Farmer’s prosperity: justice or profit?

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Abstract: This paper aims at investigating the implementation of business ethic in order to increase farmer’s prosperity. Achieving the objective of the paper, a qualitative approach is used. One of the implementation of Islamic business ethics in farming is the determination of selling price to be fair price. Farmers and traders firstly determine their selling price. The selling price must reflect justice both sides, farmers and traders, so it will create a fair price. Then, the farmers create faal by increasing their prosperity. Finally, the farmers change their perspective that being prosperous is not only about how to get profit but also create faal.

Keywords: achieving faal; creating fair price; implementation of Islamic business ethic; profit; farmer’s prosperity.

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1 Background

According to Maraj (2009, at the forefront of Said and Elangkovan, 2014), Islamic economic and finance has power to reduce the environmental crisis, global financial crisis, poverty alleviation, and inequality problem.

Islam establishes and sustains humans in a state of bliss, namely falah as it is mentioned in the Holy Qur’an. Falah refers to a comprehensive state of spiritual, cultural, political, social, and economic welfare owned in dunya (this world) and God’s pleasure in akhirah (the life hereafter). Because of its eternal nature, falah primarily is considered as a state of bliss in akhirah. Yet, it is also applicable to conditions of survive, economic welfare, and human dignity in dunya [Khan, (1991), p.251].

Meanwhile, prosperity, based on Ibn Taimiya, is a way to achieve better moral life. Even though prosperity is higher than wealth, prosperity and wealth are related each other. The concept of prosperity in the view of Islam has a tendency to the fulfilment or execution of an obligation. On the other hand, the concept of wealth is more likely in the fulfilment of a right [Karim, (2010), p.355].

The concept of economic prosperity can occur in an implementation of ethics (morality) while running a business as the fulfilment of the obligations of an employee. The implementation of ethics (morality) in agriculture, for instance, is conducted by applying fair price. Fair price is price that is equal to costs spent by farmers during a planting season. In addition, fair price can be defined as price that is created according to the prevailing market price on a particular product.

Al Syaibani divides economic ventures into four kinds such as leasing, trade, agriculture, and industry. However, Al Syaibani gives a priority more to agriculture since agriculture produces various kinds of basic needs which are useful for humans to carry out many duties [Karim, (2010), p.261].

Agricultural research plays an important role in sustaining agricultural growth in many developing countries. Investing in agricultural research is essential in generating new technologies, improving machineries, crop varieties, animal breeds, and farming techniques that help boosting agricultural production using fewer resources. Longstanding investment in agricultural research had contributed to the Thai agricultural productivity growth which has important implications on living standard, poverty alleviation, food security, and overall economic growth [Suphannachart, (2015), p.63].

Determining selling price that is one of the implementations of Islamic business ethics is a way to set fair price. Fair price is price that is equal to expenses of farmers. Fair price can also be interpreted as price that is in line with market price in created in accordance with existing market mechanism and without any intervention [Karim, (2010), p.355].

In the application of market mechanism, Islamic economics requires morality (ethics). The morality is in the form of actions. Morality, furthermore, measures fair play, honesty, transparency, and justice. Djakfar (2012, 28) states that applying fair price for fair profit between farmers and traders is one of ways in apply Islamic business ethics.

The creation of fair profit is a way in increasing the farmers’ prosperity. It is not only about profit but also an element of morality. For example, the profit gained by the farmers both uses to fulfil their daily needs and creates happiness as well as peace in their hearts. The emergence of a sense of happiness and peace is a sign of the realisation of falah in achieving the prosperity of the farmers.
2 Theoretical background

2.1 Islamic business ethics

Said and Elangkovan (2014) consider business including Islamic financial transactions is a noble job promoting how to gain a maximum profit and bound with law, ethics, and religious morality as well. Business as a noble job can be revealed in the statement of the Prophet Muhammad SAW. The Prophet Muhammad SAW states that a noble job is a job conducted by someone with his own hand and every lawful sale. Allah loves those who have an expertise in conducting their works and struggle to make a better life for their families. Those persons are Mujahid in the way of Allah. The Prophet Muhammad SAW had been well-recognised as businessman before he was appointed as the prophet. He advocated the implementation of honesty according to the principles stipulated by religion.

Haron and Azmi (2009, at the forefront of Said and Elangkovan, 2014) state that the spirit we catch in the verses above is that business in terms of charity from the believers does not come from uncertain sources, but from the God Almighty. A Moslem who involves in a business should recognise two important points. First, he must know that he does not have absolute ownership of the property he possesses. The second one is that he cannot use all of his property like a trader who separates his property to reinvest his business as added capital. Regarding those two points, he has an obligation to spend his property for zakat and charity.

Ethics refers to a set of principles prescribing behaviour code that explains what is good and right or bad and wrong. Generally, it may even outline moral duty and obligation [Chryssides and Kahler, (1995), p.51, at the forefront of Said and Elangkovan, 2014].

Islamic business ethic is an ethical norm based on the Qur’an and the Hadith. It is used as a guideline for anyone who runs a business. An ethic, moreover, is related to behaviour. Behaviour can reflect morality (ethics) of a person.

If someone follows ethics, he will tend to have good behaviour in any activities as well as in business. For example, a business person who follows ethics is someone who is honest, trustworthy, and fair. He also always cares about others’ interests.

According to Qardawi [cited from Djakfar, (2012), p.29], economy (business) and morality (ethics) are inseparable as well as between morality and science, politics, and war. Morality lives in humans’ blood, flesh, and Islam, and Islam is a message of moral treatise. Therefore, the separation between life in the world and religion happening in Europe cannot be accepted.

Working is a necessity for every Moslems to fulfil their daily needs. Fulfilling the daily needs, they can run a business that has been showed by the Prophet Muhammad SAW.

Our Prophet Muhammad SAW teaches us to run a business using an Islamic business ethic such as being honest and professional in trading. Professionalism in business becomes important for businessman to determine the appropriate business ethics.

The urgency of business ethics according Djakfar (2012, pp.31–34) can be described as follows:
The aspect of religion
Ethics on Islam are taught by Allah SWT through the Prophet Muhammad SAW in the form of Holy Qur’an and Hadith.

The aspect of character
Men tend to think more about wills than needs. Therefore, they must realise that the most important thing in life is the fulfillment of the primary needs rather than the secondary ones in every aspect of life.

The aspect of reality
The human nature tends to be immoral, so it is necessary to have ethics in business as the guideline of ethics for businessman.

The aspect of technology
The development of technology can give bad effects or fraud for business ethics; accordingly business ethics play an important role to anticipate any kind of fraud.

The aspect of academic
The academics are expected to conduct theoretical studies and researches on business ethics that will be used as a reference by entrepreneurs in running their businesses.

In order to obtain barokah, entrepreneurs should consider some of the ethical business principles (Djakfar, 2012) as follows:
1. being honest in quantity
2. prioritising quality
3. no promising
4. being friendly and generous
5. building an inter-relationship with customers
6. being good in administration
7. setting price transparently.

According to Beekun (2004), there are nine general ethical guidelines for Moslem business. They are:
1. Being honest and telling the truth
   Business entities must be able to explain honestly anything related to their business to their customers. The consumers have a right to get any information about their products such as the ingredients of the products and the process of making the products as well as the strengths and the weaknesses of the products.
2. Sticking to a promise
   Our Prophet Muhammad SAW has taught us that a promise is equal to a debt. Once someone promises, he must fulfill it.
Loving Allah SWT rather than a commerce
Since humans tend to be greedy, they should be able to control their greed. They have to always remember that a property is entrusted and temporary, including commerce. Moreover, they have to always be thankful to Allah SWT for every property given to us.

Doing business with a Moslem before with the non-Moslem
The principle of helping each other is a foundation in business ethics. Therefore, a Moslem should help other Moslems before helping non-Moslems so that it can increase the sense of brotherhood and harmony among the Moslems.

Being humble in life
A humble life asks people to always be grateful as the representation of gratitude for every property given by Allah SWT to us.

Being deliberate in solving problems
Deliberation is not used in the decision-making process. It is a way to give a nurturing attitude giving a chance to all stakeholders to manage the business simultaneously.

No cheating
Employers have to be honest to business activities undertaken. All of the production factors should be marked halal and thoyyib for consumers. Cheating in business usually happens when the price of production factors has increased so that it increases the production cost and reduces the income.

Bribing
Bribing is one of acts breaking the Islamic business ethics.

Being fair in business
Everything that is related to commerce should be implemented proportionally in accordance with the rules of Islam mentioned in the Holy Qur’an and Hadith.

2.2 Fair price
The concept of fairness is a concept that is emphasised in the Holy Qur’an and conducted in every aspect of life. Therefore, it is very natural that the concept of fairness occurs in market activity, particularly in setting price. Ibn Taimiyya [(2010), p.233 cited from Chamid] states that the principles of justice related to la dharar is do not hurt others.

Furthermore, according to Ibn Taimiyya [cited from Chamid in the book of Al – Hisbah, (2010), p.232], price is fair if the value of the price when people sell their goods and the goods are generally considered it be in line with other sold goods in a certain place and time.

There are two concepts often expressed by Ibn Taimiyya, namely equivalent compensation and equivalent price [Chamid, (2010), p.232]. Equivalent compensation is commensurate replacement in which price is equal to value from an object according to the customs. Equivalent compensation is measured and assessed by equal things without
any additional and subtraction. Meanwhile, equivalent price is the value of the price when goods that people sell are generally accepted as goods that are commensurate with sold goods sold or similar with items from another particular place and time.

The main objective of the fair price is to maintain fairness in reciprocal transactions and other relations. On the concept of fair price, sellers and buyers are likely to obtain justice [Chamid, (2010), p.234]. Cooperative has position as a mediator between the farmers and the dairy processing industry. Cooperative plays an important role to protect the interest of farmer through increasing milk prices [Sebayang, (2013), p.451].

2.3 Fair profit

Based on Islamic ethics, a businessman should be not only profit oriented but also blessing oriented so that he can get reasonable profits and blessings from Allah SWT. On other words, a businessman needs to gain both material things and spiritual things.

Karim (2010, 327) explains that market, in the view of Al Ghazali, must function under ethics of doers. Particularly, Al Ghazali forbids taking advantage by hoarding food and goods of basic needs. Getting many profits motivates sellers to work harder. The sellers should gain profits in good way (al – ribh al – ma’ruf) without bothering their interest and their customers’ interests. Ibn Taimiyya defines fair profit as a normal profit that is generally obtained from certain types of trade without hurting others. Ibn Taimiyya also forbids gaining the profits that are not unusual such as exploitative profits (ghabanfahisy) by utilising the public indifference to the existing market conditions (mustarsil).

Ibn Taymiyyah defines fair profit based on the concept of fair price. According to Ibn Taymiyya in Karim (2010, 360), a fair profit is a normal profit generally obtained from certain types of trade without harming others.

2.4 The concept of prosperity in Islamic perspective (falih)

Falih is derived from an Arabic word of a falaha – yuﬁlu which means success, glory, or victory in life. Referring to the Holy Qur’an, falah is defined as long-term luck obtained in either dunya or akhirah. On other words, falah is not only about material things but also spiritual ones. Islamic Economics learns how humans fulﬁl their daily needs for achieving prosperity and happiness both in dunya and akhirah.

Islam establishes and sustains humans in a state of bliss, namely falah. Referring to the Holy Qur’an, falah is a comprehensive state of spiritual, cultural, political, social, and economic welfare owned in dunya and God’s pleasure in akhirah. Falah primarily is considered as a state of bliss in akhirah because of its eternal nature, but it is also applicable to conditions of survive, economic welfare, and human dignity in dunya [Khan, (1991), p.251].

At the micro level, falah refers to a situation in which an individual works well, has freedom, participates in social and political life, and has opportunities to grow spiritually and culturally. On the other hand, at the macro level, falah is the establishment of a society with hygienic environment, enjoyment of freedom, and economic independence with opportunities for social and cultural advancement. It is a society in which there is freedom and no exploitation. It is also a society in which people cooperate in various capacities, share resources, and care for one another. Regarding to those descriptions, it is
not only about ‘material prosperity’. In fact, material prosperity which focuses on the acquisition of more goods is not even an essential condition of falah. A person can gain falah if he has good economy and is able to fulfill other social, cultural, political, and spiritual conditions [Khan, (1991), p.251].

Falah can be gained either with or without material prosperity. Material prosperity is not the main concern in economic activities although there is no prohibition in Islam to obtain it. However, it will be considered as a mild stone on the path of falah and not falah itself. Since there are alternative routes available to falah, material prosperity may not always fall on the way.

Islam considers economic activities as one of the most important activities to get the glory (falah). Therefore, economic activities as well as other activities need to be managed in order to walk in harmony with the teaching of Islam as a whole.

Falah can be obtained if the teaching of Islam is carried out thoroughly (kaffah). Islam provides guidance how humans should interact with God (worship of mahdah) and with others (muamalah) in the scope of house, neighbourhood, and nation.

Economic activities are a part of muamalah, and it should be based on beliefs that economic activities are based on morality (ethics). Economic activities will only be able to give falah if Islamic theology and Islamic ethics are implemented during the activities.

3 Research design

A qualitative approach is used in this study to achieve the objective of the study. the study aims at identifying the implementation of business ethics as a way to increase farmers’ prosperity by implementing fairness in setting selling price. Implementing fairness that is conducted by farmers and business institutions will create falah that can increase their prosperity as well. As a consequence, the farmers change their perspective in being prosperous. Being prosperous is not only about how to get profit but also create falah by implementing an Islamic business ethic.

4 Result and discussion

The aim of this study is to find out how to improve farmers’ prosperity by applying business ethics (principle of justice). This study uses a qualitative approach to prove the prosperity of the farmers will improve if fair price determination especially in agricultural sector is implemented.

An Islamic economic system is compatible to the concept of ‘western’ social economics. Islamic economics provides a way of creating equity within a community, while other models have failed to achieve. Entrepreneurship is the preferred method of agency in an Islamic economy in which high levels of interdependency through clusters based on community are advocated (Hunter, 2014).

Islamic business ethic system is part of Islamic worldview that is complete, integrated (syamil), and perfect (kaamil). It is very logical common sense because the source of Islamic ethics (morality) is the revelation of Allah SWT in the form of the Holy Qur’an and Hadith.
According to Mannan in Djakfar (2012, p.41), if all the business entities are able to be honest and trustworthy in a wide variety of transactions in business activity, the reasonable price will be created by itself.

Meanwhile, based on Siddiqi (1991), justice and virtue are the basic foundation for a businessman. The combination of two of them can create an altruist morality in the business such as transparency, tolerance, democracy, etc.

Based on the ideas of Moslem scientists above, there is an obligation for the business entities to implement the Islamic business ethics gradually. Honesty becomes the first principle and the main principle to run the Islamic business ethics in the business entities.

In Indonesia, the agricultural sector plays a very important role especially food crops (rice) since the majority of Indonesian people consume rice as a staple food every day. There are some areas in Indonesia to be rice granaries because the areas are able to produce qualified rice in a large amount.

Indonesian farmers’ prosperity is still at the level of the lower middle since the price of rice decreases so that the income of the farmers is lower than the costs they have spent to produce rice.

In the pricing system, the farmers are objects in the process of buying and selling occurring during the harvest season. The farmers have less bargaining power against the seller. The farmers have a tendency to experience losses if the agreed price does not reflect equivalent price (fair price). They often meet wholesalers to negotiate in determining the selling price.

Furthermore, the farmers often must be patient (legowo) when the price set by the sellers below the market price because they have less bargaining power. The farmers have to accept the price set by the sellers if they want their rice to be sold soon before it is damaged. Therefore, in order to maintain the quality of the rice, the farmers often take benefits on the price set by the seller.

Determining price on agricultural products should be based on market price in accordance with general accepted market mechanism. The market mechanism is a condition caused by the creation of a price between demand and supply. If the price is created due to the increasing of customers’ demand, it is not a market price.

An understanding of the fair market value must be mastered by the farmers so that fraud occurring during the harvest season can be avoided. The creation of the prevailing market price of the common market will create a balance to make the income received by farmers balanced with the costs during the planting process.

Creating fair profit is one of ways to increase the farmers’ prosperity in the form of profit and an element of morality. Profits gained by the farmers are used not only to fulfil their daily needs but also to create happiness and peace of heart. The emergence of happiness and peace is a sign of the realisation of falah in achieving the prosperity of the farmers.
5 Conclusions

Social justice in Islam is obtained through productive work in which equal opportunities exist for all and everybody can utilise their abilities to work and gain rewards for their efforts (Hunter, 2014). Islamic Economics offers one of the oldest theoretical foundations for any today’s economic models. It is the only economic model built in moral and ethical mechanisms with guidelines to control speculation. In this way, Islam is not only a divine belief in God but also a successful set of rules providing a set of principles and codes to organise and regulate society.

Justice is the first principle and the foremost principle in every human’s activities. The concept of justice is the teaching of the Holy Qur’an. Although the concept of justice has been carried out by each individual, the most preference is its consequences for social life. The concept of fairness will always be closely linked to both social activities and economic activities.

Justice in the agricultural sector should be run by the farmers and the sellers. Price created during the harvest season is generally accepted price without speculation or fraudulent acts committed by any party. Fair price is price that is created by the force of attraction between supply and demand without intervention.

The creation of fair price is a way to apply Islamic business ethics. Honesty is the main point to run a fair business transaction that is in accordance with the business ethics of the Prophet Muhammad SAW.

Fair price is not only an implementation of Islamic business ethics but also a way to create prosperity for the farmers through fair profit reception. Fair profit as it relies on the creation of a fair price is one form of realisation of the concept falah in achieving prosperity by the farmers. Falah is a concept that is about obtaining not only high profit but also benefit (blessing) from the abundant gifts from Allah SWT.

References