselves and the wider community.

### 2.3 The Strength of Law Number 5 Year 1999 in Preventing Monopolistic Practices and Unfair Business Competition

The Indonesian government has issued Law Number 5 of 1999 concerning Monopolistic Practices and Unfair Business Competition (hereinafter referred to as Law No.5 of 1999) to create fair business competition by building a conducive climate, in order to create a healthy and growing business world. Guarantee the sustainability with the welfare of society. The four elements of which are effort, competition, transparency and morally responsible behavior - it has the promise to strengthen trade and economic progress in today’s world.

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### 2.4 Impact of Monopolistic Practices and Unfair Business Competition for the community

The impact of ihtikar can create chaotic conditions and an unstable economic situation, this is due to the high cost of basic goods that are human needs. Every day the prices are high enough and the bargaining value of other goods will also follow because of the impact of the scarcity of goods in society. In economic law, it is explained that if demand increases while goods are decreasing, prices will tend to rise. This increase will certainly have a broad impact in accordance with the above economic laws, so the higher the supply of goods in the market, the higher the price of goods and the less demand for goods.

In this condition, producers can sell goods at a higher than normal price and the seller will get a bigger profit than normal, while consumers will suffer losses. So as a result of society's ihtikar will be harmed by the act of a small group of people, therefore in a monopoly market a producer can act as a price maker or price determinant, a further impact from ihtikar is the destruction of the market mechanism and also stopping the profits that will be obtained by others and can hamper the distribution process of wealth among human beings, because consumers still have to pay a product price that is higher than the marginal cost.

### 2.5 Advantages of Islamic Economics

In Islam, some basic economic values are taught which are based on the teachings of tawhid, this is an indicator of uniqueness because in a value system, one of which colors economic behavior in society, Islam is more than just basic values of economic ethics such as balance, unity, responsibility and justice but also create a whole range of fundamental values and special norms so that they can be applied in the operation of Islamic economic institutions in society.

Islamic economics establishes a monopoly by looking at the behavior of individuals, producers and sales when...
detained goods endanger public interests with the aim of increasing prices, then this is a monopoly that is not allowed by Islam, such behavior arises from the special sector or the public sector. owners of capital or labor unions are also included from monopolistic behavior although at different levels or levels.

Islamic economics has a strong argument in the Qur’an to determine basic rules so that economic transactions do not violate norms or ethics and are more on the value of justice and fairness. The term suq (market), for example, shows how market or market aspects should be an important business focus (Munir, 2017), in Surah an-nisa verse 29 which means: “... O people who believe, do not eat each other’s wealth with your fellow beings. a way that is false except with a way of commerce that applies consensually among you and do not kill yourselves. Allah is most merciful to you.” (QS. An-Nisa verse: 29)

The verse above becomes a picture for an institution or company with a clear organizational structure affiliated with Islamic values so that they will have the importance of morals or ethics. The modern organization is an organization with principles

3. Research Methods

Research broadly refers to the category of research approaches that produce findings without relying on quantitative measurements or statistical analysis (Alison, 2019). The interview is considered to be the ideal tool for data collection in qualitative research, but sometimes the interview is successful and sometimes it is not and the results are not necessarily within the control of the interviewer. Furthermore, identity and subjectivity do not really show themselves through the research process so they need to be developed reflexively and through relationships in which the researchers carefully consider their position (McLeod, 2003).

3.1 Interviews were conducted with KPPU employees, economics teaching academics

Islam and business competition lecturers who are members of the business competition lecturer forum (FDPU) have mature knowledge regarding monopoly issues because these informants are a type of multilevel stakeholder in which these individuals have authority in decision making (Hamilton et al., 2017a; Cresswell et al., 2012). Individual and group interviews use interview guides (Maietta and Hamilton, 2018). Interview questions are formed by a conceptual framework that encourages research (Reardon et al., 2017; Damschroder et al., 2019).

4. Results and Discussion

4.1 Islamic Economic Thought and Values in Preventing Unfair Business Competition

Aziz (2013) produces research on Islamic views, especially Islamic economics, business and ethics should not be viewed as conflicting. Business is a symbol of worldly affairs but is also considered an integral part of things that are investment in the hereafter. That is, if business orientation and investment efforts in the hereafter (intended as worship and the totality of obedience to God), then business by itself must be in line with moral principles based on faith in the hereafter. Even in Islam, the notion of business itself is not limited to worldly affairs, but also includes all our activities in the world which are “carried out” (intended as worship) to gain profit or reward in the hereafter.

In order to analyze the impact of cartel practices in trade from the perspective of Islamic law, attention to trade norms and ethics stipulated by syara’ in muamalah, the behavior that results from the business is clearly contradictory, because Islam emphasizes honesty and fairness in conducting business practices. The normative Islamic business ethics model describes how this ethical model seeks to balance the needs of various stakeholders, and discusses enforcement mechanisms. This Islamic approach to business ethics centers on the same criteria as stakeholder theory such as fairness and balance, and includes additional unique criteria such as trust and virtue (Beekun, 2005).

Regarding the price fixing process carried out by a group of entrepreneurs who carry out cartels, according to the hadith below regarding price fixing: "... O Messenger of Allah, prices have soared, so set a standard price for us." He then said: Indeed, Allah determines the price, who narrows and expands, and He who provides sustenance. Really, I hope that when I meet Allah no one will hold me accountable in terms of blood and property "(Mufti, 2018)

The above hadith basically emphasizes that prices are determined by the market, providing prices according to their nature, without interference from any party. For example, a trader sells his wares properly and does not contain injustice, but then the price goes up because of the many people who ask for the goods. However, if various unnatural factors occur in the market, for example, there is a monopoly so that people find it difficult to meet their needs, or people really need certain goods, but traders do not want to sell them except at high prices, then intervention in the market is necessary.

4.2 Perspective Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition

In Law Number 5 Year 1999, discrimination related to prices is regulated in two groups of rules or articles, namely price discrimination agreed under the umbrella of an agreement and discrimination which is carried out unilaterally or without an agreement regulated in Article 5 paragraph 1 and Article 6 of Law Number 5 Year 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition.

Article 6 states: "Entrepreneurs are prohibited from entering into agreements which result in one buyer having to pay a price different from the price paid by other buyers for the same goods and or services." This article discusses a price discrimination agreement, namely, an agreement made by a business actor with another business actor in which the same product is sold to each consumer at different prices.

Article 19 of Law No. 5 of 1999 with the title ‘Market Control’ states that business actors are prohibited from carrying out one or several activities, either alone or with other business actors, which may result in monopolistic practices and / or unfair business competition in the form of:

a) Refuse and or prevent certain business actors from carrying out the same business activities in the relevant market; or
b) Prevent consumers or customers of business competitors from not

c) Conducting business relations with these business competitors; or

d) Limiting the circulation and or sale of goods and or services in the relevant market; or

e) Conducting discriminatory practices against certain business actors.
Article 19 of Law Number 5 Year 1999 suggests that it is aimed at business actors who must have the ability to influence the market so that they have substantial market power. This may be based on the assumption that the actions listed in letters a to d can only occur if the business actor has a strong market position. However, what becomes a consideration is not just a matter of market share, but can be directly applied to business actors conducting business activities, either individually or together with other business actors. In other words, the application of Article 19 does not depend on passing or not crossing certain market share limits (Sugiarto et al., 2015).

Because price discrimination can only be done by companies that have market power, this strategy also has the potential to be misused to do various things prohibited by Law No. 5 of 1999. With the ability of price discrimination, producers or sellers can reduce prices in a certain market to get rid of competitors from that market or prevent new companies from entering without worrying about suffering losses because they will be compensated by revenues and profits from other markets that are subject to higher prices. high (Regulation of the Business Competition Supervisory Commission Number 3 of 2, 2011).

When viewed from the distribution aspect, it is clear that discrimination will increase the income or profit of producers or sellers by reducing the welfare of consumers because all or part of their surplus is taken. Theoretically, this causes a reduction in deadweight social loss that occurs due to a monopolistic market structure. Therefore, whether the practice of price discrimination is ultimately beneficial or detrimental to society is an empirical issue that must be examined case by case basis.

Opinions of Islamic Economists and Business Competition, Practitioners and Entrepreneurs on the Advantages of Islamic Economics in Preventing Monopolistic Practices and Unfair Business Competition

Indonesia is a country with a Muslim population reaching 87.18% of a population of 232.5 million according to (Global Islamic Economy Report 2018-2019). This condition is a measure of the very large market share of sharia-based products and services. One of the designs for the development of Islamic economics and finance in Indonesia was initiated by the Indonesian nation which was carried out on June 6, 2017 in the form of a blueprint or blue print for Indonesian sharia economics and finance (IBRA, 2019) as shown below:

![Fig 1. Sharia Economic and Financial Development Framework Source: Indonesian Sharia Economics Masterplan 2019-2024, Planning Agency National development](image)

The framework above is proposed to be the basis for a national strategy for the development of the Islamic economy and finance by all stakeholders under the coordination of the KNKS. Broadly speaking, this framework contains four main things, namely: the values and basic principles of sharia economics and financial development, the basic framework for sharia economic and financial development policies, strategies and action plans for sharia economics and finance, and cooperation and coordination with both internal and external parties in developing Islamic economics and finance.

5. Conclusions and Suggestions

From the description above, the researcher concludes that Islamic economics has many advantages because the legal basis comes from the Al-Qur’an and Hadith, even in some cases Islamic economics is able to survive in the midst of multi-crises that befall Indonesia. Apart from that, in the process of monopolistic practice and unfair business competition there are also many arguments which basically prohibit monopolistic practices and unfair business competition, this should be of particular concern to several parties such as: government, KPPU, academics or even researchers so that Islamic economics can be recommended as a superior instrument in minimizing monopolistic practices that are detrimental to society. Researchers also believe that if the Islamic economic instrument is applied, public trust (trust) will increase, because it is part of the potential of the majority of religions adhered to by the Indonesian population.

The existence of law number 5 of 1999 has certainly provided a sense of security to business actors from monopolistic practices and unfair business competition, the form of law number 5 of 1999 also gives a message that the government through an authorized institution (KPPU) is present in an effort to control its existence. all kinds of violations that intimidate many people and benefit a few, such as monopolistic practices and unfair business competition.

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6. References


[34] Undang-Undang Nomor 5 Tahun 1999 Tentang Larangan Praktek Monopoli Dan Persaingan Usaha Tidak Sehat.
