Manufacturer Behavior: In the Perspective of Islamic Economic and Conventional Economics

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Abstract: This study discusses the Theory of Producer Behavior in Islamic Economics and Conventional Economics (Comparative Study) with the following topics: (1) How is the theory of producer behaviour in Islamic and conventional economics? (2) What is the difference between the theory of producer behaviour in Islamic and conventional economics? The research that the author does is included in the research (Research library) in the form of library research that takes data from references, books, journals, and articles on the internet related to the problem. The results of the research conducted by the author can be conveyed as follows: (1) The theory of producer behaviour in Islamic economics that in creating a product or service, a producer does not only pay attention to what are human needs, but producers must also pay attention to the halal and haram of a product so as not to damage the morale of consumers. Furthermore, Islamic economics strongly encourages producers to improve the quality and welfare of the world and morals as business actors in creating happiness in the hereafter. Meanwhile, the theory of producer behaviour in the conventional economy does not pay attention to things like this. It only pays attention to how to generate maximum profits with small capital, which is very dominant. This is what causes a producer to ignore his social responsibilities. As the theory of theorical rationality, where humans are called economically rational if they always maximize their interests, in conventional economics, the main motive of production is to maximize profits. (2) Comparison of the theories of producer behaviour in Islamic economics and conventional economics: The theories offered by Islamic economics are very different from the conventional concept of behaviour in terms of differences of opinion of scientists, their motivation, and goals in producing, and the concept. The theories observed by Islamic economic actors are monotheism, justice, freedom, belief, and halal.
1. Introduction

Islam is a religion sent down by Allah. Islam not only regulates matters of worship but can also answer challenges in every era, including economic matters (Muhammad, 2007). The basic economic principles in the Qur'an are universal, so all Muslim communities must follow these rules in carrying out economic activities. When discussing economics, Islam only discusses the problem of how to obtain wealth, the problem of managing wealth by humans and how to distribute wealth among them (Ruslan, 2003).

Each is composed of values that shape and build the organizational framework of its economic activity. The economic system's systematics are the same, both social capitalist and Islamic. The difference is that the substance of the value is determined by a particular religion or school of thought. Economics is the study of human behaviour in using resources to produce goods and services humans need. Islamic economics presents an Islamic point of view from the economic situation faced by humans, whose roots come from the literature of the holy teachings of Islam, which presents a broad guide to human economic behaviour. Islamic economics is bound by a set of values of faith, morals, and moral ethics for each economic activity, both in its position as consumers, producers, distributors and others in conducting their business and obtaining their assets.

The purpose of producers in the Islamic economy is not to increase world profits alone so that companies are satisfied to get a reasonable and appropriate profit to achieve the primary goal of worshipping Allah. Whereas in conventional economics, with motivation to fulfil his interests in maximizing his wealth in any way. A producer must compete with other producers to produce increasingly unlimited human needs. Therefore, producers are required to do marketing for the products they produce. Before that, producers first identify the needs of consumers to be satisfied, determine the products to be produced, and carry out product promotions and distribution to reach consumers.

A producer must be able to pay attention to changes in consumer behaviour patterns. This is because there is a significant difference between the consumption of products from the upper middle class and the lower middle class. The upper middle class usually prioritizes comfort, style and lifestyle as well as the convenience of the products provided. Meanwhile, lower middle-class people tend to like cheap goods at affordable prices. Various kinds of new products that have sprung up following market trends or increasingly unlimited consumer needs, newly born products usually prioritize attractiveness to grab consumers' attention. Because of this, it is not uncommon for new products produced by manufacturers to be the result of imitation innovations that do not show differences in consumption patterns that only recreate existing products with minor modifications. For example, competition between manufacturers in the world of gadgets.

In this era of globalization, gadgets are not only a necessity but have become a lifestyle. So more and more manufacturers are vying to create new products with several innovations to attract consumers' attention and seize a position in the market. This is evidenced by new products from gadgets such as mobile phones, smartphones, tablets, and items that smell like technology that we often encounter in
the market with no small demand. With extreme competition, producers must be able to think about developing their products to advance the company in the competition. Producers are very influential on society because producers provide part of their needs. However, producers do not just provide for the needs of the community. In producing goods to be distributed, producers also have stages that must be carried out to meet the community’s needs. In addition, producers must also be honest in the manufacture of their products and in the sale of their products so that people can continue to believe in the producers concerned.

The author states that, in fact, the study entitled “producer behaviour according to Islamic Economics and Conventional Economics” is the result of the author's original thinking. Some of the previous research with the same type that exists in thesis library and the internet include: Abdul Mannan with the title The Behaviour of The Firm and Its Objective in an Islamic Framework, Metwally with the title A Behavioural Model of An Islamic Firm, Edi Susilo with the title The Theory of Producer Behavior in Islam.

The problem statement of this paper are:

a. What is the theory of producer behavior according to Islamic economics?
b. What is the theory of producer behavior according to conventional economics?
c. What is the fundamental difference between the theory of producer behavior from the conventional economic system and the Islamic economic system?

The Islamic economic system has a complete and balanced concept in all aspects of life, which supports the formation of a just and prosperous society. The Islamic approach to the economic system is an approach to human civilization as a unit. This approach is relevant and urgent to address the mature, complex economy. When viewed from this, the Islamic economic system appears superior to other economic systems, especially the distribution of income and spending directed at the orientation of the growth of equitable human civilisation.

The values embedded in the Islamic economic system are extreme, so every economic actor in carrying out his activities will never carry out activities that can lead to the achievement of economic goals in ways that are full of intrigue and deceit. The Islamic economic system is very concerned about individual ownership but still provides limitations regulated according to Islamic law. That is because the core concept of ownership in Islam is the absolute property of Allah, where humans are only given the mandate to utilize it following the benefit of society.

The Islamic economic system has a sound system for equitable income distribution through zakat, infaq and sadaqah instruments from the rich and the poor. With this system, there will be no conflict between classes because they have been mutual understanding. Every individual in the Islamic economic system will be motivated to work hard. Each teaching encourages its adherents to work as the key to individual success. Various worship practices in Islam motivate individuals to work hard, such as zakat and hajj. Both are acts of worship that affluent people can only perform.

Advantages of a liberal economy are: It is easy to increase or grow productivity on the quality of the products produced and sold. Entrepreneurs can increase their creative spirit by innovating the products they produce. Focus on the benefit of yourself or the group only. Profit is a top priority, so it can be used as motivation in building a business.

2. Methods

Based on the form of the library, it is distinguished by written sources, such as books of knowledge, newspapers, magazines. and so on and unwritten sources, such as movies, slides, manuscripts, reliefs and so on. Based on the contents of the library, it uses a secondary data source. Secondary sources, are sources of study material submitted by people or parties who were present at the time of the event / did not experience the event itself directly, such as textbooks. Reviewing and
collecting library materials. The study and collection of library materials is usually done using tools called bibliographic cards or quotation cards. Presenting literature studies, the presentation of literature studies can be done by means of direct quotations and indirect quotations.

The type of data used by the authors in this study is secondary data obtained from the study of literature. Literature study is the method used to collect data or sources related to the topic raised in a study is not from direct observation, but obtained from the results of research that has been carried out by previous researchers, which are in the form of books, journals, and papers. The main source of research is about the comparison between producer behavior according to Islamic economics and conventional economics.

This study used content analysis techniques. Content Analysis is research that is an in-depth discussion of the content of written or printed information in the mass media. Content analysis can be used to analyze all forms of communication, both newspapers, radio news, television advertisements and all other documentation materials. Meanwhile, the connection with the discussion is as one of the author's efforts to facilitate understanding by analyzing the truth through the opinions of scholars which are then used as a research reference.

3. Result and Discussion

a. The Concept of Producer Behavior According to Liberal Economics

The theory of producer behavior. In everyday life, some of us may be familiar with the term production. Production itself in the sense can vary. Referring to the Cambridge Business dictionary, for example, it is defined as a process and strategy of converting concrete resources (raw goods, semi-finished goods, spare parts) and abstract resources (ideas, information, knowledge) into goods and services. Meanwhile, Philip Kotler called production as a process when workers refine various concrete and abstract resources to produce something for consumption. In short, production activities must have two characteristics, namely meeting human needs and adding value to goods and services. For people who carry out production activities, or also called producers, these activities are of course aimed not only at meeting the demand for resources, but also selling them and ultimately making a profit.

The theory of producer behavior explains the principle of producers to apply efficiency and obtain maximum profit in their production activities. Based on this principle, the producer decides to take several decisions that support his goals. The decisions taken can be in the form of:

1) How many products (goods or services) that must be produced, considering how many products are needed by consumers and sold well.
2) How many factors of production should be used, considering the most efficient combination, so that production costs can be reduced and maximum profit can be achieved.

The theory of producer behavior can apply, both in the short term and in the long run. The difference in this period lies in how much changes in the factors of production are made. For the short run, for example, one factor of production is treated as fixed, while the other factors of production become variable (can change). This fixed factor of production is usually in the form of capital. For example, a company in the short term may decide to hire new employees, rather than invest in setting up a new factory.

Meanwhile, in the long run, all factors of production may change. In other words, all factors of production become variable. For example, the company intends to open new branches so that it must simultaneously buy land, build buildings, recruit new employees, and buy inventory.

1) According to the Bunde Veblen (1857-1952). Says that people's behavior is influenced and influences the views and behavior of others. A person's behavior pattern is determined by social conditions. So that values, norms, habits, and culture, all of which are realized in economic activities, both in production and consumption.
2) **Theory of Rationality.** What is meant by rational is being able to make good and bad judgments about something and make decisions based on which alternative is better. At least rational behavior can have two meanings, namely: method and result. In the meaning of the method, rational behavior means "action selected on the basis of reasoned thought rather than out of habit, prejudice, or emotion". Meanwhile, in terms of results, rational behavior means "action that actually succeeds in achieving desired goals". Conventional economics strongly adheres to the assumption that human behavior is rational. Economics only pays attention to the rational behavior of economic humans who are motivated only by the drive to fulfill their own interests by maximizing their wealth and consumption in any way. Self-interest rationality introduced by Edgeworth is a better concept in the sense that we assume that individuals pursue many goals, not just increasing wealth in monetary terms.

3) **According to the Pareto Optimum.** In Islam, the most efficient use of resources is defined as maqashid. Every economy is considered to have achieved optimum efficiency if it has used all the potential of limited human and material resources so that the maximum quality of goods and services can satisfy needs. Formulating the concept of efficiency (effort to do the best), the Pareto Optimum concept allows the destruction of excess output if this allows businesses to withstand falling profits without making consumers worse off due to rising prices.

b. **The Concept of Producer Behavior According to Islamic Economics**

The theory of producer behavior in an Islamic perspective is a science that studies human economic behavior in which behavior is regulated based on Islam. Producing an item must have a relationship with human needs. This means that goods must be produced to meet human needs, not to produce excessive luxury goods that are not in accordance with human needs, therefore the labor spent to produce these goods is considered unproductive. When consumers allocate their funds for consumption activities, producers will allocate their funds for the use of production factors or those that will be processed into output. Therefore, if the consumer equilibrium occurs when the entire budget is exhausted for consumers, Producer equilibrium is reached when all the budget is used up to buy factors of production, and each producer will try to achieve the optimal level of production. That is why production activities are one of the economic activities that greatly support consumer activities.

Production activities are a link in the chain of consumption and distribution. Production activities produce goods and services, which are then consumed by consumers. Without production, economic activity will stop, and vice versa. To produce goods and services, production activities involve many factors of production. The production function describes the relationship between the number of inputs and the output that can be produced in a certain time period. So, both producers and consumers have the same goal in economic activity, namely to achieve optimum benefits. The theory of production provides an explanation of the behavior of producers regarding the behavior of producers in maximizing their profits and optimizing their production efficiency. Where Islam recognizes private ownership within certain limits, including ownership of the means of production, but this right is not absolute. Economic activities that strongly support consumption activities. Where consumption in consuming goods and services to get maslahah, producers will produce goods and services that can provide maslahah. So, between consumption and producers have the same goal of achieving maslahah. Economic activity is a measure of whether a product is accepted by society or not. So, between consumption and producers have the same goal of achieving maslahah. Economic activity is a measure of whether a product is accepted by society or not.
According to Siddiq (1992) defines production economic activities as the provision of goods and services by considering the value of justice and policies/benefits (maslaha) for the community. In his view, if the producer has acted fairly and brought policies to society, he has acted Islamically. Human interests, which are in line with Islamic morals, must be the focus and target of production activities. Therefore, production also includes aspects of the purpose of activities in producing outputs as well as the characteristics attached to the process and results. So, a producer must be proactive, creative and innovative in finding various goods and services needed by humans. Proactive attitude that is forward-oriented in the sense that it produces goods and services that are useful for future life.

Table 1. Differences in the theory of Producer Behavior in Islamic Economics and Conventional Economics

<table>
<thead>
<tr>
<th>No.</th>
<th>Conventional Producer Behavior Theory</th>
<th>Islamic Producer Behavior Theory</th>
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<tbody>
<tr>
<td>1.</td>
<td>Thorstein Bunde Veblen (1857-1929): People's behavior also affects the views of others which are determined by social conditions</td>
<td>Monzer Kahf: The motives of production are the taking advantage of every particle from the universe is the ideological goal of muslims. The goals of production are as an effort by man to improve his material condition as well as his morals and to achieve his goals in the Doomsday in the future.</td>
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<tr>
<td>2.</td>
<td>Pareto Optimality: (efficiency concept), is an economic state where resources cannot be reallocated to make one individual better off without making at least one individual worse off.</td>
<td>Muhammad Abdul Mannan (1992), the system of production in the (Islamic) State must favor objective and subjective criteria. Objective criteria can be measured in the form of material welfare, while subjective criteria are closely related to how economic well-being can be achieved based on Islamic sharia</td>
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c. Production Motivation in Islamic Economy

1) Islamic advice to carry out the production process and its relationship with worship

Islam advocates and encourages the production process considering the importance of the position of production in generating sources of wealth. Production is also a part of strengthening as well as a source that meets the needs of the community. Allah says in QS Al-Mulk:15: "It is He who has made the earth easy for you, so walk in all directions and eat of His sustenance. And only to Him will you (return) after being resurrected." In another verse, Allah says in QS Al-A'raf: 32. "Say: who has forbidden the adornment from Allah that has been issued for His servants and (who also forbids) good sustenance? Say all that (provided) for the believers in the life of this world, especially (for them only) on the Day of Resurrection. Thus we explain these verses for those who know."

2) Uphold the function as an ambassador of Allah (Khalifah) on earth and the spirit of cooperation between humans.

If this world belongs to Allah, true ownership is in His hands, and human ownership is only on loan, then Islam establishes in front of all of this the nature of human beings as ambassadors (Khalifah). Humans are allowed to use the facilities in Allah's creation by investing and working. God has represented humans to use like an ambassador. Wealth is not the master and man is not the master of the treasure. The true master is only Allah and all creatures are required to worship only Allah, the creator. Humans on this earth are representatives to keep whatever has been commanded to humans. "And (remember) when Allah said to the angels verily I made on earth a caliph" (Surah Al-Baqarah: 3). Life events are evidence of this statement. All generations of humans optimize their efforts in production and explore the results. However, he will not stay forever… once he takes part in his life, he will leave this world to be replaced by the next generation. And so on. The world is a mandate that Allah represents to His servants. Every human being and every generation will be replaced by the next generation to hold this mandate. Allah says in QS Al-An'am: 165: "And He has made you rulers over the earth." (Surat al-An'am: 165).
The belief that Allah created the world for humans with the aim that humans can prosper and take advantage of it. The world is where we live. We have great power over God's creation that is above it. We work to make a profit. We are busy to explore the sources of wealth and make use of it is not just a human product. Man has neither the power to create nor has the power to create nor the power to create. From time to time, man is neither the owner nor will he own it. Humans are only God's creation. Even if the humans combined their powers to make flies, they would not be able to. In fact, the most flies snatching something they have, they will not be able to prevent it and also will not escape from it. But humans have been given human life by God with the instinct to try and the spirit to prosper the earth. The aforementioned trends indicate three important things, including:

a) Allah has created all creatures in order and order.
b) Allah has subdued this nature for the benefit of human beings with a natural and entrepreneurial spirit for a better life and order.
c) Allah has made the instinct of love of the world to then take advantage of the potential that is spread in this universe.

The output produced by the three essences encourages people to work, produce, and spend wealth. The lack of utilization of the potential that has been prepared by God only causes weaknesses and shortcomings. In fact, the utilization of that potential should always be felt until the next generation comes.

d. Production Motivation in Conventional Economics

According to (conventional) capitalists, production is controlled by individuals so that individuals are the basis of capitalism. They live based on the separation of religion from daily activities, this can be seen in their individualistic life, selfishness, fierce competition and justifying all means to get big profits. The conventional view of production in economics gives freedom as well as rights and ownership to individuals and individual businesses. The purpose and motive of the production of the conventional economic system is to gain wealth without knowing what is haram and halal.

According to them, it is not a prohibition to use the types of animals that according to Islam have no value (haram), such as: dogs, pigs and so on. Likewise with the use of services, such as: prostitution, bribery, and interest (usury), there are no limits in conventional production, if production can provide results (profits) for them, then it is legal to be produced and used by the community.

Capitalist society is built on a market economy, which is an economic system that is regulated, controlled, and regulated by the market itself. This type of economy comes from the fact that people will take such an attitude to get as much money as possible. (Damsar, 2009)

Unlimited economic freedom and without state interference are the characteristics of capitalist economics. Every individual is free to start, organize, and establish any company, business, trade or profession. He has complete freedom to earn as much income as he can get as he is also free to spend his money on whatever he likes.

e. Production Model with One Variable Factor of Production

The notion of production with one variable factor of production is the notion of short-term analysis. When understanding the process of allocation of factors of production, economists divide factors of production into capital goods and labor. The mathematical relationship of the use of factors of production that produces maximum output is called the production function, which is as follows:

\[ Q = f(K,L) \]

Q = output level
K = capital goods
L = labor

1. Total, Marginal and Average Production
Total Production (Total Product) is the amount of production resulting from the use of the total factors of production. Marginal Product (Marginal Product) is the additional production due to the additional use of one unit of production factors. Average Production (Average Product) is the average output produced per unit factor of production.

f. Production Factors

1) Soil Production Factor. This tanak production factor is not only land to be planted or used as a place to live, but also all its natural resources. This is what makes these factors of production also known as natural resources.

2) Labor. In the factor of labor production, it is not only about everything related to physical activities such as hoeing, carpentry and so on, but more broadly, namely human resources.

3) Capital. The next factor of production is capital, capital is not only about money but also includes all types of goods that can support production activities. Examples of capital in the form of goods such as machines, office operational equipment, computers, factories and so on.

4) Entrepreneurship. The other factors above may be seen, but this next factor cannot but can be felt. This next factor of production can be called entrepreneurship or entrepreneurial ability. Of course, this entrepreneurial factor cannot be seen, but its role is very decisive in production activities.

5) Production Process. Production activities involve two problems that have a causal relationship. The first problem relates to inputs or inputs, namely everything that is included in the production process such as raw materials, labor or factors of production. And the second problem, namely the output or output, is everything that is produced from the production process.

4. Conclusion

An urgent need to direct a person to seek satisfaction of needs. a person is controlled by a need at a time. Human needs are arranged according to a hierarchy, from the most urgent to the least urgent (psychological, security, social, esteem, self-actualization needs). When the most urgent need is satisfied, the need ceases to be a motivator, and the person will then try to satisfy the need. Learning is a process, which is always evolving and changing as a result of the latest information received (perhaps obtained from reading, discussion, observation, thinking) or from actual experience, both the latest information received and personal experience act as feedback for individuals and provide a basis for learning for future behavior in similar situations.

The form of the decision-making process can be classified as follows: a). Fully Planned Purchase, both products and brands have been pre-selected. Usually occurs when involvement with the product is high (automotive goods) but can also occur with low purchase involvement (household needs). Planned purchases can be diverted by marketing tactics such as price reductions, coupons, or other promotional activities. b). Partially Planned Purchase, intends to buy an existing product but the brand selection is postponed until the time of learning. The final decision can be influenced by price discounts, or product displays. c). Unplanned Purchase, both products and brands are selected at the point of purchase. Consumers often use catalogs and display products in lieu of shopping lists. In other words, a display can remind someone of a need and trigger a purchase.

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The suggestions from the authors after conducting this study are as follows. Suggestion this is conveyed in order to develop this system so that a system is obtained that even better. a). In the future, hopefully there will be improvements to the producer behavior model according to the Islamic economy. b). Hopefully in the future there will be more specific research to provide solutions about the correct behavior of producers according to the concept of Islamic economics. c). This study only examines the comparison between the concept of producer behavior according to Islamic economics and conventional economics. In the future, it is hoped that there will be research that examines the application of producer behavior in government policies.

References


