



# Islamic Law Analysis on Bussiness Competition at Kampung Batik Laweyan

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## Abstract

This study aims to determine the competition of batik entrepreneurs at Kampung Batik Laweyan in Islamic law perspective. This study utilized descriptive qualitative approach. Data collection techniques carried out by interview, observation and document analysis. The researchers analyzed the collected data by an interactive model. The results showed that business competition at Kampung Batik Laweyan included product competition, price, service and after sales service. From the overall competition, most of the data shows that they use the principles of Islamic law in the form of honesty, openness and justice.

**Keywords:** Islamic law analysis; Bussiness competition; Kampung Batik Laweyan

## INTRODUCTION

Small and medium businesses are the basis of the national economy. This is because some of the businesses in Indonesia are small and medium-sized businesses that absorb a lot of labor and utilize domestic resources. Quoting the Chairperson of the Indonesian UMKM Association, M Ikhsan Ingratubun, the UMKM sector can absorb around 96 percent of the workforce, even the MSME prediction of the national gross domestic product (PDB) in 2019 can reach 65 percent or around Rp 2,394.5 trillion.

Among the small and medium businesses that have Indonesian specialties are batik. On October 2, 2009, batik was recognized by UNESCO as an intangible cultural heritage which has an impact on improving the batik industry in Indonesia. The

increase was seen from the value of exports in 2008 of US \$ 38 million to US \$ 52.4 million in 2018.

However, if seen from the number of workers, the batik industry actually experienced a decline. In 2008, the national batik industry was able to absorb as many as 603 thousand workers while in 2018 there were only 15 thousand workers absorbed. Factors causing the decline were revealed by Julia et al in the SnaPP2017 proceeding, which were increasingly stringent business conditions, macroeconomic conditions making it difficult to compete and survive in the market.

Competition is needed in the business world to improve the quality of human life, but healthy business competition can create justice and prosperity for all parties. Intense competition requires entrepreneurs to increase their creativity in order to maintain the market. This demand has made some entrepreneurs fall into fraudulent practices. Fraudulent practices certainly conflict with positive law and also Islamic law. In an Islamic perspective competition is a means to compete in goodness. Business competition in an Islamic perspective will emphasize the value of justice, honesty and openness. This study aims to determine whether the business competition in the batik village Laweyan has been in accordance with Islamic law considering the majority of entrepreneurs are from the Muslim community.

## LITERATURE REVIEW

Business competition is unavoidable, especially in the industrial era 4.0. In this case the researcher has conducted a literature review and found previous research that discusses business competition. The research included;

1. Research written by Didi Sukardi et al in Al Musthafa Journal of Islamic Economic Law Research with the title Analysis of Islamic Law on Home Business Competition of the Ketan Cibereum Tape Industry in 2018. The results of research show that there is unhealthy business competition caused by dishonest entrepreneurs and reluctant to open which results in losses on the part of consumers. This research focuses on different types of food products with batik as clothing products. However, the concept of Islamic law used in this study has similarities in the research of batik businesses in the Laweyan batik village, namely the concept of honesty and openness (Sukardi, 2018).

2. The second study was written by Dina Marista with the title Analysis of Business Competition in the Market Recognize Belalau District, West Lampung Regency Judging from the Perspective of Islamic Business Ethics. This research was published by the Faculty of Economics and Business of the State Islamic University of Raden Intan in the form of a thesis in 2018. The results showed that business competition in the market freedom and social responsibility but there are still two respondents who have not run Islamic business ethics due to dishonesty by hiding defects of goods to be sold so that it can harm consumers (Marista, 2018).
3. The third study was written by Ibrahim Pua entitled The Review of Islamic Law on Motorcycle Custody Business Competition. This study was published by the Faculty of Islamic Studies, University of Muhammadiyah Surakarta in 2018. The results of this study indicate that there is a fair business competition with the indicator of the wadiah yad al amanah contract which is applied well between the requester and the entrusted recipient. This research focuses on the scheme or contract flow that occurs in motorcycle care. So this research is also useful for further research on batik business in Kampung Batik Laweyan especially in after-sales asepek (Pua, 2018) l.

Most of the research that examines business competition still highlights food products and services, there is no research that focuses on batik which is a creative product typical of Indonesia. Therefore, the researcher concludes temporarily that research on batik products becomes important and interesting especially for the sustainability of batik businesses in the Indonesian market.

### **Business Competition**

In Law Number 5 Year 1999, unfair business competition is defined as competition between business actors in carrying out production or marketing activities of goods and or services which are carried out in a way that is dishonest or against the law or impedes business competition. Law Number 5 of 1999 does not define fair business competition because its substance contains a ban in accordance with its title so that what is prohibited is unfair business competition.

The existence of business competition is optimally seeking the creation of fair and effective competition in a particular market. Competition in the business world has several objectives, namely;

- a. Guaranteeing the best supply of consumer needs for goods as well as increasing general welfare
- b. Capital and other resources are used in the most productive sectors
- c. Encouraging producers to be flexible in implementing new technologies and continuously paying attention to changing consumer needs
- d. Availability of free consumer choices.
- e. Decentralization of the decision making process for various economic participants
- f. Protect citizens' freedom by subjecting the position of economic provisions to general provisions
- g. Establishing fair market prices, creating efficient and effective producers and indirectly occupying consumer behavior towards the products and or services they treat

### **Business Competition in Islamic Law**

Business competition is interpreted as a means to compete among fellow humans with a strong foundation in the Qur'an in surah Al Baqarah verse 148 which means:

“And every people have a Qibla that he faces. Then compete in goodness. Wherever you are, surely Allah will gather you all. Truly Allah has power over all things.”

The above verse encourages humanity to compete with one another and compete in goodness. Thus it is legitimate if a Muslim is vigorously competing in finding sustenance to meet his needs.

In this study, researchers will adopt three principles of fair competition in business ethics written by Abdul Latif in the Islamic Economic Journal viz

- a. Honesty

The meaning of honesty as an entrepreneur is always transparent in buying and selling. Honesty is a powerful driving force for success and sustainable profits. This has been confirmed in the word of God in surah Al Ahzab verse 70 which means:

O believers, fear Allah and say the correct words (Q.S Al Ahzab: 70)

Honesty applies not only in Islam but honesty is universal so that honest behavior will bring great benefits in the business being conducted.

b. Openness

The principle of openness is a principle that is required in the business world so that all economic actors know the information that should be known. The principle of openness must be upheld in order to create a stable, fair and efficient market climate for the perpetrators. Openness serves to anticipate the emergence of statements that are misleading for the buyer. In addition, openness is needed so that buyers can make a decision to buy to form a fair market price.

c. Justice

Business is justly obligatory, even these values are not only applied in Islam but also included in universal values. This is confirmed in the word of God in surah Al Isra verse 35 which means

And complete the measurements when you measure and weigh with the correct balance. That is more important (for you) and better akbatnya. (Surah Al Isra: 35)

## **RESEARCH METHODS**

### **Time and Research Area**

This research was conducted from 2019 to 2020. The research area was conducted in Kampung Batik Laweyan Kartasura. In the village there are around 96 bati businessmen scattered from the edge of a large highway to enter the main alley to small alleys into the village.

### **Types of research**

This research is descriptive qualitative research. Descriptive qualitative research is research that describes what is in the field where researchers become the main instrument in the study (Saekan, 2010). In this study, researchers conducted a direct study of spaciousness to get concrete data in the form of business competition in the Laweyan batik village ifromthe perspective of Islamic law.

### **Research subject**

The subjects in this study were batik entrepreneurs, both traders ,and traders who were also concurrent producers in the Laweyan batik village. While the object of research is how batik business competition in the village in the perspective of Islamic law.

## **Data and Data Sources**

The data used in this study are in the form of words conveyed by informants/participants batik business activities, and writing. Primary data derived directly from research subjects by interview and research objects by observation. Secondary data obtained from the results of documentation and through library studies conducted by examining theories that are relevant to the research problem. The source of the data from this study was obtained from sources/participants, events and documentation.

## **Data Analysis and Validation Techniques**

This study uses Miles and Huberman's interactive model in data analysis. In this analysis, the analysis activities are carried out interactively and continue continuously until the data is saturated. There are four stages in the interactive model, namely data collection, data reduction or condensation data, data presentation and finally conclusion drawing. As for data validation, researchers use triangulation of methods, sources, and theories (Meleong, 2013).

## **RESEARCH RESULT**

The results of this study indicate that business competition in Kampung Batik Laweyan consists of four things, namely product competition, place competition, service competition, and after-sales competition.

### **1. Product competition**

From the results of interviews with batik business owners and observations in Kampung Batik Laweyan, it can be seen that the products sold in various shops and showrooms are almost the same in terms of type, motif, material, and quality. Almost every entrepreneur provides various forms of batik in the form of cloth, ready-made clothes, and batik knick knacks. The quality of the products sold in each store varies, from the usual quality to the best quality, from printed batik to handmade batik. It's just that when associated with capital owned by each entrepreneur, the type of product sold will see the difference. Entrepreneurs who have a lot of capital can provide more choices of types and motifs of batik. And entrepreneurs with modest capital can only provide limited forms, types, and motives.

## **2. Price competition**

In Laweyan batik village, there is no intervention from any party related to the determination of the price of an item. They are free to determine the price of the goods they sell. In this price, competition is closely related to the production costs of each entrepreneur and the ups and downs of demand and supply. The production costs themselves are in the form of batik raw materials, employee salaries, and other operational costs. Batik entrepreneurs who have high production costs tend to set batik prices at a high price. That is because apart from the issuance of raw materials, they also have to pay a lot of employees and other operational costs such as rental showrooms, taxi driver commissions, taxes, and others. While entrepreneurs who have low production costs, they set the price of goods at a low price even though the material and quality of their goods are the same as the quality materials and materials owned by large entrepreneurs. They do not need to pay employees, no expenses for rent or other operational costs. They do not dare if they have to compete to give the same price even though the ingredients and quality of their goods are the same.

In addition, all respondents stated that they as Muslims took advantage of their merchandise appropriately. They take neither too much nor too little profit. But they also mentioned that there were also entrepreneurs who took advantage of their merchandise because of their high production costs.

Furthermore, in the price competition, there are entrepreneurs who provide discounts of 15% -30% for their batik merchandise. Other entrepreneurs also slam prices for the old stock of merchandise. But even though they sometimes slam prices or give discounts on their merchandise, this does not bring down other entrepreneurs.

## **3. Competition place**

In the case of competition in place, there seems to be no competition for location in building stores. This is because entrepreneurs have inherited the stores they run now from generations before them. Most of the batik entrepreneurs here open batik shops in their own homes by providing space for show rooms. But there are also entrepreneurs who differentiate production sites from batik display places. For entrepreneurs who have a large enough capital, they rent shops in strategic places on the edge of a large highway or in a large alley.



In addition, from what the researchers observed and obtained from interviews, the data obtained showed that the location of shops in the large and front alley had more visitors than the shops in the narrow alley and located far from the main road. But there is a strategy that is carried out by batik entrepreneurs who have no strategic location, they put street signs to get to their stores. Besides that, they also not only open offline stores but also open online shops on websites.

#### **4. Service competition**

Competition in terms of service can be seen from the services provided by batik entrepreneurs to consumers when buying batik and the facilities provided for their convenience. The big batik entrepreneurs in this area have several employees who are ready to serve consumers. They will explain related products that consumers will buy. In this case, almost all respondents stated that they would explain product details honestly and openly. Because if they cheat or are dishonest it will turn off their own shop. When the researchers made observations also saw the store employees graciously, politely and politely serving customer requests and questions.

In terms of the facilities provided, it will be very obvious that the competition of batik entrepreneurs here. There are entrepreneurs who provide showrooms or shops that are spacious, air-conditioned, have plenty of seating, a large parking area complete with parking attendants, snacks and drinks. This entrepreneur with big capital also cooperates with taxi or car rental who are ready to take visitors or tourists to go to their showroom. Besides that, there are also batik entrepreneurs who open showrooms only in a small space in part of their homes, there is no air conditioning and their parking lots tend to be narrow. Their employees are not other people but themselves and their children.

Those who use the first strategy tend to have visitors from the upper middle class. And when the consumer group goes from a large showroom to a small shop by finding the same batik from a large showroom at a cheaper price, they do not believe that batik is genuine. It can be seen here that the facilities provided by entrepreneurs are able to influence consumer confidence.

#### **5. Competition after sales service**

After sales service is a service provided by entrepreneurs to consumers after they have completed a sale and purchase agreement. In relation to this after-sales



competition, there are some entrepreneurs who do not accept returned goods that have been purchased. This is because they give freedom to consumers to choose as much as they want. So when the item has been purchased, it cannot be returned again. But there are also entrepreneurs who receive returns if the goods are found defective. However, these items cannot be returned with money but must be exchanged for goods.

## **DISCUSSION / ANALYSIS**

### **1. Product competition**

Product is an object in the process of buying and selling that provides benefits to consumers. In Islam, the products sold must be halal items for consumption or use. A businessman in Laweyan batik village is competing to provide batik products both in terms of materials, types of batik, the shape of batik products and the quality of batik itself. They try to give differentiation to the goods being sold. For a businessman who is Muslim, competing here is fighting to be the best, the best in providing quality products and products that consumers need (Cahyani, 2016).

In QS An-Naba's 10-11 it is explained that in terms of work, Islam commands every Muslim to have a high work ethic, as Allah commands that Muslims compete in goodness. Thus competition no longer means shutting down other people's businesses but rather how to give the best effort from himself to consumers.

Product competition conducted by batik entrepreneurs in Laweyan Village is also applied by brown sugar traders in Bulukumba. They compete in the procurement of goods to achieve sales targets (Juliana, 2018).

### **2. Price competition**

In Islamic economics, a market is considered to be able to play an effective role in economic life if the market applies the principle of free competition that applies normally. Where the market does not require intervention from any party be it the government or those who have authority in the market in determining the price (Hilal, 2014). But in addition to the price determined by the seller, the price is also determined by demand and supply (demand and supply) (hidayah, 2015).

When viewed from that perspective, batik entrepreneurs in Kampung Batik Laweyan have implemented the concept well. Every businessman in the area is free and is not bound by any party in determining the price. Besides being in accordance

with the autonomous principle of Sonny Keraf, the attitude of the batik entrepreneur is also taught in Islam. Islam teaches man the freedom of doing business in various forms that are not limited by the number of interests of his property (goods and services) including profits (profits obtained), but this is limited in the way of obtaining and empowering the use of these assets in accordance with the regulations of halal haram (Ridha, 2015)

Whereas in determining the reasonable profit taking by batik entrepreneurs in the Laweyan batik village it is in harmony with the principles of Islamic law. In the Al-Quran, there is a verse that clearly explains that profit-taking should be done fairly, mutual pleasure and benefit. The verse is contained in QS. An-Nisa 'verse 29 which has the following meanings:

“O believers, do not eat your neighbor’s property in a false way, except in the way of trade that applies with equal conscience between you. And do not kill your souls; surely Allah is Most Merciful to you “(QS An-Nis’ [4]: 29)

This is also in line with the results of research conducted by Setiawan (2018). The results of the study stated that the owners of clothing stores on Jalan Diponegoro Tulungagung take reasonable advantage not violating positive law and Islamic law.

### **3. Competition place**

The place is one of the most important factors in opening a business. The selection of a strategic place will support the success of the business. Business places that have easy access, visibility, traffic, and adequate parking will increase the likelihood of many visitors in the store (Hendra, 2013). Like in Laweyan Batik Village, entrepreneurs who have a strategic place supported by attractive showrooms and provide full facilities to consumers seem to have many visitors compared to entrepreneurs who do not have a strategic location. This was also experienced by a clothing store trader on Jalan Diponegoro Tulungagung (Setiawan, 2018).

### **4. Service competition**

In service competition, entrepreneurs provide good services in the form of friendly and polite in acting and speaking. By behaving like that it will certainly attract consumers to not hesitate in looking around and choosing products or to return to the store. This is the word of God in the QS. Ali Imran 159 which means:

Then it is due to the grace of Allah that you behave gently. Sekiranya you be hard

again be harsh, of course, they distance themselves from your surroundings. Therefore forgive them, ask forgiveness for them, and consult with them in that matter. Then when you have made up your mind, then put your trust in Allah. Indeed, Allah loves those who put their trust in Him.

In addition to being friendly and polite, employers and employees also try to be honest and transparent about the goods they sell and provide information that is appropriate to the condition of the goods. They tell us about the deficiencies and frankness of the products without covering up if there are defects in production. This finding is in line with the results of Marsita's research (2018) which states that traders in the market recognize that they provide good and excellent service to buyers, are honest about the goods sold, and provide clear information. This has also been regulated in Islam, that consumers are entitled to receive goods information both in terms of quality, quantity and halal of a product (Yusri, 2009).

## **5. Competition after sales service**

Although the competition for after-sales services in the Laweyan batik village is not so prominent, after-sales services that truly protect the rights of consumers will captivate their hearts until the loyalty will appear at the stores. Consumers will prefer shops or sellers in good faith from the moment of purchase to the after-sale stage (Yusri, 2009). The principle of responsibility in Islamic business ethics has been applied here. Some batik entrepreneurs in this village provide a guaranteed exchange of goods as a form of their responsibility for the quality of goods sold even though there are also batik entrepreneurs who do not accept the return of goods.

## **CONCLUSION**

From the findings and discussion above, it can be concluded that the competition of batik entrepreneurs in Kampung Batik Laweyan is running healthy. Business actors in carrying out the activities of procurement of goods, fixing prices, choosing the place of service carried out honestly, openly, fairly and not against Islamic law.

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