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DEMAND THEORY OF SHARIA MICRO ECONOMIC PERSPECTIVE

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ABSTRACT

The purpose of writing this article is to find out about the theory of demand in sharia microeconomics and what is related to the discussion of the theory of microeconomic demand. Economics is a human act as a consumer to fulfill needs and desires or make various requests for various goods and services in everyday life. Islamic economics itself is never separated from moral and religious values because every activity is always associated with the Shari'a. Islamic economics is the knowledge and application of sharia law to prevent injustice in the use and disposal of material resources with the aim of providing human satisfaction and carrying out these activities as an obligation to Allah and society. The Qur'an calls the economy the term istishad (saving, economy) which literally means "middle" or "moderate". Therefore, as Muslims we must take a moderate stance in acquiring and using resources. A Muslim is not allowed to be stingy (royal, exaggerating) nor is he allowed to be stingy (bakhl). The view of Islamic economics regarding demand is almost the same as conventional economics, but there are limitations for individuals to behave economically in accordance with sharia rules. In Islamic economics, "Islamic" norms and morals, which are Islamic principles in economics, are a determining factor for an individual or society in carrying out their economic activities. Therefore, Islamic economic theory is different from conventional economic theory.

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I. INTRODUCTION

1.1. Introduction

Economic activities are increasingly complex, as demands of a more advanced and modern life development. Microeconomics is a branch of economics that studies consumer and company behavior and the determination of market prices and the quantity of input factors, goods and services traded (Febianti, 2014) . An economic activity, whether micro or macro-scale, always begins with an interaction between producers and consumers. The interaction between producers and consumers in micro-economic activities is manifested in supply and demand.

In the study of microeconomics, the discussion is based on the behavior of individuals as economic actors who play a role in determining price levels in the process of market mechanisms. The market mechanism itself is a place for interaction between demand *(demand)* from the consumer side and *supply (supply)* from the producer side, so that the price created is a combination of the strengths of each party itself. Therefore, demand and supply behavior is a basic concept of broader economic activity (Fattach, 2017) .

The view of Islamic economics regarding demand, supply and market mechanisms is relatively the same as conventional economics, but there are limitations for individuals to behave in an economy that is in accordance with sharia rules. Conventional demand does not see or consider rules such as the purpose of consumption, the use of goods/services, and others. When examined in terms of the purpose of demand according to the Islamic perspective, consumers buy and sell based on their needs in life, not for extravagance or just possessing because they see the times (Haryanti, 2019) .

The rules in Islam are very clear if they are not in accordance with the existing provisions, then it can be proven that they are not according to the request according to Islam. An interesting problem to study is how the theory of demand according to the sharia microeconomic perspective is, what are the differences between the conventional demand theory and the Islamic demand theory and what matters are related to the demand theory from the sharia microeconomic perspective.

II. LITERATURE REVIEW

2.1. Bidding and Bid Law

The law of supply shows the relationship between price and quantity supplied. The law of supply states "if the price of a good falls, the quantity supplied of the good decreases, and conversely, if the price of a good increases, the quantity supplied of the good increases." So the relationship between price and quantity supplied is a positive relationship. This is why the shape of the demand curve decreases from the top left to the bottom right as shown below.

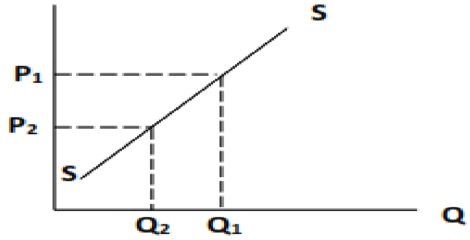


Figure 1.
Linear Form Supply Curve

Figure 1. explains that when the price is P1, the number of goods offered is Q1. When the price falls to P2, then the quantity supplied decreases to Q2. The supply curve picture above is a linear/straight line. However, there are still other forms of the supply curve, such as the following.

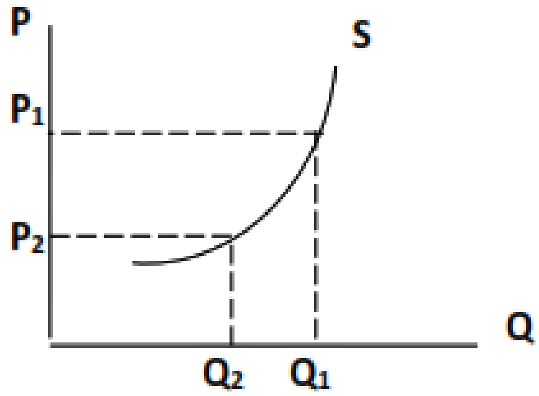


Figure 2.
Supply Curve of Non-Linear Shape

The non-linear supply curve in Figure 2. above is a curved line that goes up from the bottom left to the top right. When the price is P1, the quantity supplied is Q1 and when the price drops to P2, the quantity supplied becomes Q2.

As is the case with demand, the subject matter of supply is distinguished between individual supply and market supply. Individual supply, Qs = - 100 + 2P and if there are 100 producers/sellers in the market, then the market supply, Qs = -10,000 + 200P. These individual and market offerings are described in Table 1 and Figure 3 below:

Table 1.
Prices, Individual Offers, and Market Offers

P	Individual Offers	Market offers
25	-50	- 5000
50	0	0
100	100	100.000
150	200	200.000
200	300	300.000

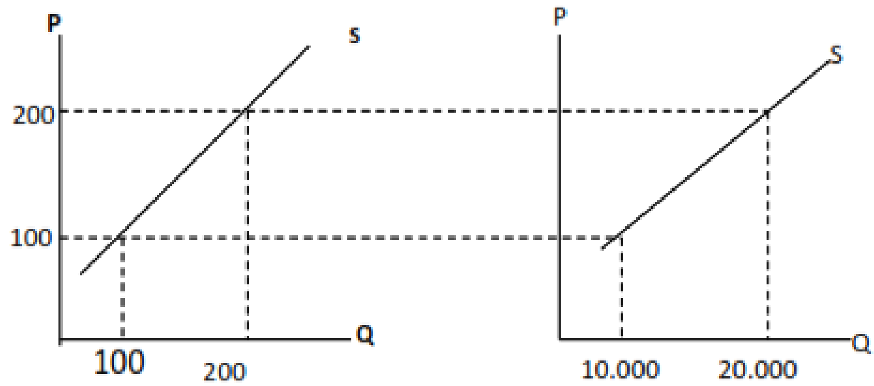


Figure 3a.
Individual Supply Curve

Figure 3b.
Market Supply Curve

Figure. 3 is a tempe supply curve in a market. When the price is 100, the number of tempeh offered by a producer is 200 units, while in the market 10,000 units are offered by all producers in a market. Furthermore, when the price rises to 200, the quantity supplied by a producer is 200 units while in the market it becomes 20,000 units.

The law of supply only applies to conditions of cateris paribus. Cateris paribus is a condition in which the only factor that affects the quantity supplied is the price factor, while the other factors that affect the quantity demanded are considered given (fixed/unchanged). Besides the price is given (fixed/unchanged). The factors considered given include: production techniques, prices of other goods, number of sellers in the market, source prices, and estimated future prices.

III. METHODOLOGY

This research uses a qualitative descriptive method in the form of collecting supporting data, and combining it from several sources and then comparing it with other sources, the descriptive technique used is a literature study.

IV. RESULT AND DISCUSSION

4.1. Demand Theory in Sharia Micro Economic Perspective

Demand in the economic world is often referred to as *demand* which means a consumer's desire to buy an item at various price levels during a certain period of time (Muawanah, 2017) . Or it can be concluded that demand is the number of goods that exist in a certain market, with price levels, income levels, and in a certain period.

In general, demand is the amount of goods demanded in a certain market at a certain price level at a certain income level. The size of the change in demand is determined by the size of the change in price. If this happens, then there is an inverse comparison between the price and the ask price and it is directly proportional to the supply. The law of demand states "*when the price of an item rises, the demand for that item falls, otherwise if the price of an item falls, the demand for an item will increase*" (Fattach, 2017) .

According to Adiwarman A. Karim, in the demand for goods, the price factor of the commodity is the dependent variable that will determine the amount of the commodity in question demanded by consumers (Karim, 2007) .

According to Wilson Bangun, consumers can determine the amount of goods consumed, depending on the price of the goods (Bangun, 2007) .

So demand is the amount of goods or services purchased in various situations and price levels. The demand model is used to determine the price and quantity sold in the market. This model is very important for conducting microeconomic analysis of the behavior of buyers and sellers, as well as their interactions in the market and is used as a starting point for various other economic models and theories.

4.2. Law of Demand

The *law of demand* is a law that explains the negative relationship between the price level and the quantity demanded. When the price rises, the quantity demanded is less. On the other hand, if the price is low, the quantity demanded will increase (Vinna, 2016) . The law of demand is essentially a hypothesis which states:

The lower the price of an item, the more demand for the item, on the contrary, the higher the price of an item, the less demand for the item (Sukirno, 2013) .

Based on the law of demand above, it can be concluded that the nature of the relationship that occurs between the quantity of a commodity demanded and the price is an inverse relationship (Elvira, 2015) . Why is it like that? This is because when there is an increase in the price of an item, consumers will reduce purchases and switch to buying another item. Conversely, if there is a decrease in the price of a commodity, the buyer will reduce the purchase of substitute goods and will increase the purchase of the commodity that has decreased in price. There are several items where the law of demand does not apply, including:

1. Speculation Items, eg gold, stocks, and land. The higher the price of these goods, the demand will actually increase.
2. Prestige Items, items that can increase one's prestige because the price is very expensive. For example luxury cars, antiques, famous paintings, etc.

According to *ceteris paribus* , the law of demand will apply if the following conditions are met (Bangun, 2007)

1. Fixed consumer income
2. Constant consumer needs
3. Consistent consumer tastes
4. Fixed prices for other items
5. There are no substitutes
6. Price changes are considered unsustainable
7. The item purchased is not a *prestige schedule item*

4.3. The Theory of Demand in Islamic Perspective

Demand theory is basically an analytical tool to see the amount of goods or services demanded and changes in demand for goods or services based on the law of demand. The Islamic demand is based on the main entity, namely Islam as a way of life that is directly from Allah. The concept of demand in Islam in assessing a commodity cannot all be consumed or used, but it is distinguished between halal and haram (Muflihin, 2019) . Allah SWT. has said:

وَكُلُواْ مِمَّا رَزَقَكُمُ ٱللَّهُ حَلَٰلٗا طَيِّبٗاۚ وَٱتَّقُواْ ٱللَّهَ ٱلَّذِيٓ أَنتُم بِهِۦ مُؤۡمِنُونَ

"*And eat lawful and good food from what Allah has provided for you, and fear Allah in whom you believe.*"

Therefore, in Islamic demand theory, it discusses the demand for halal goods, haram goods, and the relationship between the two, while in conventional demand all commodities are valued the same, can be consumed and used (Fattach, 2017) . The purpose of Islamic demand is to obtain prosperity or victory in the afterlife *(falah)* as a derivative of the belief that there is eternal life after death, namely the afterlife, such as alms and zakat (Nawawi, 2010).

4.4. Shifthing The Demand Curve

It is stated that the demand curve is a straight ratio between the demand for the price, that is, if the demand increases, the relative price will increase. On the other hand, if demand falls, prices will fall relatively (Manurung & Rahardja, 2008) . The demand curve can shift to the right or left depending on the changes that occur. The factors that can shift the demand curve are as follows (Vinna, 2016) .

1. **Price Factor**

A change in the demand curve occurs when the price of a good demanded increases or decreases. The lower the price of an item, the greater the demand. On the other hand, the higher the price of an item, the less the demand for it.

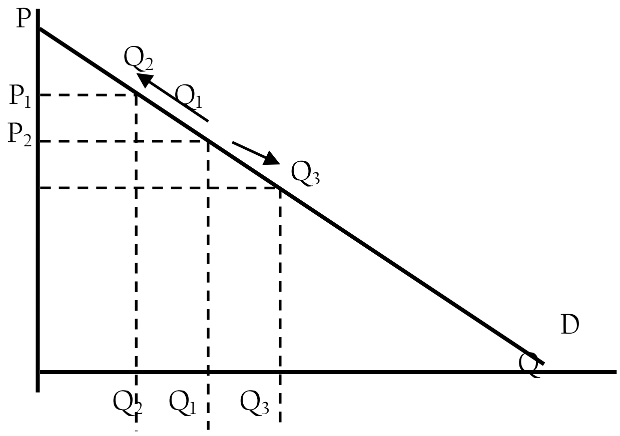


Figure 4.
Demand Curve

2. **Non-Price Factor**

The demand curve will move to the right if the price of the goods demanded is getting higher or lower or moves to the left if there is a change in demand caused by non-price factors. If the prices of other goods, the income of buyers and various other non-price factors change, the change will cause the demand curve to shift to the right or to the left.

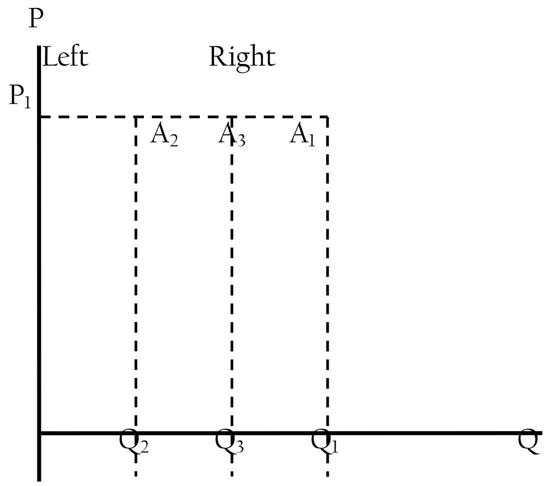
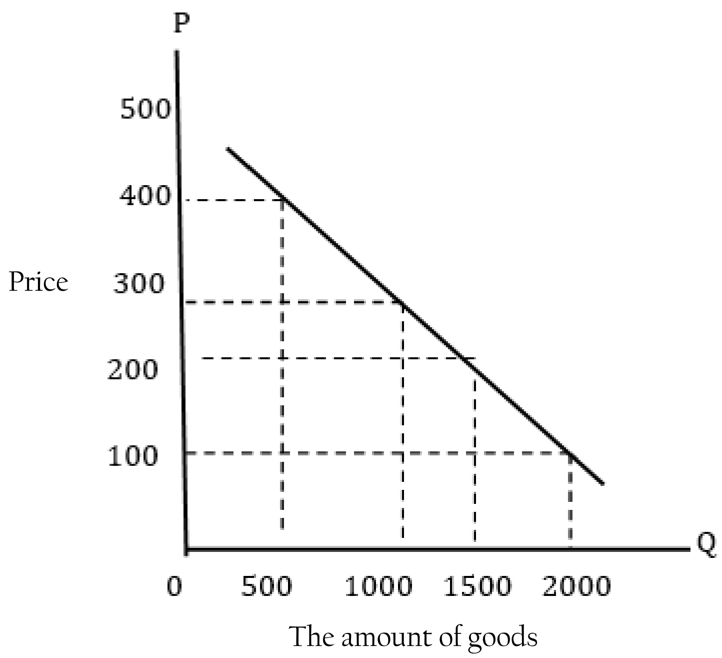


Figure 5.
Demand Curve (Non-Price Factor)

4.5. Demand Curve

The demand curve can be defined as a curve that describes the nature of the relationship between the price of a particular good and the quantity of that good demanded by buyers. The demand curve for various types of goods generally decreases from left to bottom right. Such a curve is caused by the nature of the relationship between price and quantity demanded which has an inverse relationship (Farid, 2014)

According to Sumanda, the demand curve is a curve that connects the price level of goods with the quantity demanded for these goods.[1]



[1]Sumanda, *Financial Management, Second Edition,* (Jakarta: Erlangga, 2014), p. 51.

4.6. Types of Request

1. Effective Demand, the demand for goods and services accompanied by the ability to buy or the ability to pay.
2. Absolute Demand, consumer demand for an item or service that is not accompanied by purchasing power.
3. Potential Demand, public demand for goods and services that actually have the ability to buy but do not want to buy (Muawanah, 2017) .
4. Individual requests, requests made by someone to meet the needs of his life.
5. Aggregate/collective demand, market demand which is a collection of individual/individual requests or the overall demand of consumers in the market.
6. Derived *Demand*, the demand for goods depends on the demand for other goods. Example: the demand for yarn increases due to the high demand for shirts and pants.

4.7. Differences of Conventional Demand Theory and Islamic Demand

According to Misanam et al. (2008), the basic difference between conventional demand theory and Islamic demand theory is as follows (Vinna, 2016) .

1. The main difference between the two theories is of course the source of law and the existence of shari'ah limitations in Islamic demand theory. Islamic demand is based on entities, especially Islam as a way of life that is directly guided by Allah SWT.
2. The economic theory developed by the West limits its analysis in the short term, namely the extent to which humans fulfill their desires. There is no analysis that includes moral and social values. The analysis is only limited to market variables, such as prices, income, and so on.
3. The concept of demand in Islam assesses that not all commodities can be consumed or used because it is distinguished between halal requests and haram requests.
4. The Islamic demand motive emphasizes the level of consumer need for these goods, while the conventional demand motive is more dominated by the values of satisfaction (*interest*).
5. Islamic demand aims to obtain prosperity or victory in the afterlife (*falah*) as a derivative of the belief that there is eternal life after death, namely the afterlife so that the existing assumption must be a provision for the afterlife.

V. CONCLUSION AND RECOMMENDATION

5.1. Conclusion and Recommendation

Demand is one of the subjects in microeconomic theory learning. Demand is something that individuals or groups do as consumers to fulfill the need for goods and services at various price levels and at certain times, also adjusted to the available income. In general, demand is the amount of goods demanded in a certain market at a certain price level at a certain level of income. The size of the change in demand is determined by the size of the change in price. The law of demand is a law that explains the existence of a negative relationship between the price level and the quantity demanded. When the price rises the quantity demanded is small and when the price is low the quantity demanded increases.

The types of demand itself are: effective demand, absolute demand, potential demand, individual demand, aggregate demand, and derived demand . The concept of Islamic Economics regarding supply and demand is very similar to conventional economics, but there are individual limits to behaving in accordance with sharia rules. In Islamic economics, Islamic norms and morals are the basic principles of Islam in carrying out economic activities, so that the economic theory that occurs is different from the theory in conventional economics.

By understanding the difference between conventional demand theory and Islamic demand, it is hoped that as a Muslim we can apply it in personal and social life so that we can achieve happiness in the world and the hereafter (maslahah).

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