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BUSINESS COMPETITION FROM AN ISLAMIC ECONOMIC PERSPECTIVE

Lis Yulitasari[1], Suharto[2]
[1,2]Master of Islamic Economic, UIN Raden Intan Lampung, Lampung, Indonesia
[1,2]Jl. ZA. Pagar Alam, Labuhan Ratu, Kec. Kedaton, Kota Bandar Lampung, Lampung
E-mail: lisyulitasari498@gmail.com

Abstract

This article discusses the concept of business competition from an Islamic economic perspective. Islam regulates how to get sustenance in a good, lawful, and clean way. One form of seeking sustenance is by doing business. Ethics in business is a knowledge of procedures for managing a business that pays attention to the norms. One of the things regulated in Islam is ethics in business competition. The competition itself has meaning when organizations or individuals compete to achieve the goals desired by consumers, market share, survey rankings, or the resources needed. When Islam allows business and encourages the wheels of the economy to run, Islam allows the implementation of business competition as long as it is within the corridors of fairness and by Islamic law.

Keywords: Islamic Economics, Business Competition

INTRODUCTION

Every human needs wealth to fulfill all his needs, so humans will try to obtain wealth. One effort to fulfill these needs is to work. Work is one of the reasons that allows humans to try to make a living. Allah SWT has widened the universe and its contents that humans can use to seek sustenance (Aprianto, 2020). Islam regulates how to get sustenance done in a good, halal, and clean way. In seeking sustenance, it can be done in various ways with rules and restrictions that must be adhered to so that the sustenance obtained pleases Allah SWT and gives blessings to live. Good sustenance is the sustenance permitted by religion, including sustenance obtained from trading, doing business, farming, and all permissible muamalah activities (Quraish, 2005).

One form of seeking sustenance is by doing business. Millions of people daily carry out business activities, both as producers, distributors, and consumers. At this time, the business world is very widespread and growing rapidly, so it takes a lot of time for business people and those who want to learn and practice these business activities until they are successful (Alma & Prinasa, 2009). The most important thing in doing business is prioritizing ethics because Islam places ethics in the highest place. Islam is a source of values and ethics in all human life, including business. The Qur'an has given instructions so that in doing business, a harmonious relationship is created, mutually agreeable, there is no element of exploitation, and free from fraud or deception (Nawatmi, 2010).

Islamic economics aims to benefit all humanity by ensuring that actions do not harm other parties. Therefore, every developed business must not cause any damage to oneself or others. Business or business implementation must pay attention to the limitations contained in Islamic business ethics (Fauzia & Riyadi, 2014). Ethics in business is a knowledge of procedures for managing a business that pays attention to norms (Dewi et al., 2020). Islamic business ethics is an ethical business behavior packed with Sharia values that prioritizes halal and haram, which follow orders and stays away from Allah SWT prohibitions (Zamzam & Arafiq, 2020).

One of the things regulated in Islam is ethics in business competition. The competition itself has meaning when organizations or individuals compete to achieve the goals desired by consumers, market share, survey rankings, or the resources needed. In the management dictionary, competition is an attempt by two or more companies, each active in obtaining orders by offering the most favorable prices or conditions. This competition can take several forms price cutting, advertising or promotion, variety and quality, packaging, design, and market segmentation (Fauziah et al., 2019). According to Islamic economics, the implementation of business competition must be carried out in an honest, healthy, and fair manner. It can establish friendships to strengthen people's ties (Aziz, 2008).

When Islam allows business and encourages the wheels of the economy to run, Islam allows the implementation of business competition as long as it is within the corridors of fairness and by Islamic law. Islam does not intervene in business implementation by determining specific commodities and certain prices. Islam gives freedom to business actors as long as their business actions do not cause harm to other people; therefore, the implementation of the economy must be carried out in fair and constructive ways (Ahmad, 2019).

THEORY

1. Definition of Business Competition

Competition comes from English, namely (competition), which means competition itself or competing activities, matches, and competitions. Meanwhile, in the management dictionary, competition is the business of two or more companies, each actively obtaining orders by offering the most favorable prices or terms. This competition takes several forms, including price cutting, advertising and sales promotion, quality variations, packaging, design, and market segmentation (Aziz, 2008).

Then the word effort in the management dictionary is an activity that is carried out in an organized and directed manner to achieve targets that have been determined regularly, and both carried out individually and in groups. Fair competition by complying with certain rules of the game is called fair competition and positively impacts competing parties, namely the motivation to do better. However, if competition is unhealthy, competition will harm both parties (Aziz, 2008).

2. Business Competition Regulations

Constitutionally, regulation of business competition is based on Article 33 of the 1945 Constitution of the Republic of Indonesia, which emphasizes that the Indonesian economy contains an essential meaning, namely economic democracy (Elli Ruslina, 2012). Thus, democracy in the economic field is oriented towards the welfare of the people by providing equal opportunities for all business actors to actively participate in producing and marketing goods/services in a healthy business climate (Mantili et al., 2016).

The foundation laid by the Constitution in the Indonesian economy, which is based on the principle of kinship, reflects a healthy economy. Thus, constitutionally fair business competition is part of the economy mandated by the 1945 Constitution. This economy is implemented healthily, not fraudulent, and monopoly. The private economic business contributes to economic democracy based on fair competition to create an economy that makes the people prosperous.

In addition to laws that specifically regulate the prohibition of monopolistic practices and unfair business competition, there are several statutory regulations that, in principle, form the basis for legal provisions prohibiting unfair competition and monopoly practices. However, this law is partial and scattered in several laws that do not support the implementation of a fair business competition climate (Rumadi Ahmad, M. Afif Hasbullah, 2019).

a. The Civil Code (KUH Perdata) Article 1365 states that "any unlawful act that causes harm to another person obliges the person who, because of the mistake of issuing the loss, compensates for the loss."
b. The Criminal Code (KUHP) prohibits fraudulent trading, fraudulent acts in trading, or fraudulent competition. Article 382 bis of the Criminal Code states: "Anyone who, in order to obtain, maintain or expand the proceeds of a trade or company owned by himself or another person, commits a fraudulent act to mislead the general public or a particular person, is threatened, if the act can cause harm to his concurrent or concurrent -another person's concurrent, due to unfair competition, with a maximum imprisonment of one year and four months or a maximum fine of thirteen thousand five hundred rupiahs."
c. Law Number 50 of 1960 concerning Basic Agrarian Regulations (UUPA), which has prohibited monopoly in the land sector. Article 13 Paragraph (2) of the UUPA stipulates that the government prevents businesses in the agrarian sector from organizations and individuals having the nature of private monopolies. Article 13 Paragraph (2) states, "The government prevents businesses in the agrarian field from organizations and individuals that are private monopolies." Paragraph (3) "Government businesses in the agrarian sector which are a monopoly in nature can only be carried out by law."
d. Law Number 5 of 1984 concerning Industry regulates the prevention of monopoly acts and unfair competition between companies carrying out industrial activities not to harm the community. Article 7 of the Industrial Law states, "The government regulates, fosters and develops industry, in order to: achieve better industrial development, healthily and effectively; develop good and healthy competition and prevent unfair competition; and preventing industrial concentration or domination by one group or individual in the form of a monopoly that is detrimental to society.
e. Small Business Law (UU Number 9 of 1995) Article 8 which states, "The government fosters a business climate in the aspect of competition as referred to in Article 6 Paragraph (1) letter b by establishing laws and regulations and policies to: enhance cooperation among businessmen small businesses in the form of cooperatives, associations, and business group associations to strengthen the bargaining position of small businesses; preventing the formation of a market structure that can give rise to unfair competition in the form of monopoly, oligopoly, and monopsony which is detrimental to small businesses; and preventing market domination and concentration of business by certain individuals or groups that are detrimental to small businesses."

3. Unfair Business Competition

a. Prohibited agreement

Prohibited agreements referred to in Law Number 5 of 1999 are prohibited agreements that occur or result in unfair business competition practices carried out by business actors to practice oligopoly, price fixing, price discrimination, price fixing in below market prices, low resale, market allocation, boycotts, cartels, trusts, oligopsony, vertical integration, exclusive dealings, and agreements with outsiders country (Tarigan, 2016).

b. Prohibited activities

Activities prohibited in Law Number 5 of 1999 occur or result in unfair business competition practices carried out by business actors, such as monopoly, monopsony, market control, selling at a loss/low price, setting production costs fraudulently, and collusion.

Collusive tendering). The difference between prohibited activities and prohibited agreements lies in the number of business actors. There are at least two business actors in a prohibited agreement because an agreement requires at least two legal subjects. Meanwhile, prohibited activities are open to one business actor (Nugroho, 2012).

c. Dominant Position

Dominant Position is a condition in which a business actor has no significant competitors in the relevant market about the market share controlled, or the business actor has the highest Position among his competitors in the relevant market in terms of financial capacity, ability to access supplies or sales, and the ability to adjust the supply or demand for certain goods and services.

Business actors are prohibited from using a dominant position, either directly or indirectly, to stipulate trade terms to prevent and hinder consumers from obtaining competitive goods and services, both in terms of price and quality; or limiting markets and technology development, or hinder other business actors who have the potential to become competitors from entering the relevant market.

RESEARCH METHODS

The method used in this research is qualitative, with a literature review. Literature review research is a way to find relevant references to the problems that arise. A literature study is a theoretical analysis, scientific study, and literature related to community traditions, norms, and values appearing in the experimental field conditions. In addition, library research can review relevant and valuable reference literature and previous research to obtain a theoretical basis for the problem under study. In this study, the data used are secondary: based on previous references/references, which are contained in scientific works, literature, encyclopedias, and other reference sources related to the problem under study. The method applied in this study is an assessment of various observed data sources to produce results on the research topic.

DISCUSSION

Business Competition in the View of Islamic Economics

In contemporary fiqh, business competition is referred to as al-munāfasah at-tijāriyyah. It should be emphasized here that the term business competition is not explicitly explained in either the Al-Quran or the Hadith. However, contemporary Islamic scholars admit that business competition has strong references and foundations from the Qur'an and Hadith (Ahmad, 2019).

This term is also not found in classical fiqh books with a specific meaning of business competition. In language, al-munāfasah means competition accompanied by the desire to win and beat other parties. Imam al-Ghazali explained that humans are creatures that compete with each other. Humans continue to compete, both in matters of religion and the world. Competition in religious matters is because each of them loves Allah SWT, so they want to be the best of His servants. While competition in world affairs is because of love for worldly pleasures.

In the Qur'an, among the verses that explicitly mention the term munāfasah, there is QS. al-Muthaffifin verse 26 which reads:

.....وَفِيْ ذٰلِكَ فَلْيَتَنَافَسِ الْمُتَنٰفِسُوْنَۗ

It means:

"For (getting) this, people should compete."

The context of this verse (sabab an-nuzul) is an appeal to Muslims to carry out fair competition or competition. Namely, a positive competition in terms of goodness brings the culprit to earn the pleasure of Allah SWT and reach His heaven. From this, it can be understood that Islam encourages its people to compete in good things, such as obedience and achieving the pleasure of Allah. This appeal can also be drawn in the context of business competition. Islam allows, even encourages, its people to carry out the competition or fair business competition. Fair business competition is a competition that is based on the values of kindness, honesty, and justice to create benefits and gain the pleasure of Allah SWT(Rumadi Ahmad, M. Afif Hasbullah, 2019).

Business competition (al-munāfasah at-tijāriyyah) in Islamic jurisprudence is a discussion of mu'āmalah, namely economic relations that involve business actors (at-tujjār) in order to obtain profits and benefit the public in economic relations. The discussion of mu'āmalah is an area of ijtihad, open to innovation and creativity to develop according to the developments and demands of the times. Here, understanding the basic Islamic principles of mu'āmalah as a guide becomes very important. Because the concept of business competition is not explicitly found in classical fiqh literature, it is difficult to find equivalent terms for business competition in today's financial world. However, several contemporary Islamic economics scholars have tried to find equivalent terms in Islamic jurisprudence (or at least in Arabic). The following are several terms related to business competition that has been translated into fiqh (Arabic):

1. *Sūq al-munāfasah al-ihtikāriyyah (monopolistic competition)*
2. *Sūq ihtikār al-qillah (oligopoli)*
3. *Ittihād (cartel)*
4. *I'timān (trust)*
5. *at-Tas'īr (pricing)*
6. *Mu'āmarah al-Munāqishat (tender conspiracy)*
7. *Syirkah qābidhah (holding company)*

When Islam allows business and encourages the running of the economy, then Islam also allows competition in the business world as long as it is within the corridors of fairness and by Shari'a values because Islam does not want to intervene in the business world by determining specific commodities and certain prices. Islam gives freedom to business actors as long as it does not harm other parties. In developing the economy, fair and constructive competition is needed (Rumadi Ahmad, M. Afif Hasbullah, 2019).

Contemporary Islamic economists divide the business competition into two parts:

1. Competition by Sharia

   Business competition by the Shari'a (al-munāfasah at-tijāriyyah al-masyrū'ah), namely competition between business actors that is fair, reasonable, does not violate the boundaries of religious and state regulations, is not accompanied by agreements that harm other parties, and is by business ethics and social habits that are considered good. In fair business competition, business actors are not only profit-oriented but should aim to seek lawful sustenance and blessings and seek divine approval. Business actors in the fair competition are based on honesty, keeping promises, and fearing Allah SWT, so they fear cheating and violating other business ethics. The healthy and scary competition will positively impact the emergence of endless creativity and innovation from business actors, improve service quality that satisfies consumers, increase work motivation, and smart consumer loyalty.

2. Unstipulated business competition

   Business competition that is not legalized (al-munāfasah at-tijāriyyah ghayr al-masyrū'ah), unfair business competition, unfair, exceeds the limits tolerated by using harmful practices or methods that lead to monopoly, violating good habits prevailing among business actors, and contravening business ethics. In other words, unfair business competition is any business practice that harms other parties in ways that violate religion and laws in force in society (Pratiwi et al., 2022).

Problems of Business Competition in the View of Islam

In developing the economic sector, the Government of the Republic of Indonesia has issued a law prohibiting monopoly and unfair business competition from realizing people's welfare based on Pancasila and the 1945 Constitution. This law states that democracy in the economic field requires equal opportunities. Equal for every citizen to participate in producing and marketing goods and services in a healthy, effective, and efficient business climate to promote economic growth and the operation of a fair market economy. Everyone who does business in Indonesia must be in a situation of fair and reasonable competition so that it does not lead to a concentration of economic power among certain business actors (Rumadi Ahmad, M. Afif Hasbullah, 2019).

In order to realize fair business competition, Law Number 5 of 1999 prohibits monopoly, namely control over the production and marketing of goods and the use of certain services by one business actor or group of business actors. Monopolistic practices are the concentration of economic power by one or more business actors, which results in controlling the production and marketing of certain goods and services, thereby creating unfair business competition and causing harm to the public interest.

Law Number 5 of 1999 also prohibits all forms of unfair business competition, namely competition between business actors in producing and marketing goods and services that are carried out in a dishonest or unlawful manner or hinder business competition. Among the dishonest and unfair methods are hidden agreements and conspiracies or business conspiracies with the intention of controlling the relevant market for the interests of the conspiring business actors. Agreements or collusions that are prohibited by law include:

1. Business actors are prohibited from entering into agreements with other business actors to jointly control the production and marketing of goods and services, which may result in monopolistic practices and unfair business competition;
2. Business actors are prohibited from entering into agreements with their competing business actors to fix prices for certain goods and services to be paid by consumers or customers in the same relevant market;
3. Business actors are prohibited from entering into agreements that result in one buyer having to pay a different price from the price paid by another buyer for the same goods and services;
4. Business actors are prohibited from entering into agreements with their competing business actors to set prices below market prices, which may result in unfair business competition;
5. Business actors are prohibited from entering into agreements with other business actors which contain conditions that the recipient of the goods and services will not sell or re-supply the goods and services received at a lower price than the price agreed so that this can result in competition. unhealthy business;
6. Business actors are prohibited from entering into agreements with their competing business actors to divide marketing areas or allocate markets for goods and services to result in monopolistic practices and unfair business competition;
7. Business actors are prohibited from entering into agreements with their competing business actors that may prevent other business actors from conducting the same business, both for domestic and foreign markets;
8. Business actors are prohibited from entering into agreements with their competing business actors to refuse to sell any goods and services from other business actors so that the action is detrimental to other business actors.

9. Business actors are prohibited from engaging in cartels, namely entering into agreements with competing business actors who intend to influence prices by regulating the production and marketing of goods and services, which may result in monopolistic practices and unfair business competition;
10. The law also prohibits the practice of trust, in which business actors make agreements with other business actors to cooperate by forming a combined company or larger company while maintaining and maintaining the viability of each company or its member companies, which aims to control production and marketing of goods and services, which can result in monopolistic practices and unfair business competition (Rumadi Ahmad, M. Afif Hasbullah, 2019)

Protection of Business Competition from an Islamic Perspective

Regulations governing business competition in Indonesia stand together. Apart from the constitutional basis of the 1945 Constitution and laws and regulations, it is also important to know about the basis of fiqh, which is the reference for principles and ethics in Islam. This is where the importance of reading business competition from a fiqh perspective lies. In Islam, the relationship between the market, the state, and the individual is in balance, and there can be no subordinates, where one becomes dominant over the other. The market is guaranteed freedom in Islam. The market is given the freedom to determine production methods and prices, and there should be no disturbances that result in damage to the market balance (Rumadi Ahmad, M. Afif Hasbullah, 2019)

However, finding a market that operates fairly independently takes much work. Market distortions still occur frequently, which can be detrimental to the parties. This is where the economic principles of Islam work. Islamic teachings only partially surrender to the market. However, if there is inequality (distortion), the authorities/state will play a role in intervening in the market to stabilize prices so that justice is created. A market left to run alone (laissez-faire), without anyone controlling it, has led to unilateral market domination by capitalists, infrastructure authorities, and information owners. Information asymmetry is also a problem that the market needs help to solve. The state, in this context, has a role that is relatively the same as the market. His job is to regulate and supervise the economy, ensure that competition in the market takes place perfectly, information is evenly distributed, and economic justice is the result. Its role as a regulator does not necessarily make it dominant because the state must refrain from interfering with a market that runs in balance. Its role is only needed when there is a distortion in the market system.

In Islam, the state has the right to intervene (intervene) in economic activities carried out by individuals to supervise these activities and regulate or carry out several kinds of economic activities that individuals cannot carry out. Along with the progress of the times, economic activity also experienced significant developments. However, existing developments tend to reveal ethical complexities and deviations in economic activity. On this basis, it is deemed necessary for state involvement (intervention) in economic activities in order to protect the rights of the people/the wider community from threats of tyranny by existing business actors and in the interest of greater benefits. Business competition in the market is allowed; what is not allowed is market distortion. In fiqh, many actions can distort the market. Among them are maisīr (gambling), gharar (uncertainty), ribā (unilateral exploitation), tadlīs (fraud), and also ihtikār (hoarding). This business competition activity prohibited by religion is economically profitable for business actors but can harm other parties. Because of that, this prohibition appeared. In business competition activities, the principles upheld are fairness and benefits from both parties (Rumadi Ahmad, M. Afif Hasbullah, 2019).

CONCLUSION

Competition (munāfasah) is a natural process in a business. Competition is urgently needed to spur businesses to develop more and become more qualified for the good and benefit of all. This is a healthy business competition permitted, even encouraged by Islam. Conversely, business competition (munāfasah tijāriyyah) impacts mafsadat (damage) to market mechanisms and price fixing. It is detrimental to competing parties, especially the general public, and Islam prohibits and condemns it. Laws governing business competition in Indonesia are in harmony with the spirit of Islam, the basic principles and values that are adhered to by Islam. Both of them together encourage the creation of a business climate that is healthy, reasonable, fair, and profitable for all parties, based on honesty and openness, ultimately bringing about a just and prosperous Indonesian economy (maslahat).

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