

# The Price Intervention of Staple Goods in Lhokseumawe City from the Islamic Economics Perspective

Harjoni, and Rahmawati

Faculty of Economic and Business, IAIN Lhokseumawe, Aceh, Indonesia

**Abstract.** To avoid scarcity, it is an obligation for the local government to set the policy of intervention on the need for basic goods. To explore further information regarding the issue, this study attempts to investigate the supervision system and food price interventions carried out by the Department of Industry and Trade of Lhokseumawe City as well as to understand the supervision and intervention system from the Islamic economics perspective. The research method used in this research is a qualitative method using a case study approach. The research subjects were chosen purposively while the object of the research was the price of groceries intervention conducted by the local government of Lhokseumawe city. The data was collected using in-depth interviews, participatory observation, and literature studies. The results showed that the food price monitoring system in Lhokseumawe City was carried out in several stages: planning; organizing; and the implementation and the control stage. The system of supervision and intervention in the prices of basic food items in Lhokseumawe City based on sharia economy is already appropriate as the Department of Industry and Trade (Disperindakop) supervises the prices by fostering traders to provide reasonable prices rather than determining the price of goods in the market. The main purpose of such supervision is so that traders do not commit fraud in buying and selling.

**Keywords:** Interventions · Price · Basic needs · Sharia economics · Lhokseumawe

## 1 Introduction

The need for staple goods, known as nine staples, are part of the goods [1]. Human needs involve primary, secondary and tertiary needs. The primary one is basic needs that must be fulfilled in people's daily life.[2] The prices of these basic necessities often experience drastic increases at a fast time and tend to persist without decreasing.[3] Lhokseumawe has a very strategic geographical location.[4] Besides, it has a large marine wealth, large natural resources, and large land.[5] However, the price of staples here is high while the income of the people is not increasing and the need for staples is very large [6].

Hence, there is a need for supervision and market intervention for basic needs in this city. Price intervention is the government's market supervision of prices sold by the public, aiming to guarantee the price instruments of goods and services are determined in accordance with the law of supply and demand.[7] Additionally, such intervention is implemented to cultivate Islamic moral values related to trade or transaction systems applying in markets such as honesty, trustworthiness, and tolerance [8].

An increase in the price of basic needs can basically be caused by the government.[9] Therefore, the government is responsible for monitoring the prices of staples or basic needs in the Lhokseumawe market.[10] The increase in basic need items usually occurs when the big days arrive. Every month, the government supervises the prices of basic food items in Lhokseumawe monitored by the relevant office, Disperpsop. Yet, the prices of basic food items in Lhokseumawe are still problematic. For example, the price of basic food items can be doubled or even tripled in an instant during Maulid, Ied Al-Fitr, and other feast days.[11] If the price increase is caused by the actions of the traders such as by stockpiling groceries with the aim of selling it after a soaring price (*ihtikar*), the government has the right to set prices.

Based on the aforementioned background, the research questions for this study are formulated as follows: (1). How does the price control system of Lhokseumawe City Department of Industry and Trade (Disperindakop) work? (2) How is the system for controlling the price of basic food items by the Department of Industry and Trade (Disperindakop) according to the shariah economy?

## 2 Research Methods

This is a qualitative descriptive study using a case study approach.[12] This study used a purposive sampling technique by determining informants based on certain criteria or considerations[13] is an informant who knows the price related to staple goods in Lhokseumawe City and Sharia economy; understand the business world; and understand sharia economics. The object of this study is the intervention of prices for staple goods held by Lhokseumawe local government. An interview was conducted to collect the data for this study.

## 3 Discussion

### 3.1 The Price Intervention System of Staple Goods in Lhokseumawe

The food price monitoring system carried out by the Lhokseumawe City The Industrial and Trade Office consists of several stages: planning, organizing, implementation, and control stages. The planning phase is the initial stage planned and carried out specifically by Lhokseumawe City Industry and Trade Office (Disperindakop) to conduct market surveillance.

Planning is made on the basis of existing laws and regulations from the center. The plan, which is compiled together, is made at the beginning of each year and will be formed and reported in the report of government performance and accountability (known as LAKIP) of the previous year.

The planning stage for each year is formulated in early January. Meanwhile, the supervision in the trade section is planned in the form of a program to conduct business development, protection to consumers, and market control. These programs can be broken down into 5 programs: 1) special autonomy program; 2) consumer protection trade protection programs; 3) small and medium trade and industry development

programs; 4) domestic trade efficiency improvement programs; and 5) export/import supporting and warehousing development programs. The coaching is carried out face to face with the traders when undergoing the programs that have been prepared [14].

In accordance with the plans that have been prepared by the Lhokseumawe City Industry and Trade Office, the type of planning that is in line with this study is the consumer protection and trade security program as this study focuses on the control systems for staple prices in Lhokseumawe. The plan was prepared on the basis of the interests of the area of supervision that was owned at the time, which was based on the main regulations that existed from the central office which would then be developed. When developing this, the researchers hold regular meetings at the beginning of the year so that all supervisors, who later will supervise and control the market, know the results of the discussion held in the meeting.

The next one is the organizing stage. It is formed when there is a change of section leader or there are things that need to be improved. From the scope of the Department of Industry and Trade (Disperindakop) of Lhokseumawe City, the sections are divided into 3: 1) industry, 2) trade, 3) cooperation as well as small and medium businesses [15].

Monitoring is carried out specifically to guide the sellers in collecting data, to advise them not to sell near the traffic lane so they will not disturb the road users, to maintain market order and cleanliness, to be disciplined in trading, and more importantly to foster them not to cheat when trading.

The implementation is carried out in two forms: direct and indirect implementation. The direct implementation is done by visiting the market where staple goods are sold. From the observation done in this study, it seemed that the government of Lhokseumawe has already known the pattern of staple food prices in Lhokseumawe as it would increase on several big days and celebrations such as Ramadhan, Maulid, and Eid days. This creates a high demand for the goods and becomes a reason for the sellers to get a profit. Hence, at times like this, the government carries out supervision and control for prices of staple goods in the markets of Lhokseumawe.

Furthermore, if in the direct supervision carried out by the city government, the sellers get hoarding or raising the price of staple goods, the government has no right to confiscate the sellers' goods because their task is only to supervise and guide so that prices will not increase dramatically in the markets in Lhokseumawe. Having a field supervisory team who will conduct the surveillance every day, there will be a weekly report on the prices of nine-basic necessities. If there is a dramatic increase in prices, the Lhokseumawe City Industry and Trade Office, especially in the field of trade, will find out the cause and will attempt to tackle the problem. Such a solution is usually done by providing groceries in the form of "bazaar" in order to lighten the community's financial burden.

Moreover, indirect supervision is carried out by spreading slogans or banners reminding sellers to always trade honestly and not to oppress buyers by raising the price of staple goods when the goods are lacking.

The supervision in the markets of Lhokseumawe is done by monitoring the prices of chilies, onions, rice, etc. The ups and downs of prices are caused by uncondusive climate. Besides, the rising a dollar can also become one of the reasons if there are export goods such as rice or beans. The Department of Disperindakop always conducts market operations, which is to check the price of basic food items every day monitored by field supervisors. In conducting market surveillance, Disperindakop also conducts

scales operations in order to provide information or knowledge about the scales that must be fulfilled by sellers.

To overcome this, the agency only provides guidance with continuous supervision, so the problems can be handled and solved well. Based on the results of the research, the researchers conclude that the Grocery Price Monitoring System of the Department of Industry and Trade (Disperindakop) of Lhokseumawe City specifically in the field of trade is formed through several stages: planning; organizing; implementation; and control.

### 3.2 Food Price Control System by the Department of Industry and Trade (Disperindakop) According to the Sharia Economy

According to the Islamic economy, the market surveillance system of the government is called a market intervention. Market intervention is carried out in the form of supervision, regulation, and implementation of economic activities that are unable to be carried out by the community. In the concept of Islamic economics, how to control prices is determined by the cause. If the cause is a change in Genuine demand and Genuine supply, the control mechanism is carried out through market intervention (price control). Whereas, if the cause is the distortion of Genuine demand and Genuine supply, the control mechanism is carried out through the elimination of distortion, including the determination of price intervention in order to return the price before the distortion. Regarding the market intervention, it is regulated in Law No. 39/2007 concerning customs and excise. Illegal export and import goods can damage the economic system by disturbing the market balance. Hence, the notion of market intervention is government intervention in regulating the market economy, aiming to maintain price stability.

Supervision of food prices is a task that has been given to the Messenger of Allah. The Prophet said, from Anas bin Malik RA reported that:

حَدَّثَنَا مُحَمَّدُ بْنُ بَشَّارٍ حَدَّثَنَا الْحَجَّاجُ بْنُ مِنْهَالٍ حَدَّثَنَا حَمَّادُ بْنُ سَلَمَةَ عَنْ قَتَابَةَ وَثَابِتٍ وَحُمَيْدٍ عَنْ أَنَسِ بْنِ مَالِكٍ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَقَالُوا يَا رَسُولَ اللَّهِ سَعَرَ لَنَا فَقَالَ إِنَّ اللَّهَ هُوَ الْمُسَعِّرُ الْقَابِضُ الْبَاسِطُ الرَّزَّاقُ وَإِلَيَّ لَأَرْجُو أَنْ أَلْقَى رَبِّي وَلَيْسَ أَحَدٌ مِنْكُمْ يَطْلُبُنِي بِمَطْلَمَةٍ فِيَّ إِلَّا مَالٍ

Narrated Anas: Prices became excessive during the time of the Messenger of Allah (ﷺ), so they said: 'O Messenger of Allah! Set prices for us!' So he said: 'Indeed Allah is Al-Musa'ir, Al-Qabid, Al-Basir, Ar-Razzaq. And I am hopeful that I meet my Lord and none of you are seeking (recompense from) me for an injustice involving blood or wealth.' (H.R Abu Dawud).[16]

Based on the above hadith, Rasulullah SAW refused to determine the selling price. His reason is that this will be a real sign that limiting the sale price or curbing the freedom of the sellers is a form of tyranny. Thus, it can be concluded that sellers are free in determining the selling price and the amount of profit he wants. According to this Hadith, the ruler (imam) has no right to determine the prevailing price in the community, but the community is free to sell their property depending on the prevailing mechanism. Pricing is similar to forbidding them from spending their own property.

Whereas in the Maliki and Hanafi schools, they allow the authorities to set prices in order to avoid detrimental effects on society if the prices set by sellers have exceeded

the general price. If this is the case, it will be fine to impose pricing through deliberations with experts in order to maintain public benefit.

The argument shows that there is no justification for intervention or control in determining the price because it will hamper the natural law known as supply and demand. Tas'ir (price-fixing) is as bad as protectionism, in which the state charges tax directly or indirectly to consumers in general. In other words, this is a process in which the state forces people to pay exorbitant prices on local production by protecting businesses to avoid international competition.

Protectionism is not permitted because it will benefit one party and will harm and exploit the other party, in this case, the general public. Moreover, protection is also a major cause of inflation and will lead to the emergence of business crime in the form of a black market, counterfeiting, and excessive profit-taking. Ibn Qayyim said that protection is the worst form of injustice. He stated that protection is dangerous for both parties, both protectors and protected people. The reason for this is that protection is an act of increasing the right to freedom of trade that Allah SWT gave.

Based on the hadith and explanation above, the form of supervision conducted by the Department of Industry and Trade (*Disperindakop*) is not in the form of price-fixing. In fact, it is an act of supervising and fostering traders who raise food prices beyond the usual price. This will allow the Department of Industry and Trade (*Disperindakop*) to know the cause of the price rising, so it can be anticipated in the future and can the problems can be tackled. For example, when the usual prices of staple goods rise in the month of Ramadan and before the big day, the Department of Industry and Trade (*Disperindakop*) anticipate this by holding a bazaar of basic food at cheap prices.

According to Ibn Taymiyyah, there are two types of prices namely prices that do not exist and are prohibited and existing prices and are preferred. Ibn Taymiyyah thought that an equal price was a fair price. He also explained that an equal price was a price formed by free-market forces which are between a request and an offer. He further described the market price as follows:

"If people sell goods normally (*al-wajh al-ma'ruf*) without using unfair means, the price increases because of the effect of scarcity of goods (ie decreasing supply) or because of an increase in population (ie increasing demand) because of an increase in prices, the price increases because of God's will. The phrase "in a normal way without using unfair means" classifies that the equivalent price is a competitive price that is not accompanied by fraud because reasonable prices occur in competitive markets and only practices that are full of fraud cause price increases.

Considering the decreasing supply and increasing demand (population), the Department of Industry and Trade (*Disperindakop*) always supervises by forming a field supervision team that every day they will monitor the prices of basic food. So, if such a situation occurs, the Dinas Industry and Trade (*Disperindakop*) will respond immediately.

Furthermore, the form of supervision is carried out to provide guidance, so sellers will not do things that can deceive buyers because it is strictly prohibited. The Prophet said for those traders who commit fraud:

عَنْ أَبِي هُرَيْرَةَ أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ مَرَّ عَلَى صُبْرَةَ طَعَامٍ فَأَدْخَلَ يَدَهُ فِيهَا فَنَالَتْ أَصَابِعُهُ بَلَلًا فَقَالَ مَا هَذَا يَا صَاحِبَ الطَّعَامِ قَالَ أَصَابَتْهُ السَّمَاءُ يَا رَسُولَ اللَّهِ قَالَ أَفَلَا جَعَلْتَهُ فَوْقَ الطَّعَامِ كَمَا يَرَاهُ النَّاسُ مَنْ عَشَّ فَلَيْسَ مِنِّي (روه مسلم)

It was narrated from Abu Hurairah RA that the Messenger of Allah had passed before a person who sold a pile of food. He put his hand in the pile of food, it turns out that his hand was wet due to the food. He then asked, "Why is this wet, food seller?" the person replied, "The food inside was affected by the rain O Messenger of Allah." Whoever deceives he is not from my class. "(HR. Muslim).[17]

From the hadith, it is clear that such an act is forbidden as Abu Isa said, "This Abu Hurairah Hadith is Hasan Saheeh". Islamic scholars practice this hadith. They hate fraud in buying and selling and they argue that the deceptive law in buying and selling is haram.

Based on the aforementioned elaboration and analysis above, the researchers conclude that the Food Price Control System by the Department of Industry and Trade (*Disperindakop*), especially in the field of trade, is in line with the Shari'a Economy as recommended in Islamic law by not setting the prices of basic food items in the market. Instead, the prices of basic food items should be stabilized and the government should supervise the sellers so that they will not commit fraud when determining the prices of basic food items in the markets in Lhokseumawe.

#### 4 Conclusion

- a. The Staple Food Price Monitoring System of the Lhokseumawe Industry and Trade Office (*Disperindakop*), especially in the trade sector, was formed in several stages: planning, organizing, implementation, and control stages.
- b. The basic food price control system conducted by the industry and trade service (*Disperindakop*) is already based on sharia economics because the Department of Industry and Trade (*Disperindakop*) controls prices by fostering traders to provide reasonable prices rather than determining the price of goods on the market. There is a hadith which prohibits the determination of prices of goods. Besides, the main purpose of supervision is that for sellers not to commit fraud when buying and selling because it is strictly prohibited in Islamic law.
- c. The market intervention system conducted by the Lhokseumawe government has not been able to make the price of basic necessities down. It merely supervises and regulates the development of market conditions in Lhokseumawe. Unstable climate conditions cause scarcity of staple goods and high prices so that the actual supervision conducted by the government should not only be done in the market. The government should also supervise the producer so that prices will be ideal as long as there is a balance between the offer and demand of staple goods.

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