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MARKET EQUILIBRIUM IN PONTIANAK CITY, WEST KALIMANTAN, INDONESIA

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Abstract

Research articles have shown the importance of market equilibrium in maintaining the rights of sellers and buyers. The market can serve as a catalyst for the transcendental relationship between Muslims and their God. Transactions in the market are the manifestation of worship of a Muslim in economic life. This research used a qualitative approach with the post-positivism paradigm. Primary data in this research were the results of interviews with sellers/traders, buyers/consumers at the Flamboyan market, Head of Government Office, Secretary and Head of the Market Division of the Cooperatives, Micro Enterprises and Trade Office of Pontianak City. Meanwhile, secondary data derived from publications of government or non-government institutions, previous research, reports or personal notes, and mass media. The research concluded that market equilibrium in Pontianak City has not yet been achieved because the price increase ahead of Eid, due to price gouging, violating transaction ethics, taking unfair profits, has caused a decrease in demand since it is a burden to people with lower middle incomes, while the supply of goods is stable or safe because it has been anticipated by the Government.

Keywords: Market Equilibrium, Price, Seller, Buyer, Government



INTRODUCTION

The market in economics is defined as a meeting between demand and supply. In this sense, markets are interactive, not physical. The market mechanism is the process of determining the price based on force and supply. The meeting between demand and supply is called *equilibrium price*. In a free market, where a price is determined by the forces of supply and demand, price fluctuations are not always related to the control exercised by someone. Sometimes the reason is due to a shortage in production or a decrease in imports of the goods in demand. So, if the demand for the quantity of goods increases, while the ability to provide them decreases, prices will naturally rise. On the contrary, if the ability to supply goods increases and the demand for them decreases, prices will decrease. Scarcity and abundance do not have to be caused by one's actions. It could be related to causes that do not involve injustice, even though occasionally it could also be caused by injustice. Almighty is Allah who creates will in the human heart.

Abu Yusuf (Karim, 2001: 155) argues that "there are no certain limits regarding low and high prices that can be determined. There is something that regulates it. The principle might not be identified. Low prices are not because of the abundance of food, for example, likewise high prices of foods are not due to its scarcity. Low and high prices are Allah's provision. Sometimes food is abundant, but still expensive, and sometimes it is scarce but cheap". From this statement, Abu Yusuf seems to refute the popular opinion regarding the inverse correlation between supply and price. In fact, prices do not depend on supply alone, but also on the force of demand. Therefore, an increase or decrease in price is not always associated with a decrease or increase in production. Abu Yusuf emphasized that there were several other influencing variables, but he did not explain in detail. It could be that the variable is a shift in demand or the amount of money circulating in a country, or the hoarding and holding of goods, or all of these things. It should be noted that Abu Yusuf wrote his theory before Adam Smith did the *Wealth of Nations*.

Imam al-Ghazali (Karim, 2001: 157-159) provided a detailed description of the role of trade activities and the emergence of a market where prices move according to the forces of demand and supply. Understandably, he is known as an expert in *tasawwuf* [mysticism]. For Ghazali, the market is part of the "natural order". In detail, he also explained the evolution of market creation. "It is possible for farmers to live where farming tools are not available. Blacksmiths and carpenters can live where agricultural land does not exist. But naturally, they will meet each other's needs. It can also happen that carpenters need food, but farmers do not need these tools or vice versa.

This situation creates a problem. Therefore, naturally people will also be compelled to provide a place for storing tools on the one hand and a place for storing agricultural products on the other. This place is then visited by buyers according to their respective needs so that a market is formed. Peasants, carpenters, blacksmiths, who cannot not directly barter, are also driven to this market. If there are no people willing to barter in the market, they will sell goods to traders at a relatively low price and then store them as inventory. The traders then sells them for a profit.

This applies to every type of goods." Imam Ghazali realized the difficulties of the barter system, the need for specialization and division of labor according to regional and local resources. He also realized the importance of trade to provide added value by providing it at the time and place where it it needed. Ghazali did not deny the fact that profit is which becomes the motive for trade. Moreover, Ghazali explained the importance of the government's role in ensuring the security of trade routes for the smooth running of trade and economic growth.

Al Ghazali (Karim, 2001: 157-159) also stated the concept of elasticity of demand "reducing profit margins by selling at lower prices will increase sales volume and this in turn will increase profits" Imam Ghazali and also the thinkers of his time when discussing price usually directly relates it to profit. Profit is not yet clearly related to income and costs. For Ghazali, profit is a compensation for the exhaustion of travel, business risk, and threats to the trader's personal safety. Although he does not agree with excess profits to be the traders' motivation. For Ghazali, it is true that profit is the traders' motivation, but real profit is in the afterlife.

There are several markets in Pontianak City: the Flamboyan market, the Mawar market, and the Teratai Market. Flamboyan Market is a wholesale market located in Pontianak City, West Kalimantan Province, Indonesia.

THEORETICAL FRAMEWORK

Equilibrium describes a situation where all the forces that exist in the market, demand and supply are in a state of equilibrium so that every variable formed in the market, namely price and quantity no longer changes (Veithzal et al. 2018: 389).

Equilibrium is a condition where the quantity demanded equals the quantity supplied. The quantity of goods in that state is called the equilibrium quantity. The price level that forms the state of equilibrium is called the equilibrium price. Graphically, the equilibrium price and quantity are reflected by the intersection point of the demand and the supply curve (Mustafa et al. 2006: 96).

According to Matthew (1994) in his journal article entitled *Price-Band Stabilization Programs and Risk: An Application to the U.S. Corn Market*, market equilibrium can be achieved

using a minimum and maximum price system that can be managed, meaning that producers receive subsidies if the market price falls below the minimum level and pay taxes if the price exceeds the maximum.

According to Said Sa'ad (2007: 89-93) in order to safeguard the rights of market participants (sellers and buyers) and avoid transactions that cause distortions in the market and encourage markets to create individual and social equilibrium, rules and principles are needed. General principles that can be relied upon include (1) fairness in measure and weight, (2) prohibition on usury, (3) honesty in transactions, (4) Prohibition of *Ba'i An Najash* [sale by a manipulative overpricing] which is a practice of buying and selling transactions when the seller asks other people to praise his goods or bid at a high price so that people are also interested in buying. (5) Prohibition to pick up sellers, (6) Prohibition of selling goods that are not in their possession. (7) Prohibition of hoarding goods. (8) The concept of convenience and availability in the market.

In the perspective of Islamic economics, equilibrium price is a price that does not cause negative impacts or losses for both sellers and buyers. (Yenti Afrida. 2015: 82). The theory of demand explains the character and nature of buyers' requests for goods and services. While the supply theory explains the character of the seller in offering goods and services to be traded. Both demand and supply activities in determining the equilibrium price or market price and the amount of goods sold will give rise to a reality whether there is a free market or market distortion (Syamsul Hilal. 2014: 19). .

The process of creating a market equilibrium can start from either the side of demand/goods demanded or supply/goods offered or both [demand and supply]. The main ingredients of market equilibrium according to Paulus & Made. 2018: 23-27 are (First); Equilibrium, the market is in a state of equilibrium when the quantity of goods supplied is equal to the quantity of goods at the price expected by consumers. (Second); Scarcity, a shortage that occurs at market prices when the quantity demanded is low. (Third); Surplus, the excess that occurs in the market price when the quantity supplied exceeds the quantity demanded. (Fourth); Changes in demand, market equilibrium implies a degree of stability in both price and quantity of goods. (Fifth); Changes in supply, namely a situation where consumers expect a low availability of future goods marked by rising prices at that time. (Sixth); Simultaneous changes, when both demand and supply change at the same time, predicting changes in price and quantity becomes a little more complicated.

The things that cause disequilibrium are as follows: (Veithzal et al. 2018: 390) (First); Structural deviations, the structural deviations referred to are monopoly, oligopoly, duopoly and monopolistic competition. (Second); Unstructured deviation, namely hoarding goods

intentionally to hamper the supply of goods in the market, creating artificial demand to increase prices, quality fraud, price fraud, collusion of traders to make prices rise above normal. (Third); Imperfection of information and adjustments, caused by information held by market participants such as blocking transactions at market prices, taking high profits by exploiting consumer inexperience, etc.

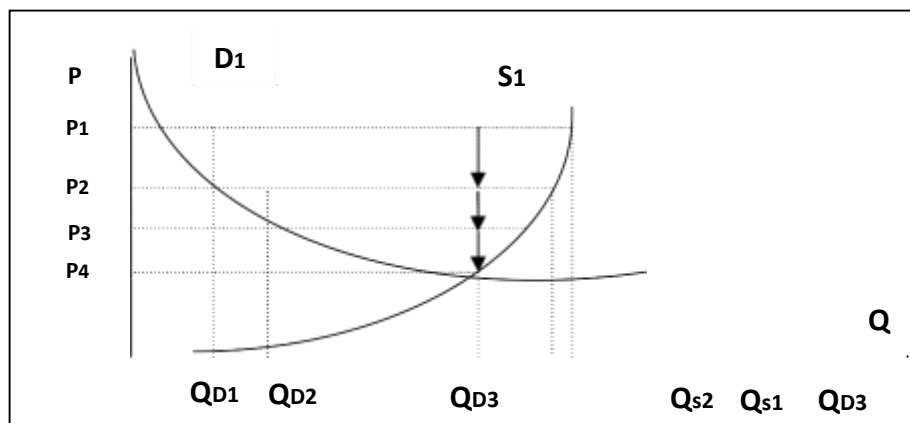
To achieve market equilibrium, it is necessary to have the following principles for economic actors (Sholihuddin. 2011.13), namely (First); *al-ridha*, namely all transactions carried out must be based on willingness between each party (freedom of contract); (Second); fair competition. The market mechanism will be hampered from working if there is hoarding (*ihthikar*) or monopoly. Monopoly can be interpreted, any goods whose hoarding will endanger consumers or the public. (Third); Honesty, honesty is a very important pillar in Islam, because it is another name for truth itself. Islam strictly prohibits lying and deception in any form. This is because the truth value will have a direct impact on the parties conducting transactions in trade and society in general. (Fourth); transparency and justice. The implementation of this principle is that transactions carried out will be held accountable.

Supervision is also needed from the government so as to ensure market equilibrium so that there are no irregularities that occur in the market mechanism which can harm buyers and sellers, while at the same time also having the authority to take action against any behavior that is not in accordance with the Islamic law. And specifically in the field of business, they have the authority as controllers and supervisors to exercise control over price imbalance and injustice carried out by business actors in the market known as *al hisbah* which functions as follows: (Veithzal et al. 2018: 401) supervising the scales, size, and price; supervising illicit buying and selling, usury, *maisir* [gambling], *gharar* [deceit], and fraud; supervising the halal, health, and cleanliness of a commodity; market layout; overcome disputes and injustice; intervening in the market and imposing penalties for violations.

Equilibrium describes a situation where all the forces that exist in the market, demand and supply, are in a state of equilibrium so that every variable formed in the market, price and quantity, no longer changes. The process of equilibrium in the market starts from anywhere, either in terms of demand or supply. However, in terms of change, it will only occur on one side, either the supply or demand side. The process of achieving market equilibrium will be explained through a graph. The graph shows that at the price level P_1 , the goods demanded will be QD_1 while the quantity of goods supplied to the market will be QS_1 . It can be seen in the figure that the quantity of goods supplied exceeds the quantity demanded, resulting in an oversupply. In such a situation, the price tends to be pushed down so that the price decreases. When the price

decreases, it will encourage increased consumer demand, but on the other hand, this decrease in price will cause the quantity of goods supplied to the market to decrease.

Figure 1 Process of Reaching Market Equilibrium



When the price reaches a price level of P2 the quantity of goods demanded is at QD2 while the quantity of goods supplied is also at QD2. Here, it can be seen that there is still an oversupply, but the amount is lower than before. As a result, the price will be pushed down, however, the downward price pressure power is getting weaker. Back in here, producers will reduce the amount of goods supplied to the market while consumers will increase the quantity of goods demanded. This process will continue until the number of goods demanded eventually equals the number of goods supplied ($QD = Qs$) so that the forces between demand and supply are in a state of equilibrium. This state of equilibrium is achieved at a price level of P4. In this state, the forces in the market that drive prices up (demand) are the same as the forces that push prices down (supply). In such a situation, there is no longer any movement in price changes because the existing forces in the market are in equilibrium (P3EI, 2014).

Based on the description above, it can be concluded that the indicators of market equilibrium are: the balance of prices and the quantity of demand and the quantity of supply. Economic actors must have the nature of *al-rida*, healthy competition, honesty, transparency and justice, and the supervision from the government or authorized institution is required.

According to Abul A'la Al-Maududi (2005; 57-153), market equilibrium occurs when the "modern capitalist system" can be achieved with the following indications: (1) the existence of individual rights in private ownership, (2) the right to freedom of business, (3) personal gain being the motivation to work, (4) competition between individuals, (5) the difference between the rights of workers and employers, (6) relying on natural causes in the increase, (7) the absence

of state interference. This will ensure that all the damages caused by feudalism and capitalism disappear from society and the economic system will run in equilibrium, where human dualism and social happiness will go hand in hand with full justice and order.

RESEARCH METHOD

This research used a qualitative approach with the post-positivism paradigm. According to John W Creswell (2015: 31-32) post positivism is a scientific approach that uses a theoretical lens from social science that does not believe cause and effect are probabilities that may or may not occur. Post-positivism has reductionist characteristics, logical, empirical, cause and effect oriented and determination based on a priori theory.

This research used the post positivism paradigm because it seeks to build an understanding of market equilibrium to the people in Pontianak City. The post-positivism paradigm is said to place more trust in the process of verifying a finding using various methods. Thus, this paradigm was selected.

The methodology used in this study is the phenomenological method. One of the advantages of phenomenology is that it provides an in-depth understanding of phenomena as experienced by some individuals. Phenomenology can involve an efficient form of data collection by only including one or more interviews with participants.

The sources of data in this study are (first) Primary Data, primary data directly provide data to data collectors (Sugiyono, 2015: 225). The primary data in this study were the results of interviews with sellers/traders, buyers/consumers at the Flamboyan market, the Head of Government Office, Secretary and Head of the Market Division of Cooperatives, Micro Enterprises and Trade Office of Pontianak City (Second); Secondary data, which include publications of government or non-government institutions, previous research, reports or personal notes, and mass media. In this study documentation is a secondary source of data in the form of interviews with consumers and traders in markets other than the flamboyant market such as the Teratai market, Mawar market, Dahlia market, and sources obtained from the internet in the form of news related to this research.

DISCUSSION OF MARKET EQUILIBRIUM IN PONTIANAK CITY

The market is an important part of Muslim life. The market can serve as a catalyst for the transcendental relationship between Muslims and their God. In other words, doing transaction in the market is the worship of a Muslim in economic life. This was done by the Messenger of Allah [peace be upon him] when he moved to Medina, where he went to the market to fulfill his needs.

In economics, the demand for and supply of commodities determines the normal price which measures the effective demand determined by the degree of scarcity of supplies and procurement. An increase in the demand for a commodity tends to raise the price, and encourages producers to produce more of that good. The problem of rising prices occurs because there is a discrepancy between demand and supply. This discrepancy is mainly due to imperfect competition in the market. Competition becomes imperfect when the number of sellers is limited, or when there are differences in production results. The main problem to note is that producers cannot accept the prevailing prices as reality.

The market is a mechanism that can bring together sellers and buyers to conduct transactions for goods and services, both in the form of production and pricing. The main requirement for the formation of a market is a meeting between sellers and buyers in one place or in different places. In the capitalist system, the market has a major role in moving the wheels of economic life. The price fluctuations in it show the dynamics of economic life which in the end can be used as a basis for making decisions. The market is an economic element that can provide the benefit and welfare for human life.

In economic transactions, money is the standard of use found in goods and labor. Therefore, money is defined as something that is used to measure each item and labor. For example, price is the standard for goods, while wages are the standard for human labor, each of which is society's estimate of the value of goods and human labor.

In economics, the equilibrium price is the price that is formed at the intersection point of the demand and the supply curve. The formation of the equilibrium price and quantity in the market is the result of an agreement between the buyer (consumer) and the seller (producer) in which the quantity demanded and supplied are the same. If this equilibrium has been reached, usually this equilibrium point will last a long time and become a benchmark for buyers and sellers in determining prices. In other words, the equilibrium price is the price at which neither consumers nor producers wish to increase or decrease the amount consumed or sold. Demand equals supply. If the price is below the equilibrium price, there is excess demand. Because demand will increase, and supply will decrease. Conversely, if the price exceeds the equilibrium price, there will be excess supply. The quantity supplied increases, the quantity demanded decreases. Changes in market equilibrium occur when there are changes on the demand and/or supply side. So the determining factor for price increases in the market is determined by the forces of demand and supply.

Based on the results of interviews with buyers, traders and the management of the Office of Cooperatives, Micro Enterprises and Trade of Pontianak City, as well as observation and analysis, it can be described as follows:

According to Buyers

The community also buys in accordance with the price offered by traders. Competing in a healthy, honest, fair manner is influential in increasing the demand for goods.

Buyers will accept whatever price is offered by the trader without knowing whether the price offered by the trader will give a reasonable profit to the trader or a large profit will be made by the trader by taking advantage of the buyer's inexperience, because in terms of supply the stock of goods is essentially stable but due to the occasion of the fasting month and ahead of Eid, traders will increase prices, which will lead to dishonesty among traders in terms of prices, and it indicates that market equilibrium has not yet been achieved in the Pontianak City market.

According to Traders

Prices offered by traders in the Pontianak City market depend on each trader. Prices increase during the fasting month and ahead of Eid. The honesty of traders greatly affects the increase in demand on sales

The price offered by the trader is the price purchased by the buyer, so that regardless of the price offered by the trader, the buyer will accept it whether the price goes down or up, here the important role in determining the price is the trader. Therefore, if there is an increase during the fasting month and ahead of Eid, then the price will be controlled by the trader, and the buyer only knows that the price increase is caused by a lack of supply, but in fact as Eid draws near the government has prepared a supply of basic necessities to prevent a price increase, but because the key holder in determining the price is the trader, then price increase ahead of Eid will occur every year, and thus it is difficult to achieve market equilibrium.

According to the Cooperatives, Micro Enterprises and Trade Office of Pontianak City

The stocks of staple commodities are stable, and can meet the needs of the community. After Eid al-Fitr, the stocks of staple commodities are stable, prices have also started to decrease compared to the time before Eid. Should there be a scarcity of staple commodities at this time, prices will increase above the Maximum Retail Price (MRP) and of course people will be restless, so the Office of Cooperatives, Micro Enterprises and Trade of Pontianak City checks prices on each working day every week in each market.

In order to meet the increasing demand during the fasting month and ahead of Eid, the government has prepared stocks of staple goods, so as to overcome price increases due to surges in demand.

The West Kalimantan Provincial Government ensures that food supply during Ramadan until the Eid celebration in the following month is sufficient to meet the needs of the people of West Kalimantan. The Provincial Office of Industry and Trade of West Kalimantan claims that food stocks in all areas of West Kalimantan are safe until the Eid. The Provincial Office of Industry and Trade of West Kalimantan acknowledged that there had indeed been an increase in a number of staple commodities during the first week of Ramadan. However, the increase was still within normal limits.

The government has anticipated the availability of staple commodities to deal with the increase in demand during the fasting month and ahead of Eid. However, what happened in the market was that prices had soared up to 40% increase compared to prices before the fasting month, and this is still considered reasonable by the government based on Regulation of the Minister of Home Affairs No. 96 of 2018 concerning the Consumer Reference Prices, but this increase is very burdensome for people with lower-middle income.

CONCLUSION & RECOMMENDATIONS

The market equilibrium in Pontianak City has not yet been achieved, because the price increase ahead of Eid is due to price gouging, violation of transaction ethics, taking unfair profits, which has caused a decrease in demand as it adds a burden to people with lower-middle income. Meanwhile, the supply of commodities is stable or safe because it has been anticipated by the government.

Based on the explanation above, the researcher recommends the Government to carry out periodic supervision and structured planning. The recommendation for sellers is to make honest sales. Recommendations for buyers, be a smart buyer.

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