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Slutsky and Hicksian Equation in the View of Sharia Economics

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Abstract

Meanwhile, from an Islamic economic perspective, demand and supply are the same as conventional economics. However, there are restrictions for individuals to act economically in accordance with Sharia (the Quran and Sunnah as well as the Ijtihad of Islamic scholars or economists). Slutsky's theory explains the behavior of consumers who allocate income to maximize consumption satisfaction, which is acceptable in Islam as long as it does not violate the principle of moderation. Price and Income Impact: Islam teaches us to consider the impact of prices and income on the economic balance of individuals and society, In Islamic economics, Islamic norms and moral values are used as principles in economics The Hicksian theory, which focuses on consumer satisfaction, is acceptable if it does not neglect the spiritual aspect. Price and Income Impact: Islam encourages its followers to consider the impact of the economy on social welfare. The Hicksian theory helps to understand how changes in prices and income affect consumption decisions. Islam criticizes the assumption that consumers are always rational and have complete information, as humans have limitations and weaknesses..

Keywords Slutsky Theory, Hicksian Theory, Islamic Economics

1. INTRODUCTION

Economics is the study of human activities related to the production, distribution and consumption of goods and services. There is a contrasting understanding of economics in Islamic economics or Sharia economics, Islamic economics or Sharia is a science that studies the economic problems of society, but Islamic law has restrictions to act in accordance with Sharia rules. Like economics in general, Sharia economics has an understanding of the theory of demand and supply.

The theory of supply and demand in Sharia economics is influenced by moral values such as simplicity, balance, justice and the Sharia variable, halal. In Sharia economics, one's economic decisions cannot be separated from moral values. Every action must always be in accordance with the provisions of Sharia. Meanwhile, the traditional theory of supply and demand is limited by market variables, such as price, income, people's tastes, and others.

Demand and supply are two terms that we often use in our daily economic activities. Demand is the amount of goods that a producer buys or wants to buy, while supply is the amount of goods or services that a producer offers to consumers. Both are the forces that make a market economy work. Nowadays, people tend to think of economics as a science that begins and ends with the laws of demand and supply. Of course, this assumption relies on economics being a very simple science. However, the so-called laws of supply and demand are actually an important part of our understanding of markets. Demand is the amount of a good that is demanded in a given quantity in a given period of time, while supply

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is the amount of goods or services that are available and can be offered to consumers at any price level during a given period. Basically, Islam created an economic system that is different from the current economic system. Islam emphasizes principles that cover the whole of human life, not just economic values. Islam is universal and fundamental, so it applies throughout time.

The role of supply and demand in determining value was not really recognized in the West until the late 19th and early 20th centuries. However, the role of supply and demand in determining prices in the market was fully recognized in the second decade of the 19th century. He emphasized that an increase in demand or a decrease in supply will lead to an increase in price. Conversely, a decrease in demand or an increase in supply leads to a decrease in price. Supply and demand are two terms commonly used by economists. They are the forces that make a market economy work. If you want to understand how a policy or event affects the economy, first think about its impact on supply and demand.

In economics, which discusses demand and supply, these two aspects have different laws and are often used by economic actors (economists) in carrying out economic activities. The law of demand itself states: “The amount of a good or service that people are willing to buy at different prices over a period of time. The amount that people are willing to sell at different prices during a certain period of time. Demand and supply also have theories that are applied in economic activities.

Meanwhile, from an Islamic economic perspective, demand and supply are the same as conventional economics. However, there are restrictions for individuals to act economically in accordance with Sharia (the Quran and Sunnah as well as the Ijtihad of Islamic scholars or economists). In Islamic economics, Islamic norms and moral values are used as principles in economics. These two factors are very important for an individual or society in carrying out economic activities, so that economic theory is different from existing conventional economic theories.

In the application of Islamic economics, demand and supply are relatively the same, but there are also things that distinguish them, such as Zakat, where Zakat activities affect the applied supply. In addition, there is also a price structure that must be balanced with Islamic rules. However, in economic principles, the limits or theories used in both Islamic economics (better concept) and conventional economics.

Substitution effect. Changes in wage opportunities with age, as well as the operation of a country's tax, benefit and pension systems, can affect the relative attractiveness of working and not working at different ages. For example, public pension schemes in many countries set higher implicit tax rates on labor income after a certain age. This encourages households to reduce the number of workers in old age. Similarly, if individuals' productivity declines with age, they will be able to earn higher wages at younger ages compared to older ages, making working less attractive with age.

Wealth effects. All public pension programs have an insurance component, which implies a redistribution of wealth among individuals. In addition, most public pension plans are pay-as-you-go programs, where taxes collected from younger workers are used to fund benefits for current retirees. Even if a scheme does not have an insurance component, the actual value of the pension benefits is rarely equal to the actual value of the taxes paid while one was still working. Therefore, public pensions can increase (decrease) a household's lifetime wealth, allowing them to fund retirement with fewer (longer) working years. The redistributive/insurance aspect of pension programs is especially good for low-income workers.

The importance of the substitution effect, wealth effect, and liquidity effect is difficult to understand quantitatively because pension plans are complex and individuals are simultaneously affected by incentives from various public and private pension plans. In addition, each plan gives rise to substitution effects, wealth effects, and liquidity effects, making it difficult to disentangle the relative importance of each of these effects. In the following sections, we will discuss the key factors and institutional features that create important financial incentives to keep working or leave work in old age. In each case, we explain how financial incentives might work in theory and then summarize the empirical evidence.

2. LITERATURE REVIEW

Basically, demand as a reflection of consumer behavior can be explained using two simple methods, namely the ordinal method and the cardinal method. More focused demand will be discussed using the ordinal method by taking the explanation given by Marshall, this demand function is named after its inventor, namely Marshallian demand. In 1890, a British economist named Alfred Marshall. Demand using the ordinal method is described using two tools, namely the indifference curve and the budget curve, both of which can be modeled mathematically.

The indifference curve describes the desires that consumers want to obtain in the form of utility or satisfaction (utility) in buying goods and services, while the budget curve describes the ability of consumers to obtain the desired goods and services. The indifference curve describes the combination of goods and services purchased with a certain income and the same level of satisfaction. That is, no matter which combination point along the curve is chosen, the satisfaction obtained will be the same. So it is easy to remember (within = on the same curve; different = different combinations) but the satisfaction is the same. Some properties of indifference curves are: slope from top left to bottom right with a certain ratio (describing the degree of substitution), do not intersect, the value of utility is getting farther from the point of origin.

In applied policy analysis, understood in the context of price changes, the impact of relative price changes in demand analysis can be divided into two effects: the substitution effect and the income effect. The substitution effect is the effect of a price change on the demand for that good, with preferences fixed. The income effect is the effect on the demand for a good due to a change in income resulting from a change in the price of that good.

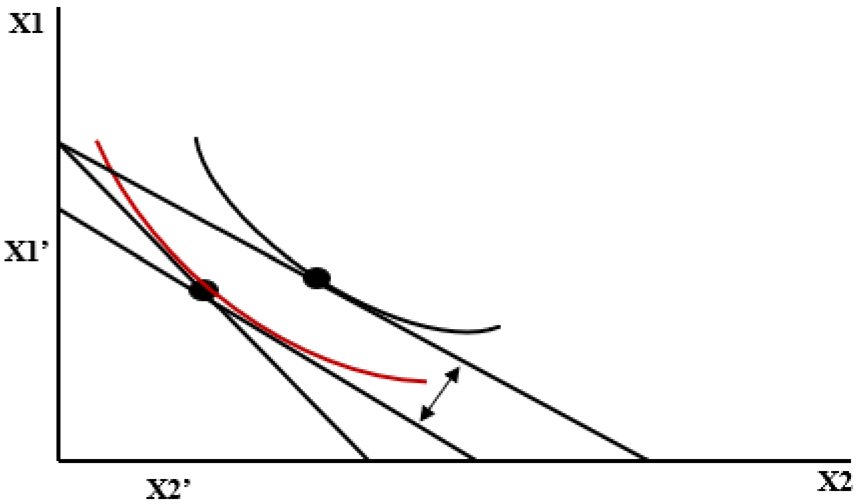
When the price of fiber-rich foods falls, there is a tendency to consume more of them, as they become cheaper. As prices fall, households become richer and thus can afford the old plan and still be able to save. The increase in consumption of fiber-rich foods that results from spending leftover money is the “income effect”.

If a good is common, the income and substitution effects act in the same direction to price changes, so the demand curve for the good is downward sloping. As a good has more and better substitutes, the substitution effect of the price effect increases and, ceteris paribus, the price effect increases. For example, compare the price elasticity of cholesterol-rich foods and fiber-rich foods; cholesterol-rich foods (e.g., goat meat) have many good substitutes (e.g., high-fat cheese, shrimp, beef); whereas fiber-rich foods (e.g., whole-wheat bread) do not; thus, goat meat is more price elastic than fiber-rich foods. If the demand for a nutrient is more responsive to income, the effect of income on price changes will increase and the overall price effect will increase.

- **The Substitution Effect**

  When the price of a good changes, two effects occur: the rate at which you can exchange one good for another and the purchasing power of your total income changes. For example, if good 1 becomes cheaper, it means that you have to give up good 2 to buy good 1. The change in the price of good 1 has changed the rate at which the market allows good 2 to be “exchanged” for good 1. The exchange rate between the two goods that the market offers to consumers has changed. At the same time, if good 1 becomes cheaper, it means that your monetary income will buy good 1. The purchasing power of your money increases; although the number of dollars you have remains the same, the amount you can buy increases. (Biswas, 2012).

The first part-the change in demand due to a change in the exchange rate between two goods-is called the substitution effect. The second effect-the change in demand due to higher purchasing power-is called the income effect. This is a rough definition of the two effects. To give a more precise definition, we need to consider both effects in more detail. The way we do this is by breaking down the price movement into two steps: First, we let relative prices change and adjust money income so that purchasing power remains constant, then we adjust purchasing power by keeping relative prices constant. (Fernandez-Cornejo, n.d.).



We have a situation where the price of good 1 has fallen. This can be well illustrated by referring to the image above. This means that the budget line curves around the vertical cut line /p2 and becomes horizontal. We can divide this budget line movement into two stages: we first pivot the budget line around the initial demand bundle and then adjust the pivoted line to the new demand bundle. This “pivot-shift” operation gives us an easy way to break the change in demand into two parts. The first stage axis is the movement where the slope of the budget line changes, but purchasing power remains constant, while the second stage is the movement where the slope remains constant and purchasing power changes. This discontinuity is just an imaginary construct - consumers only see changes as they happen.

Choosing a new package of goods in response to price. But in analyzing how consumer preferences change, it's helpful to think of budget lines changing in two stages-first a loop, then a shift.

The substitution effect refers to the effect that occurs when the price of a service or product is adjusted, encouraging consumers to substitute more luxurious goods for less valuable ones.

1. Product Price Reduction

   Will make it cheaper than its substitutes, which will attract more clients and result in a more sought-after product or service.
2. Price Increase of a Product

   Since the preferred merchandise is also cheaper, the client will switch to a different product.
3. Manifestations

   Change in quantity demanded or quantity demanded of a product due to cost advancement.
4. Influence

   Relative value or price change.
5. Indications

   Relative value or price change (B1ston & Larson, n.d.).

- **The Income Effect**

The income effect is the adjustment of product consumption based on an individual's income. It suggests that consumers will generally spend more if they experience an expansion or increase in income, and they may spend less if their income falls. However, the effect is not direct on the type of products that buyers purchase. They may choose to buy more expensive products in smaller quantities or cheaper goods in larger quantities, depending on their circumstances and preferences (Lewbel & Pendakur, 2007).

Income effects can occur directly and indirectly or indirectly. When buyers decide to make changes to the way they spend their money due to income adjustments, the income effect will be seen immediately. For example, shoppers may decide to save on products or services based on the fact that their income has gone down (Blston & Chalfant, 1993).

Income effects are indirect or circumstantial when buyers are faced with purchase decisions based on variables or factors unrelated to their income. For example, food costs may increase, causing buyers or end consumers to spend less of their income on various products and services. This may encourage them to eat less, which has an indirect effect on income. (Ignacio et al., 2017).

Marginal propensity to consume describes how buyers spend their money based on their income. It is a concept that explains the relationship between buyers' spending and saving habits. Marginal propensity to consume falls under the larger hypothesis of macroeconomics known as Keynesian economics. (Donzelli, 2010).

The income effect relates to the adjustment in interest in a product or service that results from an adjustment in consumers' real income.

1. Product Price Reduction
   Expanding the original purchasing power of buyers, allowing customers to buy more, with a given financial plan.
2. Price Increase of a Product
   Reduce extra cash, which thereby reduces the amount requested.
3. Manifestations
   The effect of rising or falling purchasing power on utilization.
4. Influence
   Revenues are unlocked.
5. Indications
   Move along the income-consumption curve.

- **Sign of the Substitution Effect**

The substitution effect refers to the change in demand for a good as a result of a change in the relative price of that good compared to the price of other substitutes. For example, when the price of a good rises, it becomes more expensive than other goods in the market. As a result, consumers switch from that good to substitute goods..

In economics, particularly in consumer choice theory, the substitution effect is one aspect of the effect of a change in the price of a good on the quantity of the good demanded by consumers, the other being the income effect (Dergisi et al., n.d.).

When the price of a good falls, assuming the same consumption pattern is maintained, income becomes free and can be used to buy more goods. Thus, the total amount of the new consumption bundle chosen compared to the old consumption bundle reflects the effect of the change in the relative prices of the two goods (a unit of one good can now be exchanged for a different amount of the other good than before because their price ratio has changed) and the free income effect. The effect of relative price changes is called the substitution effect, while the effect resulting from free income is called the income effect (Dumagan et al., 1991).

If income changes in response to a price change, a new budget line is created across the old consumption package, but with a slope determined by the new price, and the consumer's best choice falls on this budget line, the resulting change in consumption is called the Slutsky substitution effect. The idea is that the consumer is given enough money to buy his old package at the new price, and his preferences change (Quere, n.d.).

Conversely, if a new budget line is found with a slope determined by the new price but tangent to the indifference curve passing through the old bundle, the difference between the tangent point of the new bundle and the old bundle is the Hicks substitution effect. The idea is that the consumer is given enough income to achieve his old utility at the new price and how his choice changes. The Hicks substitution effect will be explained in the next section (Israel, n.d.).

Some authors refer to either of these two concepts as substitution effects. The popular textbook Varian describes Slutsky's transformation as the main transformation, but gives a good explanation of the difference.

The same concept applies if the price of a good rises instead of falling, with the substitution effect reflecting the change in relative prices and the income effect reflecting the fact that the income effect absorbs the additional cost of the good being consumed. Expensive goods.

For example, consider coffee and tea. If the price of coffee rises, consumers of hot drinks may start drinking tea. This will increase the demand for tea. Similarly, if the price of coffee falls, tea drinkers may decide to change their drinking habits and replace coffee with their daily drink, which will cause the demand for tea to fall.

Economists have long understood that price changes can generate two main responses from consumers, with early research on this being done by Vilfredo Pareto in the 1890s, but Eugen Slutsky's 1915 paper went into depth. As Slutsky's original paper was published in Italian during World War I, economists in the Anglo-American world were not aware of Slutsky's contributions until the 1930s. The British world was fully introduced to Slutsky's ideas in 1934 when "The Theory of Value Reconsidered" was published by John Hicks and R.G.D. Allen, a paper that built on Pareto's work and drew conclusions that Slutsky had realized two decades earlier.

- **Rates of Change**

In economics, the price level refers to the purchasing power of money or inflation. In other words, economists describe the state of the economy by looking at how much people can buy with one currency. The most common price level index is the Consumer Price Index (CPI).

The price level is analyzed through a basket of goods approach, where a set of consumer-oriented goods and services are examined as a whole. Changes in aggregate prices over time push the index that measures a larger basket of goods higher. Weighted averages are more commonly used than geometric averages. Price levels provide a snapshot of prices at a particular point in time, making it possible to examine changes in price levels over time in a broader sense. When prices rise (inflation) or fall (deflation), consumer demand for goods is also affected, leading to changes in broader measures of output such as gross domestic product (GDP) (Parakkasi et al., n.d.).

The price level is one of the most widely observed economic indicators in the world. Economists widely believe that prices should remain relatively stable from year to year to avoid unnecessary inflation. If the price level rises too quickly, the central bank or government will look for ways to reduce the money supply or reduce aggregate demand for goods and services.

- **The Law of Demand**

The law of demand states that the demand for a product varies inversely with its price, all other things being equal. The higher the price, the lower the level of demand. Buyers have limited resources, so their spending on a product or commodity is also limited. A higher price reduces the amount demanded. Demand increases when the price of the product is affordable (Jehle & Reny, n.d.).

However, there are some exceptions. One of them is Giffen goods. These goods are usually low-priced staples and are also known as inferior goods. These goods experience a decline in demand as incomes rise as consumers exchange them for higher quality products.

The substitution effect turns a product into a Giffen good and increases demand when the price of the lower-priced good rises and consumers use more of it to replace the more expensive alternative.

Veblen goods are at the opposite end of the income and wealth spectrum. These goods are luxury goods that increase in value and consequently generate a higher level of demand when their price rises because the price of these luxury goods signals the status of the luxury goods and can increase the status of the owner. Veblen goods are named after economist and sociologist Thorstein Veblen, who developed the concept and coined the term "conspicuous consumption" to describe these goods (Robiatul Rifkah & Khusnul Khatimah, 2023).

3. METHODS

Literature review is a research method of identifying, evaluating and interpreting all relevant research results related to a particular research question, topic, or phenomenon of concern. Individual study is a form of primary study, while literature review is a secondary study. Literature review will be very useful for synthesizing various relevant research results, so that the facts presented to policy makers become more comprehensive and balanced.

4. RESULTS

- **Sharia Economy**

In Arabic, the word economy is called “iqtisad”, which comes from the root word qasd, which has the basic meaning of simple, frugal, moderate, straightforward and moderate. While the word “iqtisad” means simplicity, frugality and straightforwardness. This word is then widely used as an economic term in Indonesian. Islamic economics is a social science that studies the economic problems of people inspired by Islamic values (Huda & Semarang, 2013).

There are many opinions surrounding the meaning and scope of Islamic economics. Davan Rahardjo, has divided the term Islamic economics into three possible meanings, Islamic economics is an economy based on Islamic values or teachings. Second, Islamic economics means a system. The system relates to regulation, namely the regulation of economic activities in a society or country based on certain methods or approaches. Meanwhile, the third option is Islamic economics in the sense of a Muslim economy (Mursyidah, 2021).

In this article, Islamic economics is linked to all three and emphasizes Islamic economics as an economic concept and system. These three areas, namely ideology, system and Islamic economic activity are three pillars that must work together. According to Adi Warman Karim, the three levels of the region (ideology, system and activity) are the basis for efforts to implement sharia in the field of Islamic economics that must be done cumulatively. Thus, a synergistic effort involving all components is needed to enforce Sharia in the economic field (Saniah & Sholihah, 2024).

- **Sources of Islamic Economic Law**

Sources of Law in Islamic Economics:

1. Al-Quran Al-Karim

The Quran is the main, original, permanent and fundamental source of Islamic economic law, which was revealed by Allah SWT to the Prophet Muhammad SAW to correct, straighten and guide humanity on the right path. There are many verses in the Quran that are the basis of Islamic economic law, one of which is Surah An-Nahl verse 90 which talks about improving the welfare of Muslims in all fields, including economics.

2. Hadith and Sunnah

   After the Quran, the source of economic law is Hadith and Sunnah. Economic actors follow this source of law if the Quran does not provide complete details about economic law.

3. Ijma'

   Ijma' is the third source of law which is the consensus of the community and religious experts that cannot be separated from the Al-Quran and Hadith.

4. Ijtihad or Qiyas

   Ijtihad is an effort to exert all power and effort to find the law of a problem for which there is no provision in the Sharia. Meanwhile, Qiyas is an opinion that is the main tool of Ijtihad which is produced through analogical reasoning.

5. Istihsan

   Istihsan and Istishab Istihsan, Istislah and Istishab are part of other sources of law and are accepted by the four madhhabs to a lesser extent.

Principles of Islamic Economics

1. Ownership control in Islamic economics is divided into three groups, namely:
   a. General ownership General ownership includes all resources, whether solid, liquid or gaseous, petroleum, iron, copper, gold, and all types of energy stored in the bowels of the earth, as well as heavy industries that use energy as the main unit.
   b. State ownership includes all wealth acquired by the state, taxes in all their forms as well as trade, industry and agriculture undertaken by the state outside of public ownership, all of which are financed by the state in accordance with the interests of the state.
   c. Individual ownership This ownership can be exercised by any individual or any person in accordance with the rules of law or sharia.
2. The establishment of the gold and silver currency system Gold and silver were the currencies of the Islamic system, the abandonment of the gold and silver currency and its replacement with paper currency weakened the country's economy. The dominance of the dollar currency which is not directly backed by gold makes the economic

structure very vulnerable to the dollar currency.

3. Elimination of usury banking system The economic system in Islam prohibits all forms of usury, both usury nasiya and usury fadal. Both of these have elements that harm other parties involved in economic activities.
4. Prohibition of trading systems in non-real markets prohibits the sale of goods before the goods become the property of the seller, and it is haram to sell goods such as buying and selling in non-real markets (virtual markets) (Kholid et al., n.d.).

- **Characteristics of Islamic Economics**

1. Multitype Ownership

   This principle is derived from the values of tawhid and justice. This principle is an elaboration of the value of tawhid: Allah is the ultimate owner of the heavens, the earth and everything in them, but humans are responsible for managing them. Therefore, humans are considered secondary owners. Private ownership is therefore recognized. However, to ensure justice, i.e. to avoid oppression of one group of people over another, the branches of production that are important and control the livelihood of many people are recognized. Thus, state ownership and nationalization are also recognized (Purnomo & Khakim, 2019).

2. Freedom to Act

   It is derived from Nubuwwah, Justice and Khilafah. Freedom of action creates a market mechanism in the economy as each individual is free to express their ideas. In this way, the government acts as a referee who monitors the interactions (muamalah) of economic actors and ensures that there are no distortions in the market and guarantees that Sharia is not violated.

3. Social Justice

   This is derived from the values of Khilafah and Ma'ad. In Islam, the government is responsible for ensuring that the basic needs of its people are met and for creating a social balance between the rich and the poor (Pahrudin & Jalaludin, 2022).

- **Tujuan Ekonomi Syariah**

The purpose of Islamic economics cannot be separated from the main guidance of human life, namely for humans to achieve happiness when all their needs and desires are fulfilled both in material and spiritual terms, in the short and long term. The fulfillment of material needs such as clothing, shelter and other wealth gets a lot of attention in economics. The fulfillment of material needs is called prosperity (Devi et al., 2021). In trying to achieve human welfare, we face a major obstacle, which is the lack of resources that can be used to realize these needs. In general, the implementation of Sharia economy aims to:

1. Enforcing Islamic law in the country's economic system in a meaningful way. This application is because the Islamic economic system is the lifeblood of societal development, through which the spiritual and material character of society emerges.
2. Liberating Muslim societies from the shackles of the West committed to the capitalist economic system and ending the economic backwardness of the East and Muslim societies or countries committed to the communist economic system.
3. Activating Islamic values in all economic activities and saving the morality of the ummah from materialism-hedonism.
4. Building an economic structure that creates unity and solidarity within the framework of the Islamic message.
5. Realizing the benefit (welfare) of society in general.

5. DISCUSSION

In Islamic economics, the principles of Sharia underlie the analysis of traditional economic theories, including the Slutsky and Hicksian theories. The Islamic perspective on these two theories is as follows:

- **Theory Slutsky**

The concept of spending: Islamic teachings encourage moderate and not excessive spending (QS. Al-A'raf: 31).

۞يَٰبَنِيٓ ءَادَمَ خُذُواْ زِينَتَكُمۡ عِندَ كُلِّ مَسۡجِدٖ وَكُلُواْ وَٱشۡرَبُواْ وَلَا تُسۡرِفُوٓاْۚ إِنَّهُۥ لَا يُحِبُّ ٱلۡمُسۡرِفِينَ ٣١

Meaning: *O children of Adam*! *Wear your beautiful garments in every mosque*, *and eat and drink*, *and do not overdo it*. *Verily*, *Allah dislikes those who exaggerate*.

Slutsky's theory explains the behavior of consumers who allocate income to maximize consumption satisfaction, which is acceptable in Islam as long as it does not violate the principle of moderation. Price and Income Impact: Islam teaches us to consider the impact of prices and income on the economic balance of individuals and society. Slutsky's theory helps Muslims to understand how changes in prices and income affect consumption decisions. Islam criticizes the concept of “maximum satisfaction” which leads to excessive and immoral consumption.

- **Theory Hicksian**

The concept of customer satisfaction: Islam emphasizes the importance of spiritual satisfaction and life balance (QS. Al-Baqarah: 201-202).

وَمِنۡهُم مَّن يَقُولُ رَبَّنَآ ءَاتِنَا فِي ٱلدُّنۡيَا حَسَنَةٗ وَفِي ٱلۡأٓخِرَةِ حَسَنَةٗ وَقِنَا عَذَابَ ٱلنَّارِ ٢٠١

Meaning: *Among them are those who pray*, "*O our Lord, grant us good in this world and good in the Hereafter and protect us from the punishment of hell*".

أُوْلَٰٓئِكَ لَهُمۡ نَصِيبٞ مِّمَّا كَسَبُواْۚ وَٱللَّهُ سَرِيعُ ٱلۡحِسَابِ ٢٠٢

Meaning: *They shall have their share of what they have done*. *Allah is swift in His reckoning*.

The Hicksian theory, which focuses on consumer satisfaction, is acceptable if it does not neglect the spiritual aspect. Price and Income Impact: Islam encourages its followers to consider the impact of the economy on social welfare. The Hicksian theory helps to understand how changes in prices and income affect consumption decisions. Islam criticizes the assumption that consumers are always rational and have complete information, as humans have limitations and weaknesses.

Related Principles of Islamic Economics

Tawhid (Oneness of God): Economics should be oriented towards social and spiritual interests, not just material interests.

1. *Adil* (Justice): The economy should ensure fair distribution of wealth and not widen the gap.
2. *Zakat* (Almsgiving): Allocating a portion of wealth for social purposes.
3. *Haram* (Prohibition): Prohibits unethical economic practices such as usury, fraud, and monopoly.

Overall, the theory of demand from a traditional microeconomic perspective is similar to the theory of demand from an Islamic microeconomic perspective, but there are Sharia restrictions that every Muslim must observe when demanding or purchasing various goods. Islam requires a Muslim to buy and use halal and tayyib goods and to avoid haram goods. In Islam, it is clear which goods are halal and haram as Allah SWT says in QS. An-Nahl (16) verse: 114, QS. Surat Al-Baqarah (2): 168 and 173, QS. Surat Al-Maidah (5): 87-88, provide restrictions on the purchase and use of goods, among others: QS. An-Nahl (16): 114

فَكُلُواْ مِمَّا رَزَقَكُمُ ٱللَّهُ حَلَٰلًا طَيِّبًا وَٱشۡكُرُواْ نِعۡمَتَ ٱللَّهِ إِن كُنتُمۡ إِيَّاهُ تَعۡبُدُونَ ١١٤

Meaning: *Eat of that which Allah has bestowed upon you as* (*sustenance*) *that which is lawful and good, and thank Allah for His favors if you worship Him alone*.

يَٰٓأَيُّهَا ٱلنَّاسُ كُلُواْ مِمَّا فِي ٱلۡأَرۡضِ حَلَٰلًا طَيِّبًا وَلَا تَتَّبِعُواْ خُطُوَٰتِ ٱلشَّيۡطَٰنِۚ إِنَّهُۥ لَكُمۡ عَدُوّٞ مُّبِينٌ ١٦٨

Meaning: *O mankind*, *eat of the lawful* (*food*) *of the earth and do not follow the steps of the devil. Indeed, he is a real enemy to you*.

إِنَّمَا حَرَّمَ عَلَيۡكُمُ ٱلۡمَيۡتَةَ وَٱلدَّمَ وَلَحۡمَ ٱلۡخِنزِيرِ وَمَآ أُهِلَّ بِهِۦ لِغَيۡرِ ٱللَّهِۖ فَمَنِ ٱضۡطُرَّ غَيۡرَ بَاغٖ وَلَا عَادٖ فَلَآ إِثۡمَ عَلَيۡهِۚ إِنَّ ٱللَّهَ غَفُورٞ رَّحِيمٌ ١٧٣

Meaning: *Indeed*, *He has only forbidden you carrion*, *blood*, *pork*, *and* (*the meat of*) *animals slaughtered in the name of other than Allah*. *But whoever is compelled to eat them out of necessity and does not transgress the limits*, *there is no sin on him*. *Indeed*, *Allah is Forgiving and Merciful*.

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ لَا تُحَرِّمُواْ طَيِّبَٰتِ مَآ أَحَلَّ ٱللَّهُ لَكُمۡ وَلَا تَعۡتَدُوٓاْۚ إِنَّ ٱللَّهَ لَا يُحِبُّ ٱلۡمُعۡتَدِينَ ٨٧

Meaning: *O you who believe*, *do not forbid that which Allah has made lawful for you*, *and do not exceed the limits*. *Verily*, *Allah does not like those who transgress limits*.

وَكُلُواْ مِمَّا رَزَقَكُمُ ٱللَّهُ حَلَٰلًا طَيِّبٗاۚ وَٱتَّقُواْ ٱللَّهَ ٱلَّذِيٓ أَنتُم بِهِۦ مُؤۡمِنُونَ ٨٨

Meaning: *Eat of what Allah has bestowed upon you of lawful and good sustenance*, *and fear Allah in whom alone you believe*.

Quraish Shihab in Tafsir al-Misbah explains that commodities that are categorized as haram are two, namely haram because of the substance, and haram because of harm to oneself, not allowed by the owner. While halal commodities are commodities that are not included in these two kinds. Islam also prohibits a Muslim to behave israf or excessive in spending income even though the commodities purchased are halal commodities..

With Sharia law binding every Muslim to decide whether a commodity is halal or haram, the discussion of Islamic demand theory focuses more on the demand for halal goods, haram goods, and the relationship between the two. Demand in the halal-halal option Demand for halal goods is similar to demand in conventional economics, which is inversely proportional to the price of the commodity. If the price rises, the amount of halal goods demanded will decrease, and conversely, if the price falls, the amount of halal goods demanded will decrease, assuming other factors are ceteris paribus. The demand made by a Muslim in the halal-haram choice should actually be a demand that creates maslahah, namely a demand that provides satisfaction in the world and the hereafter (blessings in the world and the hereafter) (Furohman et al., n.d.).

When a Muslim is faced with two choices between halal and haram goods, rationally, as a Muslim with a certain income, he should devote all his income to consuming halal goods only. Similarly, when Muslims are faced with halal goods that are more expensive than the price of haram goods, in countries where the majority of the population is non-Muslim, the price of goods labeled halal will be more expensive in comparison. The price of goods that are not labeled halal, but if a Muslim behaves in accordance with Sharia rules, this will not affect the demand for halal goods, meaning that a Muslim will still buy goods labeled halal even though the price of goods labeled halal is more expensive than the price of goods that are not labeled halal. The law of demand does not apply in such a situation, because it is a maslaha to influence Muslim demand *(Lubis, 2023)*.

- **Comparison of Demand Theory in the Perspective of Conventional Economics with Islamic Economics**

In general, the theory of demand in the traditional economic perspective is similar to the theory of demand in the Islamic economic perspective, both in terms of definition and determining factors, but there are sharia principles that must be considered by every Muslim when making a demand or purchasing a number of goods. However, even though they are almost the same, there are still some fundamental differences between the two, namely

1. The main difference between traditional demand and Islamic demand lies in the legal source used. The legal source of Islamic demand theory comes from the words of Allah SWT (Al-Quran) and the Hadith and Sunnah of the Prophet Muhammad SAW which provide sharia restrictions in purchasing goods. Meanwhile, traditional demand theory is sourced from human reason which is sometimes irrational in purchasing goods.
2. Traditional demand motives are dominated by the value of worldly satisfaction, thus prioritizing desires in purchasing activities. Meanwhile, the goal in Islam is to obtain maslaha or satisfaction and blessings in the hereafter (Rahmani et al., 2023).

This motive arises because as Muslims we believe that there is an eternal life after death, so as Muslims we must prepare provisions for the afterlife. Since traditional demand motives are dominated by worldly satisfaction, in buying goods, wants are prioritized over needs. Meanwhile, Islamic demand theory focuses more on how to achieve maslaha, so that when buying goods, we prioritize needs, do not overdo it in buying goods, and follow the limits of sharia. Traditional demand considers all goods to have the same value, there is no difference between halal and haram goods so that all goods are considered to be purchased and used (Ekonomi et al., 2024).

While Islamic demand theory considers a commodity not everything can be bought and used. Islamic demand theory distinguishes between halal commodities and haram goods, as Allah SWT says in QS: Al-Maidah (5):87

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ لَا تُحَرِّمُواْ طَيِّبَٰتِ مَآ أَحَلَّ ٱللَّهُ لَكُمۡ وَلَا تَعۡتَدُوٓاْۚ إِنَّ ٱللَّهَ لَا يُحِبُّ ٱلۡمُعۡتَدِينَ ٨٧

Meaning: *O you who believe*, *do not forbid that which Allah has made lawful for you*, *and do not exceed the limits*. *Verily*, *Allah does not like those who transgress limits*

Therefore, Islamic demand theory discusses the demand for halal goods, haram goods, and the relationship between the two. Meanwhile, in traditional demand, all goods are given the same value, there is no difference between halal and haram so that all goods can be bought and used as desired. There is an assumption in traditional demand theory that all goods are the same (halal), so the law of demand can be applied to all goods. Meanwhile, Islamic demand theory distinguishes between halal and haram goods and as Muslims we are given the choice to consume only halal and tayyib goods, so there is no demand for haram goods except in emergencies. This shows that the demand for haram goods is only caused by life-threatening situations and not because of the price of haram goods. Therefore, the law of demand only applies to halal goods but not to haram goods.

6. CONCLUSION

The price level of a commodity and the quantity of that commodity demanded, where this relationship can be explained by the law of demand, which states that when the price of a commodity decreases, the quantity of that commodity increases. Demand, and vice versa. In addition to the price level, there are other factors that affect the quantity of a commodity demanded, including the price of related commodities, income, income distribution, income distribution patterns, tastes, population, and future price expectations. In general, in the perspective of conventional economics and Islamic economics, the concept of demand theory is considered almost the same. The fundamental difference lies in the legal sources used, the existence of sharia restrictions in Islamic demand theory, the perspective on goods, and the objectives to be achieved. The main legal sources of Islamic demand theory are the Quran, Hadith, and Sunnah of the Prophet Muhammad. Although the basis of conventional demand is usually the irrational reasoning of humans when buying a number of goods, they buy a number of goods, keeping in mind the price of goods, without distinguishing between halal and haram goods, until they achieve worldly satisfaction.

When a Muslim is faced with 2 alternatives to buy halal and haram goods, the law of demand applies in that situation. However, when a Muslim is faced with the choice of halal and haram goods, he chooses to buy halal goods because of the blessing factor (maslaha) even though the price of halal goods is higher than haram goods. In such a situation, the law of demand no longer applies. Similarly, when a Muslim is in a state of emergency and is forced to buy and use haram goods, the law of demand no longer applies. By understanding the difference between traditional demand theory and Islamic demand, we as Muslims can apply it in our personal and social lives so that we can achieve happiness in this world and the hereafter (maslaha).

Basically, the lower the price of a good, the greater the demand for that good. Conversely, the higher the price of a good, the lower the demand for that good. From the above hypothesis, it can be concluded that:

- If the price of a good rises, then buyers will look for other goods that can be used as a substitute for that good, and vice versa if the commodity falls in price, then consumers will increase their purchases of the goods.
- Price increases reduce the real income of consumers, thus forcing consumers to reduce purchases, especially of goods whose prices rise.

7. LIMITATION

The limitation of this research is that the data collection method only uses literature review, making this research by collecting sources that can be made into research data, not analyzing the data.

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