

## CHAPTER I INTRODUCTION

### 1.1 Background

A market is where people who buy and sell come together to exchange certain goods or services. This interaction helps determine the prices that are traded.<sup>1</sup> A market is a place where buyers and sellers determine the price of goods through their actual or potential interactions.<sup>2</sup> Originally, a market referred to a place where, on a specific day, sellers and buyers could meet to buy and sell goods.

Market activities are often facilitated by intermediaries, such as:<sup>3</sup> 1) Traders-both wholesale and retail, 2) Specialized intermediaries including agents, brokers, and commission agents, 3) Exporters and importers, 4) Supporting institutions, such as: Banks, Insurance Companies, Transportation Companies, Packaging Companies, Warehousing Companies, Consultants, Chambers of Commerce, and others. In a market, various activities occur where business transactions take place between traders, and competition exists among sellers.

A market can simply be defined as a place where businesspeople, sellers, and buyers meet to conduct transactions. This has several meanings because a market has a specific location where buyers and sellers can meet and conduct transactions to buy and sell goods and services.<sup>4</sup> Markets usually serve as places for buyers and sellers to come together. In the context of marketing, though, a market refers to a set of individuals or organizations that want a certain price and service customers, have the financial means to buy it, and plan to make a purchase.<sup>5</sup>

According to Mankiw, a market consists of a group of people who buy and sell certain goods or services. Buyers as a group determine the demand for the sellers or buyers as a group determine the market price and make services for the trade.<sup>6</sup> A market, according to Sufyan Assauri, is a potential place for exchange, both in

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<sup>1</sup> Algifari, *Microeconomics: Theory and Cases, First Edition* (Yogyakarta, 2002), 92.

<sup>2</sup> Robert S. Pindyck and Daniel L. Rubinfeld, *Microeconomics, Eighth Edition* (Jakarta, 2012), 8.

<sup>3</sup> T. Gilarso, *Introduction to Macroeconomics* (Yogyakarta, 2004), 111.

<sup>4</sup> Kasmir dan Jakfar, *Studi Kelayakan Bisnis* (Jakarta, 2007), 70.

<sup>5</sup> Hendra Riofita, *Strategi Pemasaran* (Pekanbaru, 2015), 44.

<sup>6</sup> N. Gregory Mankiw, *Principles of Economics: Pengantar Ekonomi Mikro* (Jakarta, 2009), 28.

physical form where sellers and buyers meet, and in non-physical form where exchange takes place due to mutual interest, good reputation, and purchasing power.<sup>7</sup>

In economics, a market typically has several aspects:<sup>8</sup> 1) A meeting. 2) People who sell. 3) People who buy. 4) A specific good or service. 5) At a specific price. This can serve as a guideline and reference for sellers who are conducting sales transactions for all item in trade that are suitable and meet the needs of potential buyers.

In literature discussing the legal aspects of business competition, the term "business competition" often appears. In English, "competition" comes from the word "compete," which means competition itself or the act of competing, a contest, or a competition. Competition occurs when companies or individuals compete to achieve a specific goal, such as customers, market share, survey rankings, or needed resources.<sup>9</sup>

Indonesia's Law No. 5 of 1999 explicitly prohibits monopolistic and unfair business competition. Ideally, competition should not be perceived as an attempt to eliminate rivals, but rather as a constructive effort to provide the best possible goods and services to consumers while maintaining fairness among market participants.<sup>10</sup> Additionally, such business competition is expected to provide a fair and beneficial contribution to its participants. In business competition, there must be cooperation and mutual commitment among competitors toward the concept of competition, which is no longer interpreted as an effort to eliminate business competitors or their equals, but rather as an effort to provide the best of their business endeavors.<sup>11</sup>

Since business is an economic activity aimed at seeking profit, it cannot be separated from competition. In Islam, believers are encouraged to compete in seeking goodness. If this competition is manifested in business practices, then such practices must engage in healthy competition.<sup>12</sup>

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<sup>7</sup> Kasmir, *Pemasaran Bank* (Jakarta: Prenada Media, 2004), 69.

<sup>8</sup> T. Gilarso, *Pengantar Ilmu Ekonomi Makro* (Yogyakarta, 2004), 109.

<sup>9</sup> MudrajatKuncoro, *Strategi Bagaimana Meraih Keunggulan Kompetitif* (Jakarta, 2005), 86.

<sup>10</sup> Akhmad Mujahidin, *Ekonomi Islam* (Jakarta, 2007), 27.

<sup>11</sup> M. Karebet Widjajakusuma Ismail Yusanto, Ismail Yusanto, M. Karebet Widjajakusuma, *Initiating Islamic Business*, (Jakarta: Gema Insani Press, 2002), 95, (Jakarta, 2002), 95.

<sup>12</sup> Muhammad, *Etika Bisnis Islami* (Yogyakarta, 2004), 250.

Islamic teaching emphasizes ethical conduct in market competition. The Prophet Muhammad SAW instructed Muslims to refrain from disparaging competitors' price and services, committing fraud, or deceiving customers. Ethical promotion involves building genuine relationships with consumers, choosing appropriate locations, and maintaining honesty in all transactions.<sup>13</sup>

Engaging in transactions or business dealings with fellow human beings is one way to fulfill basic human needs. In Islam, transactions that involve deception, envy, uncertainty, harm, causing distress, leading to disputes, conflicts, grudges, and danger are prohibited. In Islam, rules outline numerous ethical principles, laws, customs, and written regulations that must be followed during the buying and selling process. By adhering to Islamic business ethics based on the teachings of Prophet Muhammad SAW—namely, Shidiq (truthfulness), Amanah (trustworthiness), Tabligh (conveying the message), and Fatonah (wisdom)—<sup>14</sup> This is related to trade, and a Muslim will thrive and progress rapidly because they consistently receive blessings from Allah SWT both in this world and in the hereafter. In Islamic trade ethics, both the seller and the buyer will benefit.<sup>15</sup>

A person's moral consciousness consists of beliefs about what is "right and wrong." After abandoning these beliefs, one experiences a sense of self-respect and the feeling that one would be wrong to do something considered unethical. Whether the work is disruptive or receives praise, one must be accountable for the actions taken.<sup>16</sup>

Many new competitors with new marketing strategies also align with existing trade activities in both traditional and modern markets. Business competition can occur anywhere, even in the Wage Purwokerto market. The business competition in the Wage Market involves price competition among sellers, both retail and wholesale, but the research focuses solely on price competition and ethics among wholesale sellers. Price competition is common in every trading

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<sup>13</sup>Danang Sunyoto, *Strategi Pemasaran* (Yogyakarta: PT. Buku Seru, 2015), 26–28.

<sup>14</sup>Devin Nabillah and Ramadanty Wibowo, "KONSEP PERDAGANGAN SYARIAH DALAM PERSPEKTIF AL-QURAN" 2, no. 1 (2024). <https://openjournal.unpam.ac.id/index.php/AMQ/article/view/41734/>

<sup>15</sup>Yunita Rahayu, Muhammad Iqbal Fasa, and Suharto, "Implementasi Etika Bisnis Islam Dalam Meningkatkan Kesejahteraan Pedagang," *Islamic Economics and Finance Journal* 1, no. 1 (2022): 1–12, <https://doi.org/10.55657/iefj.v1i1.4>.

<sup>16</sup>Akhmad Mujahidin, *Islamic Economics*, (Jakarta, Bukunesia), 27.

activity for various reasons and motives. In the Wage Market, Purwokerto, intense price competition occurs among grocery merchants.<sup>17</sup> Some sellers with greater capital intentionally reduce prices far below market levels, not merely to attract customers but to prevent competitors from gaining an advantage. This practice often generates jealousy and tension among neighboring traders with limited resources. This price reduction is not solely aimed at attracting more customers but rather at preventing competitors from gaining an advantage.

It is acknowledged that not all capital-intensive traders adopt such pricing practices. Nevertheless, certain grocery stores in Wage Market employ strategies inconsistent with Islamic business ethics, such as consistently undercutting prevailing prices and offering free goods to retain customers. These practices have generated dissatisfaction among nearby merchants. For this reason, the Wage Market is selected as the study site, as it represents a traditional marketplace with diverse trading patterns and unique cultural characteristics, making it a relevant context for examining the application of several grocery merchants. This is because a grocery store in the Wage Purwokerto market attracts customers in a manner inconsistent with Islamic principles, such as offering the lowest prices compared to other markets and providing free items to regular customers, which has caused frustration and discomfort among nearby merchants. Wage Purwokerto Market was chosen as the research location for this final project because it possesses unique characteristics and diversity, including the preservation of local culture and traditions in the area. Wage Market is a traditional market located in a strategic central area of the city, easily accessible to the public and serving as a local economic hub. It is well-suited for motor vehicles, cars, and pedestrians, and meets the diverse needs of the community in terms of clothing, food, and shelter.<sup>18</sup> The local economy is supported by a diverse range of merchants selling various item's at affordable prices.

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<sup>17</sup> Dinas Perindustrian dan Perdagangan Kabupaten Banyumas, "Dinas Perindustrian Dan Perdagangan Kabupaten Banyumas," accessed July 13, 2024, <https://www.banyumaskab.go.id>.

<sup>18</sup> Algifari, *Microeconomics: Theory and Cases, First Edition* (Yogyakarta, 2002), 90.

Accordingly, this study seeks to examine and analyze the practice of business competition among grocery store owners in Wage Market, Purwokerto, with particular attention to its alignment with the ethical principles taught by Prophet Muhammad (peace be upon him), the broader framework of Islamic law, and existing business regulations. Thus, the researcher intends to conduct a study related to the title **“ANALYSIS OF BUSINESS COMPETITION AMONG GROCERY STORE OWNERS IN WAGE MARKET PURWOKERTO MARKET AN ISLAMIC BUSINESS ETHICS PERSPECTIVE.”**

### **1.2 Formation of the Problem**

1. What is the nature of the business competition among grocery traders at the Wage Market in Purwokerto?
2. How do the competitive practices among these grocery traders align with the principles of Islamic Business Ethics?

### **1.3 Research**

Based on the problem statement outlined above, the objectives of this study are as follows:

1. To analyze the form of competition that emerges among grocery traders at Wage Purwokerto Market.
2. To analyze the forms of competition that emerge among grocery merchants at Wage Purwokerto Market according to Islamic Business Ethics.

### **1.4 Research**

The benefits of this research are divided into two categories: theoretical benefits and practical benefits. Theoretical benefits are those that can be used as knowledge for readers. Practical benefits are those that are useful for solving problems in practice.

#### **1.4.1 Theoretical Benefits**

1. From Islamic legal sources, through an analysis of business behavior about business competition, this study can serve as a means to investigate relevant Islamic legal sources such as the Quran, hadith,

ijtihad, and fatwa. This can identify strong legal arguments and provide a solid foundation for this agreement.

2. It is hoped that this research can serve as a reference and study material for students in their discussions.
3. It is hoped that this study can serve as an additional reference for future theses.
4. By analyzing Islamic business behavior toward business competition from the perspective of Islamic business ethics, this study can also broaden the understanding of competition and trade in Islam, which is often limited to traditional understandings of providing assets or property for public interests, by considering Islamic law to be more inclusive and relevant to the needs of the surrounding community.

#### **1.4.2 Practical Benefits**

1. To provide by clearly and transparently regulating business behavior in competition among traders within the framework of Islamic business ethics, authorities can provide adequate legal protection based on Islamic ethics for all parties involved, including the market, traders, consumers, and the general public.
2. To avoid it is hoped that this research can serve as a reference for *DINPERINDANG* institutions with other methods of *ISLAMIC BUSINESS ETHICS* and other healthy *BUSINESS COMPETITION*.
3. By providing solutions consistent with Islamic teachings, this analysis of business actors' behavior toward business competition from an Islamic business ethics perspective can encourage compliance with religious teachings in the context of behavior, activities, and competition among traders.
4. By examining Islamic business ethics about business actors' behavior and business competition in the Wage Purwekerto market, the market can gain practical benefits from implementing Islamic business ethics, such as improved trader performance, increased trust, and expanded benefits for traders and other consumers or those involved in the activities and operations.



## 1.5 Previous Research

Previous research involves comparing the current study with previous studies. The aim is to identify similarities and differences from previous research findings, enabling the researcher to evaluate the strengths and weaknesses of the current study. The researcher also references previous studies to enrich the research material in the current study.

Research written by Ismiatul Chalimah (2017), in the title "Implementasi Etika Bisnis Islam Dalam Persaingan Para Penjual Studi Kasus Toko Grosir Al-Araffah Pasar Wage Purwokerto", found that emphasizing excellent service based on Islamic principles created a unique competitive advantage. While this study shares a focus on Islamic ethics and the Wage Market, my research differs in that it concentrates specifically on the price-cutting strategies and resulting conflicts among competing grocery vendors, rather than general service quality.<sup>19</sup> The researcher chose this reference because it shares similarities with previous studies in terms of business ethics based on Islamic principles and organized business competition. However, the difference lies in the current situation at the Wage Purwokerto Market, where prices have decreased among grocery stores in the market.

Research written by Hanifa Tri Agustina (published in 2019) entitled "Persaingan Usaha Tidak Sehat Air Minum Dalam Kemasan (Studi Analisis Putusan Perkara Nomor: 22/Kppu-I/2016)" using a normative juridical research method explains the results of the study, namely that unfair business competition in the case of unfair business competition in bottled water between Aqua and Le Minerale, based on the examination of the Business Competition Supervisory Commission, has been proven to be in violation, and that there is still a lack of regulations regarding the prohibition of monopolies and unfair business competition itself in Indonesia.<sup>20</sup> The researcher took this reference because the

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<sup>19</sup> I Chalimah, "IMPLEMENTASI ETIKA BISNIS ISLAM DALAM PERSAINGAN PARA PENJUAL (Studi Kasus Toko Grosir Al-Araffah Pasar Wage Purwokerto)," *Skripsi*, 2017, 8, <http://repository.iainpurwokerto.ac.id/2216/>.

<sup>20</sup> Hanifa Tri Agustina, "PERSAINGAN USAHA TIDAK SEHAT AIR MINUM DALAM KEMASAN (Studi Analisis Putusan Perkara Nomor: 22/Kppu-I/2016)" (UNIVERSITAS ISLAM NEGERI SYARIF HIDAYATULLAH JAKARTA, 2019), 5.

previous study is similar to the current one in that it deals with unfair business competition. However, the difference with the previous study is different from what happened in the Wage Purwokerto market lowered the market prices of traders between grocery stores and other grocery stores in the market.

Research written by Laila Afkarina Ifada (published in 2023) with the title “Analisis Persaingan Usaha Ditinjau Dari Perspektif Etika Bisnis Islam Di Pasar Wringin Kecamatan Wringin Kabupaten Bondowoso” Using qualitative research methods with descriptive research types, the results of the study explain that business competition in the Wringin market is not in accordance with Islamic business ethics, where traders in this market do not apply the four key principles in managing a business, which are the characteristics of the Prophet Muhammad, namely siddiq (truthfulness), amanah (trustworthiness), tablig (communication), and fatanah (wisdom). There are still traders who do not explain in detail the shortcomings and advantages of their merchandise, and there are still traders who cheat in terms of weight or measurement.<sup>21</sup> The researchers took this reference because the previous study was similar to the current one in that it dealt with unfair business competition. However, the difference with the previous study was that in the Wage Purwokerto market, the market prices of grocers and other grocery stores in the market were lowered.

The research conducted by Galuh Nafalia Dewi Aspiran Ningsih (completed in 2024) is titled "Tinjauan Kompilasi Hukum Ekonomi Syariah Terhadap Praktik Pencampuran Kualitas Pada Jual Beli Bawang Putih, studi kasus". The findings of the study indicate that the mixing of quality in the sale and purchase of garlic at the Wage Purwokerto Market violates the basic principles and ethics of trade, particularly regarding transparency and honesty in transactions, as stipulated in Article 21 of the Compilation of Islamic Economic Law. The practice of mixing various qualities in the sale and purchase of garlic at Wage Purwokerto Market also contradicts Article 288 of the Compilation of Islamic Economic Law, which states

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<sup>21</sup> Laila Afkarina Ifada, “ANALISIS PERSAINGAN USAHA DITINJAU DARI PERSPEKTIF ETIKA BISNIS ISLAM DI PASAR WRINGIN KECAMATAN WRINGIN KABUPATEN BONDOWOSO” (Universitas Islam Negeri Kiai Haji Achmad Siddiq Jember, 2023), 8.



that buyers may demand sellers to provide garlic that meets the specifications provided by the seller.<sup>22</sup> This situation affects both the sellers competing and operating at the Wage Purwokerto Market and the consumers.

In a scientific journal article written by Yunita Rahayu, Muhammad Iqbal Fasa, and Suharto titled "Implementasi Etika Bisnis Islam Dalam Meningkatkan Kesejahteraan Pedagang" (published in April 2022, Volume 1), it explains how to improve traders' welfare so that potential buyers have trust and feel comfortable with traders to conduct transactions. If many potential buyers appreciate the ethics of merchants during transactions, this will naturally attract more potential buyers, thereby increasing the welfare of merchants.<sup>23</sup> The author selected this thesis based on similarities with previous research, particularly in terms of business ethics and competition among merchants. However, the difference lies in the context of the Wage Purwokerto Market, where conflicts among merchants arise from price and services competition for consumers.

## **1.6 Research Methodology**

### **1.6.1 Type of Research**

This research is a qualitative field study, which aims to explain a phenomenon or event. This aligns with the definition of qualitative research, which involves collecting descriptive data in the form of words or oral statements from individuals and observing observable behaviors.<sup>24</sup> The research design employed by the author is a qualitative approach, which involves observing subjects in their natural environment, interacting with them, and striving to understand their implementation practices.

Meanwhile, the type of research used is descriptive research. Descriptive research is a type of research that provides a clear description or explanation of a situation without any manipulation of the objects being

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<sup>22</sup>Prof K H Saifuddin and Zuhri Purwokerto, "JUAL BELI BAWANG PUTIH ( Studi Kasus Di Pasar Wage Purwokerto ) UNIVERSITAS ISLAM NEGERI," 2024.

<sup>23</sup>Yunita Rahayu, Muhammad Iqbal Fasa, and Suharto, "*Implementasi Etika Bisnis Islam Dalam Meningkatkan Kesejahteraan Pedagang*," *Jurnal*, 15.

<sup>24</sup> Lexy J. Moleong, *Qualitative Research Methods*, (Bandung: Remaja Rosdakarya, 2008), 4.

studied.<sup>25</sup> This research also falls under *field research*, which involves data collection in the field, such as in communities, institutions, and government organizations.

## **1.7 Data Sources**

### **1.7.1 Primary Data Sources**

Primary data is data obtained directly from interviews and observations of the market or related parties. In this discussion, the author will interview several consumers at the location and several traders to obtain information about Islamic business ethics and business competition, with the activities that will be discussed in this scientific paper. In analyzing business compliance and Islamic competition, this study uses Islamic Business Ethics as its reference.

### **1.7.2 Secondary Data Sources**

Secondary data sources are obtained to complement the data analysis obtained from primary data sources. Secondary data sources related to this study include the Quran, Hadith, Fiqh books, Fatwas, Journals, Theses, Books, and other references closely related to this study, both through print and electronic media.<sup>26</sup>

## **1.8 Data Collection Techniques**

### **1.8.1 Observation**

Observation is a technique for collecting valid data through observation, accompanied by recording the conditions or behavior of the target object. According to Nana Sudjana, observation is the systematic observation and recording of the phenomena being studied.<sup>27</sup>

Meanwhile, according to Sutrisno Hadi, the observation method is defined as the systematic observation and recording of phenomena under

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<sup>25</sup> Ronny Kountoro, *Research Methods for Writing Theses and Dissertations*, (Jakarta: PT PPM, 2004), 105.

<sup>26</sup> Husein Umar, *Research Methods for Business Theses and Dissertations*, (Jakarta: Raja Grafindo Persada, 2005), 15.

<sup>27</sup> Nana Sudjana, *Research and Evaluation* (Bandung: Sinar Baru, 1989), 84.

investigation.<sup>28</sup> Observation is a data collection method where researchers or collaborators record information as they witness it during the research.<sup>29</sup> From the above definition, the observation method can be understood as a way of collecting data through direct observation of situations or events occurring in the field. This technique is used to understand all forms of activities occurring in the Wage Purwokerto market in the context of Islamic Business Ethics.

### 1.8.2 Interview

An interview is a process where two or more people meet to exchange information or ideas through questions and answers, which can result in the reconstruction of meaning on a particular topic.<sup>30</sup> An interview is a data collection technique through a one-way, purposeful process of questions and answers, meaning that the questions come from the interviewer and the answers are given by the interviewee.<sup>31</sup>

In the data collection process for this study, the researcher used the structured interview method. A structured interview involves questions that guide responses within a predetermined pattern of questions.<sup>32</sup> Thus, the researcher prepared comprehensive and detailed questions regarding Islamic business ethics and business competition in the market. This method was used to obtain information about the behavior of business actors and business competition in the market, whether it aligns with Islamic law or other standards.

### 1.8.3 Documentation

This method can be defined as a way of collecting data by utilizing data in the form of books, notes (documents), as explained by Sanapiah Faesal

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<sup>28</sup> Sutrisno Hadi, *Research Methodology* (Yogyakarta: Andi Offset, Revised Edition, 2002), 136.

<sup>29</sup> Gulo, *Research Methodology* (Jakarta: Grasindo, 1st edition, 2002), 116.

<sup>30</sup> Sugiyono, *Quantitative, Qualitative, and R&D Research Methods* (Bandung: Alfabeta, 2011), 11.

<sup>31</sup> Abdurrahman Fatoni, *Research Methodology and Techniques for Writing a Thesis* (Jakarta: Rineka Cipta, 2011), 105.

<sup>32</sup> Gulo, *Research Methodology* (Jakarta: Grasindo, 1st ed., 2002), 120.

as follows: the documentary method, where the source of information is in the form of written or recorded materials. In this method, the researcher will absorb relevant written materials on the prepared sheets as required.<sup>33</sup> From the above explanation, it can be concluded that documentation is a data collection technique by studying records related to the personal data of respondents or the subject in question.

This technique is used to obtain data related to Islamic business ethics that will be conducted, namely: photographs, interview results, and documents related to ethics and business competition in the Wage Purwokerto market.

### **1.9 Data Analysis Technique**

The analysis technique employed in this study is qualitative. Data analysis is the process of analyzing data successfully collected by researchers using specific methodological tools. Data analysis in qualitative research is conducted during data collection and after data collection is completed within a certain period. During the interview, the researcher analyzes the interviewee's responses. If the responses are deemed unsatisfactory after analysis, the researcher will continue asking questions until a certain stage is reached, at which point the data is considered credible. Qualitative data analysis is conducted interactively and continuously until saturation is achieved, ensuring that the data is fully understood. Activities in data analysis include:

### **1.10 Systematic Discussion**

The systematic writing is a sequence of several descriptions of a discussion system in a scientific paper. In relation to this thesis, it consists of 4 (four) chapters, each of which consists of several sub-chapters that are interconnected and related to one another, thus forming a systematic description in a single unit. The structure of this thesis can be outlined as follows:

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<sup>33</sup> Sanafiah Faesal, *Fundamentals and Techniques of Social Science Research* (Surabaya: Usaha Nasional, 2002), 42-43.

**CHAPTER I: INTRODUCTION** presents the background of the study, problem statement, research objectives and benefits, a review of previous literature, and the research methodology.

**CHAPTER II: THEORETICAL FRAMEWORK**, contains a general discussion of the theoretical basis, including the definition of *Islamic Legal Ethics*, Business Ethics, *Business Competition*, Legal Aspects in Economics, and Compilation of Islamic Law, which will be elaborated in an analysis of the behavior of actors from the perspective of Islamic business ethics and business competition in the Wage Purwokerto market.

**CHAPTER III: RESULTS AND ANALYSIS**, which discusses the analysis of business ethics and business competition between grocery merchants and several potential buyers at the Wage Purwokerto market from the perspective of Islamic business ethics, examining whether their practices align with Islamic teachings.

**CHAPTER IV: CONCLUSION** contains conclusions and recommendations related to the issues studied.

