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An Analysis of Supply Theory from the Perspective of Islamic Microeconomics: A Literature Review on the Factors Affecting Supply

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Abstract

This study examined the determinants of supply in Islamic microeconomics and compared their treatment with conventional supply theory. A qualitative descriptive literature review analyzed selected journal articles and books through thematic classification, interpretation, and conceptual synthesis. The analysis identified product prices, production costs, raw material availability, technology, productivity, the number of producers, government policies, expectations, and natural and distribution conditions as supply determinants. Higher product prices generally encouraged increases in quantity supplied, other factors remaining constant, whereas changes in nonprice determinants could shift the supply curve. Islamic microeconomics recognized economic efficiency and profitability while evaluating production and transactions according to honesty, fairness, halal compliance, social responsibility, and public welfare. The review distinguished inventory management and price increases arising from genuine scarcity from hoarding intended to manipulate availability. Market supervision was considered appropriate when supported by evidence of deception, unfair practices, or restrictions that harm consumers. The study contributed an integrated classification separating economic supply mechanisms from normative requirements governing producer conduct, without treating ethical principles as measured changes in supply. Its narrative design and selected sources limited generalizability, and examples involving agricultural commodities and enterprises remained illustrative. Future empirical research should examine costs, output, inventories, and compliance practices across industries.

Keywords: *Islamic Microeconomics, Market Mechanisms, Producer Ethics, Production Costs, Supply Theory.*

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INTRODUCTION

Contemporary supply decisions are shaped by interacting market prices, production constraints, and institutional expectations, making producer behavior an important concern for economic analysis and market governance. In conventional microeconomics, a firm's output decision is modeled through production technology, costs, and expected returns, with supply reflecting feasible choices under prevailing market conditions (Varian & Melitz, 2024). Changes in product prices must be analytically distinguished from changes in input costs, technological capabilities, and productive capacity because these factors influence supply through different economic mechanisms. Empirical evidence from Cameroon's banana and pineapple industries indicates that land availability, rainfall, and temperature can substantially influence supply responses beyond conventional price considerations (Awa et al., 2024). For Muslim producers, production choices additionally involve evaluating the permissibility of commodities and business practices rather than treating every technically profitable activity as economically acceptable. Islamic microeconomic scholarship situates market transactions within a framework that recognizes economic rationality while addressing social obligations and restrictions on market manipulation (Karim, 2022). Recent research on Islamic production further associates the utilization of land, labor, capital, and technology with resource stewardship, productive efficiency, and ethical responsibility (Khairunnisa et al., 2025).

The contemporary literature provides two connected but analytically distinct explanations of the determinants of market supply. Economic analyses of production costs identify input expenditures as important considerations affecting producers' capacity and incentives to offer goods under changing

market conditions (Febriyanti, 2022). Studies of resource allocation in Islamic production similarly examine production factors and cost constraints while incorporating ethical considerations into assessments of productive decisions (Khairunnisa et al., 2025). From a normative standpoint, Islamic discussions of demand and supply connect price formation and market interactions with justice and public welfare rather than restricting their evaluation to exchange outcomes (Anggraini et al., 2024). Research on Islamic production also conceptualizes economic efficiency and moral responsibility as interrelated criteria for evaluating the organization and consequences of productive activities (Juwita et al., 2026). These scholarly approaches recognize the relevance of material production constraints but differ in whether normative requirements are treated as restrictions on permissible conduct, components of producer objectives, or characteristics of the institutional environment governing market participation. Such differences complicate direct comparisons between studies emphasizing the economic determinants of production decisions and those evaluating the ethical legitimacy of commercial activities.

Despite these contributions, the reviewed literature does not establish a sufficiently differentiated analytical classification of economic determinants and Sharia-related considerations influencing supply decisions. Empirical research on agricultural supply responses identifies significant effects of climatic conditions and land-related variables, but its sector-specific estimates cannot establish the implications of ethical requirements for supply in other industries (Awa et al., 2024). Research concerning upstream halal businesses develops institutional and resource-based perspectives on certification and organizational capabilities without directly estimating conventional supply functions or producer responses to price changes (Islam et al., 2024). Islamic analyses of supply identify producer honesty, production costs, government regulation, and awareness of halal requirements as relevant considerations, although these factors operate through different economic and normative mechanisms (Nasution et al., 2026). Research involving Muslim microentrepreneurs further characterizes pricing decisions as influenced by moral responsibility, social solidarity, and distributive justice, but pricing rationality does not independently establish the determinants of quantity supplied (Syaichoni & Swaningrum, 2026). The resulting conceptual gap concerns the insufficient differentiation between factors affecting economically feasible output, obligations restricting permissible production and exchange, and institutional interventions influencing market participation. Without this distinction, explanations of Islamic supply risk treating ethical prescriptions as empirically established changes in supply despite insufficient evidence concerning their direction, magnitude, or transmission mechanisms.

The unresolved distinction between economic determinants and normative requirements has consequences for theoretical interpretation and the formulation of market-related policies. Islamic microeconomic analysis recognizes the operation of prices and production costs while examining market distortions and the boundaries of permissible transactions (Karim, 2022). Compliance with production standards may increase operating expenditures, but the resulting supply response depends on financing conditions, production technology, input substitution, and producers' capacity to adjust output rather than on the ethical desirability of compliance alone. The distinction becomes particularly relevant when policies intended to improve market integrity impose additional production requirements that may affect firms with different resource capacities unequally. Literature addressing Islamic production ethics emphasizes that productive efficiency should be evaluated alongside justice, beneficial output, and social and environmental responsibilities (Juwita et al., 2026). Empirical research on Muslim microenterprise pricing further illustrates that commercial judgments incorporate fairness and social considerations, making explanations based exclusively on production costs insufficient to characterize the normative dimensions of pricing behavior (Syaichoni & Swaningrum, 2026). A more differentiated conceptual framework is consequently necessary to distinguish economically supported predictions about supply responses from ethical criteria governing producer conduct and institutional responsibilities in market supervision.

The present literature review is positioned at the intersection of conventional supply analysis and Islamic evaluations of producer behavior, with particular attention to the conceptual relationship between economic incentives and normative restrictions. Conventional microeconomic theory provides an analytical foundation for distinguishing movements along supply curves from shifts caused by nonprice determinants and for explaining producer decisions through production costs and marginal conditions (Varian & Melitz, 2024). Previous Islamic discussions of production costs and supply

establish that expenditure structures remain relevant when examining producers' responses to market conditions (Febriyanti, 2022). Research on upstream halal businesses extends the analytical scope toward institutional requirements and organizational capabilities, although these dimensions cannot automatically be interpreted as supply determinants operating identically to input prices (Islam et al., 2024). Islamic analyses of market exchange additionally emphasize justice and public welfare as criteria for evaluating the legitimacy and social consequences of production and trading activities (Anggraini et al., 2024). The proposed conceptual novelty consists of organizing these contributions into an integrated classification that distinguishes own-price effects, nonprice economic determinants, Sharia-based admissibility restrictions, and ethical or regulatory considerations while identifying their potential interactions. Rather than assuming that Islamic producers universally exhibit different supply elasticities or supply-curve configurations, this approach specifies which relationships follow from established economic mechanisms and which require additional contextual or empirical verification.

This study aims to analyze the concept, principles, and determinants of supply through a comparative examination of conventional and Islamic microeconomic literature. It seeks to identify and classify the economic factors influencing producers' willingness and capacity to supply goods, including product prices, production costs, technology, resource availability, market structure, expectations, and government policies. The analysis also examines the relevance of halal requirements, producer honesty, market fairness, and public welfare in evaluating permissible production and exchange decisions. Particular attention is directed toward distinguishing changes in quantity supplied from changes in supply and separating economic mechanisms from normative criteria governing producer behavior. The intended theoretical contribution is an integrated conceptual classification that preserves the analytical foundations of supply theory while clarifying the implications and limitations of incorporating Islamic economic principles. The practical contribution is to provide a structured basis for assessing producer decisions and market-related policies while identifying relationships that require further empirical investigation.

RESEARCH METHODS

This study employed a qualitative descriptive approach through a narrative literature review to examine and compare supply theory in conventional and Islamic microeconomics without collecting primary data or estimating statistical relationships. The unit of analysis comprised published conceptual arguments concerning the law of supply, price mechanisms, production costs, economic determinants, producer ethics, and market regulation. The literature included academic books and journal articles addressing Islamic microeconomic principles, particularly the relationship between production decisions, market transactions, and ethical responsibilities (Beik et al., 2022). Studies examining production costs and their implications for supply were incorporated to establish the economic foundations of producers' willingness and capacity to offer goods under changing market conditions (Febriyanti, 2022). Literature addressing producer honesty, government regulation, production expenditures, and halal awareness was examined to identify normative and institutional considerations influencing supply decisions (Nasution et al., 2026). Sources were selected according to their relevance to the research objectives, identifiable bibliographic information, and availability for examination, while the review did not claim exhaustive coverage of the literature or employ a predetermined publication period.

Data were collected through document analysis involving the examination of relevant book chapters and journal articles, followed by the recording of theoretical propositions, supply determinants, economic mechanisms, and arguments concerning market ethics. The extracted information was analyzed thematically through three stages consisting of thematic classification, comparative examination, and interpretive synthesis, with the initial classification covering basic supply theory, economic determinants, Sharia principles, market-disrupting practices, and government intervention. Conceptual explanations of supply and its determining factors were compared to identify similarities, differences, and relationships between conventional economic reasoning and Islamic economic principles (Mulhadi & Albahi, 2024). Interpretations of market prices were examined through discussions of Ibn Khaldun's economic thought to distinguish theoretical explanations of price formation from empirical claims concerning actual market conditions (Nisak, 2022). The analysis of government intervention and market supervision incorporated interpretations of Ibn Khaldun and Ibn Taymiyyah concerning price policies and the institutional regulation of market activities (Rusdi &

Widiastuti, 2020). The comparative findings were synthesized into an analytical narrative that distinguished source arguments from the researchers' interpretations, treated references to rice, chili peppers, and micro, small, and medium enterprises as conceptual illustrations rather than measured empirical evidence, and acknowledged that the review did not employ systematic review protocols such as PRISMA.

RESULTS AND DISCUSSION

Supply Theory and the Comparative Foundations of Conventional and Islamic Microeconomics

Supply analysis concerns the quantity of goods or services that producers are willing and able to offer for sale at specified prices during a given period. Both willingness and productive capacity are necessary because an intention to sell does not constitute effective market supply when the required output cannot be produced or delivered. Conventional microeconomics examines this decision through feasible production opportunities, input constraints, and the relationship between expected revenue and production costs (Varian & Melitz, 2024). A producer may possess unused productive capacity yet refrain from expanding output when the expected selling price does not cover the additional production cost. Conversely, an enterprise may seek to increase sales but remain constrained by raw material availability, labor, equipment, or distribution capacity. Islamic microeconomic analysis retains these material considerations while examining whether commodities and exchange procedures comply with established ethical and religious requirements (Beik et al., 2022). The distinction between production, available inventories, and quantities actually offered for sale is essential to understanding supply without assuming that every produced unit becomes immediately available in the marketplace.

The law of supply describes a positive relationship between a product's selling price and the quantity producers are willing to offer, provided other relevant determinants remain unchanged. An increase in selling prices can make additional production economically viable when marginal revenue exceeds the corresponding marginal cost under the firm's decision criteria (Mankiw, 2021). Conversely, declining prices may reduce the profitability of additional output and encourage producers to limit production or redirect available resources toward alternative activities. This relationship depends on the ceteris paribus assumption, which holds production costs, technological conditions, resource availability, and other relevant factors constant. Islamic discussions of supply recognize the influence of price incentives while maintaining that the legitimacy of transactions must be evaluated through principles governing permissible economic conduct (Mulhadi & Albahi, 2024). The law of supply should therefore be interpreted as a conditional economic relationship rather than an unconditional prediction that every price increase will produce an immediate expansion in market availability.

The determinants of supply can be represented conceptually through the function Qs = f(P, C, T, R, N, G, E), where Qs represents quantity supplied, P denotes product price, C represents production costs, T indicates technology, R represents resource availability, N denotes the number of producers, G represents government policy, and E indicates expectations. This functional representation identifies categories of explanatory variables without assigning numerical coefficients or assuming identical relationships across different industries. Product price affects the incentive to offer additional output, whereas production costs influence the profitability of producing and supplying goods at prevailing market prices. Technology and resource availability determine productive possibilities, while the number of producers contributes to the capacity of the market to supply goods. Government policies may alter production expenditures or operating conditions, and expectations can influence production planning, investment, and inventory decisions. Empirical research on horticultural industries indicates that environmental conditions and resource availability can affect supply responses beyond conventional price determinants (Awa et al., 2024). The supply function is used here as a conceptual classification of economic determinants rather than an empirically estimated relationship derived from primary market observations.

Changes in quantity supplied must be distinguished from changes in supply because the two processes arise from different economic mechanisms. A change in the product's own price, with other determinants held constant, produces movement along an existing supply curve, whereas changes in production costs, technology, or resource availability can shift the supply curve itself. Rising production costs generally reduce the profitability of supplying goods at a given price and may consequently restrict economically feasible output (Febriyanti, 2022). Improvements in production efficiency may expand supply capacity when enterprises possess sufficient financing, complementary inputs, and operational

capabilities to implement technological changes. Agricultural supply research illustrates that weather conditions and resource constraints can limit production independently of changes in market prices (Awa et al., 2024). These distinctions provide the analytical foundation for comparing conventional supply theory with Islamic microeconomic principles, as summarized in Table 1.

Table 1. Comparison of Conventional and Islamic Supply Theory

Aspect	Conventional Supply Theory	Islamic Microeconomic Perspective
Producer objectives	Maximize profit or pursue business objectives subject to constraints.	Seek reasonable profits while considering Sharia compliance and social responsibility.
Supply determinants	Prices, costs, technology, inputs, number of producers, expectations, and policies.	The same economic determinants, alongside halal compliance, ethics, and social consequences.
Transactions	Analyzed through costs, benefits, incentives, and market structure.	Additionally emphasizes honesty, mutual consent, and prohibition of deception.
Hoarding	Analyzed as strategic behavior that may influence competition and supply.	Condemned when it constitutes harmful ihtikar and creates unjust scarcity.
Government role	Depends on the theoretical approach and market failures involved.	May supervise markets and intervene to prevent injustice and safeguard public welfare.

Table 1 demonstrates that conventional and Islamic approaches recognize similar economic determinants of supply while differing in their explicit normative evaluation of production and market transactions. Both approaches acknowledge the relevance of prices, production costs, technology, resource availability, and government policies when examining producer decisions. Conventional microeconomic analysis generally emphasizes incentives and constraints, whereas Islamic microeconomics additionally evaluates permissible earnings, transactional fairness, and social responsibilities (Karim, 2022). The comparison also distinguishes the economic implications of inventory withholding from the ethical prohibition of harmful ihtikar, which concerns conduct that deliberately creates or exploits unjust scarcity. Maintaining inventories may be economically necessary for production continuity and seasonal distribution, while deliberate market manipulation raises separate concerns regarding competition and public welfare. Comparative analyses of Ibn Khaldun and Ibn Taymiyyah recognize ordinary market price formation while emphasizing the relevance of government supervision when unfair practices distort exchange (Rusdi & Widiastuti, 2020). These distinctions concern differences in analytical emphasis rather than suggesting that conventional economics necessarily disregards ethics or that enterprises operating under Islamic principles invariably comply with their normative obligations.

The comparison also indicates that Islamic microeconomics does not eliminate the material constraints affecting producers' output decisions. Profitability remains associated with selling prices, production costs, and feasible production opportunities, even when permissible commodities and transactions are restricted by normative requirements (Varian & Melitz, 2024). Islamic economic analysis can consequently employ conventional distinctions between price movements and supply shifts without treating financial incentives as the sole criterion of acceptable producer conduct (Beik et al., 2022). Requirements concerning halal inputs, production standards, and responsible resource management may influence business expenditures, although their actual effects on supply depend on financing conditions, technological capabilities, and market responses. Price formation must also be distinguished from manipulation because increases arising from genuine scarcity or higher production costs cannot automatically be classified as violations of fair exchange. The theoretical convergence is most apparent in explanations of productive feasibility, while the central distinction concerns the ethical boundaries and social consequences associated with obtaining commercial returns.

Islamic supply theory extends the evaluation of producer behavior beyond technically feasible quantities and expected financial returns. The permissibility of products and inputs, truthful

information, accurate measurement, and avoidance of deceptive transactions constitute normative considerations influencing acceptable production and trading practices. Research on Islamic production emphasizes the relationship between economic efficiency and moral responsibility, indicating that productive performance should be evaluated alongside the consequences of business activities (Juwita et al., 2026). Studies examining upstream halal businesses further identify organizational capabilities and institutional requirements as relevant considerations for enterprises participating in halal production and supply systems (Islam et al., 2024). Nevertheless, the presence of ethical or religious requirements does not automatically establish whether market supply will increase or decrease because implementation costs, consumer responses, and productive adjustments may differ among enterprises. The assessment of potentially harmful inventory practices likewise requires evidence concerning deliberate restriction, market conditions, and resulting consequences rather than relying exclusively on observed prices or inventory quantities. Separating normative obligations from measurable economic responses prevents ethical judgments from being interpreted incorrectly as empirical estimates of changes in market supply.

The comparative synthesis supports an interpretation of supply theory that distinguishes economic incentives, nonprice production determinants, and normative requirements governing legitimate market participation. Conventional microeconomic models explain how producers respond to changes in prices, costs, and production constraints, while Islamic principles establish additional criteria concerning permissible transactions and social consequences. Research examining production factors, cost structures, and ethical decisions supports the conceptual integration of these dimensions without treating them as economically identical determinants (Khairunnisa et al., 2025). Studies of Muslim microentrepreneurs also indicate that pricing rationality may incorporate considerations of fairness and social responsibility alongside conventional commercial objectives (Syaichoni & Swaningrum, 2026). Because the present investigation is based on a narrative literature review, these relationships constitute conceptual interpretations rather than estimated elasticities, quantified supply responses, or verified causal effects. The resulting analytical distinction provides a foundation for examining the economic determinants of supply and assessing how Islamic production principles may influence producer decisions under different market and institutional conditions.

Economic Determinants of Supply and Their Implications for Islamic Production Decisions

The relationship between product price and quantity supplied provides the initial economic mechanism through which producers adjust output offered to the market. Under the *ceteris paribus* assumption, a higher selling price may make additional units profitable when marginal production costs remain below the revenue generated by those units (Varian & Melitz, 2024). The resulting adjustment constitutes movement along an existing supply curve rather than a shift in its position. An increase in the illustrative price of chili peppers from IDR 30,000 to IDR 40,000 per kilogram could strengthen incentives for growers and traders to offer additional quantities, but it does not establish that additional output can be supplied immediately. Crop maturation, harvesting schedules, available inventories, and transportation capacity determine how quickly producers can respond to changing market prices (Awa et al., 2024). The expected positive relationship between price and quantity supplied consequently requires interpretation alongside production feasibility, distribution constraints, and the period available for adjusting output.

Nonprice determinants influence the quantity producers can profitably supply at a given selling price, making them analytically distinct from changes in the product's own price. Raw materials, wages, energy, packaging, transportation, and maintenance contribute to total production expenditures, although their relative importance differs across industries and production technologies. When input prices increase without corresponding improvements in productive efficiency, the marginal cost of additional output may rise and the supply curve may shift inward (Febriyanti, 2022). A food producer facing higher flour or cooking oil prices, for example, may revise output plans, identify alternative suppliers, or adjust selling prices rather than maintain unchanged production arrangements. Changes in selling prices do not necessarily eliminate underlying cost pressures because producers must continue financing the inputs required to sustain production. Working-capital management also influences the availability of financial resources for purchasing inputs and maintaining operating activities, making liquidity relevant to feasible production decisions (Umar & Al-Faryan, 2024). Cost-related supply

adjustments must consequently be distinguished from changes in accounting profitability, since reported earnings do not independently establish the quantity of goods offered to the market.

Technological capabilities and labor productivity influence supply by altering the relationship between productive inputs and attainable output. Improvements in production equipment, workforce organization, and material utilization may reduce unit costs and allow producers to increase output without proportionate increases in input consumption. Islamic production scholarship examines technological efficiency and resource allocation alongside ethical considerations governing the selection and utilization of productive factors (Khairunnisa et al., 2025). Digital technologies may improve inventory coordination, supplier communication, and operational visibility within halal supply systems, although their implementation does not automatically establish an increase in market supply (Harsanto et al., 2024). Smaller enterprises may face limitations involving investment capital, technical expertise, workforce training, and access to supporting infrastructure, restricting their capacity to adopt productivity-enhancing technologies. The relationship between technological improvement and supply expansion must therefore distinguish potential increases in productive capacity from additional quantities actually produced, distributed, and offered for sale.

Resource availability imposes additional constraints on supply that cannot necessarily be overcome through higher selling prices or stronger incentives to expand output. Agricultural production is particularly sensitive to cultivated land, rainfall, temperature, and biological production conditions, which may influence harvest yields and the timing of commodity availability (Awa et al., 2024). Interruptions in fertilizer supplies, animal feed, packaging materials, or transportation services can similarly restrict production and distribution across agricultural and manufacturing activities. The entry of additional producers may expand aggregate market capacity, although the increase in supply is not necessarily proportional to the number of participating enterprises. Differences in firm size, equipment efficiency, access to financing, and competition for limited inputs can produce unequal supply responses among businesses operating in the same market. Financial resource management also affects operational continuity and productive capacity, as research on halal food and beverage enterprises illustrates the relationship between working-capital conditions and business performance (Umar & Al-Faryan, 2024). Table 2 organizes these economic determinants according to their underlying mechanisms, expected implications for supply, and corresponding considerations within Islamic microeconomic analysis.

Table 2. Economic Determinants of Supply and Their Expected Effects

Determinant	Economic Mechanism	Expected Supply Implication	Islamic Economic Consideration
Product price	Change in the incentive to supply	Movement along the supply curve, other factors constant	Fair market exchange
Input and production costs	Change in production profitability	Potential shift in supply	Lawful inputs and responsible cost management
Technology and productivity	Change in productive efficiency	Potential expansion of supply	Responsible resource utilization
Resource availability	Change in feasible production capacity	Potential expansion or contraction	Responsible resource management
Number of producers	Change in aggregate market capacity	Change in market supply	Fair competition
Government policies	Change in costs, constraints, or incentives	Policy-dependent supply response	Justice and public welfare

Table 2 distinguishes changes in quantity supplied resulting from movements in product prices from changes in supply arising through costs, technology, resource availability, producer participation, and government policies. The own-price relationship assumes unchanged nonprice conditions, whereas increasing input costs may reduce economically feasible output even when the selling price remains constant. Technological improvements may expand production capacity, but enterprises require

adequate financing, complementary inputs, and market access to translate potential efficiency gains into additional quantities supplied. Islamic production research emphasizes that economic efficiency and moral responsibility should be evaluated together without assuming that ethical compliance produces a predetermined quantitative change in supply (Juwita et al., 2026). Studies of upstream halal enterprises also identify organizational capabilities and institutional requirements as relevant business considerations, although these dimensions are not equivalent to directly estimated price elasticities or supply-curve shifts (Islam et al., 2024). The classification therefore separates economic mechanisms that influence productive decisions from normative obligations that establish the conditions under which production and exchange are considered permissible.

Government policies influence supply through production taxes, subsidies, licensing procedures, infrastructure development, quality standards, and trade-related requirements. Input subsidies may reduce effective production costs and support output expansion, while production taxes can increase expenditure and discourage additional supply at a given selling price. The magnitude and direction of these responses depend on eligibility conditions, implementation costs, market structures, and producers' ability to access available policy benefits. Islamic economic studies identify government regulation, production costs, honesty, and awareness of halal requirements as considerations relevant to producer behavior and market participation (Nasution et al., 2026). For small enterprises, halal certification may involve administrative expenditures and compliance requirements, although the existence of these costs does not establish that certification necessarily reduces market supply (Rochmatullah et al., 2026). Research examining barriers to halal supply-chain implementation indicates that organizational capabilities, resource constraints, and implementation arrangements require consideration when evaluating the operational implications of compliance requirements (Ardiantono et al., 2024). Policy evaluation must consequently distinguish the economic effects of regulatory requirements from their normative objectives concerning consumer protection, permissible transactions, and equitable market participation.

Rice and chili peppers provide conceptual illustrations of how economic determinants interact in markets supplying essential agricultural commodities. Rice availability may depend on cultivation yields, fertilizer expenditure, harvesting schedules, milling capacity, inventory management, and interregional distribution, whereas chili production may exhibit stronger short-term exposure to seasonal cultivation and weather-related disruptions. A price increase in either market may reflect reduced supply, stronger demand, rising production costs, or combinations of these conditions, making observed prices insufficient evidence of deliberate withholding. Among micro, small, and medium enterprises, productive capacity may similarly depend on working capital, equipment availability, labor arrangements, supplier access, and fluctuations in customer orders. Research discussing transitions from stock-based production to pre-order arrangements illustrates how smaller enterprises may organize production decisions around anticipated demand while considering Islamic microeconomic principles (Angela et al., 2026). These illustrations explain potential economic mechanisms rather than reporting field observations, verified commodity statistics, or measured supply responses from the present literature review.

The reviewed literature supports a distinction between productive feasibility, short-run supply responsiveness, and the normative acceptability of decisions made by producers. Changes in product prices influence incentives to offer additional quantities, whereas variations in input costs, resource availability, technology, and government policies may alter the economically feasible conditions of supply. Islamic production theory extends this assessment by examining resource stewardship and responsible economic activity without replacing conventional analysis of productive constraints and cost structures (Rahmawati et al., 2025). Compliance with halal requirements, for example, may affect production expenditure, but its net implication for supply also depends on demand conditions, financing availability, productive adjustments, and possible improvements in operational organization. Literature examining halal production and efficiency emphasizes that production decisions can be assessed through economic performance and ethical considerations without assuming that these dimensions generate identical market outcomes (Surasa et al., 2026). Analytically, explaining commodity shortages requires distinguishing genuine production limitations from strategic restrictions while separating aggregate market conditions from the behavior of individual enterprises. These distinctions establish the conceptual basis for evaluating producer honesty, harmful hoarding, market supervision, and public welfare without confusing normative assessments with empirically demonstrated supply responses.

Producer Ethics, Market Regulation, and Public Welfare in Islamic Supply Theory

Producer ethics constitutes an essential dimension of Islamic supply theory because market participation involves responsibilities extending beyond the economic feasibility of production and the pursuit of commercial returns. Islamic discussions of demand and supply associate market exchange with fairness and acceptable commercial conduct, providing a normative foundation for evaluating producer behavior (Anggraini et al., 2024). Honesty requires accurate disclosure of product characteristics, including ingredients, quality, weight, expiration dates, and halal status, so that purchasing decisions are based on reliable information. Research examining producer honesty and halal awareness identifies these considerations alongside production costs and government regulation as relevant dimensions of supply decisions in Islamic economics (Nasution et al., 2026). Studies concerning halal supplier integrity further emphasize verification and transparency as relevant requirements for maintaining the credibility of food supply arrangements (Che Hassan & Osman, 2024). Supplier evaluation research also illustrates how food safety and halal criteria can be incorporated into procurement decisions, linking ethical requirements with organizational practices rather than treating them as abstract commercial obligations (Wijaya & Widodo, 2023). The resulting interpretation distinguishes the physical quantity of goods supplied from the legitimacy and informational reliability of the transactions through which those goods enter the market.

Price fairness in Islamic microeconomics does not imply that producers must consistently offer goods at the lowest possible selling price. Commercial enterprises require adequate revenues to cover legitimate production expenditures, compensate productive factors, maintain operations, and finance future investment. Research examining Muslim microentrepreneurs indicates that pricing rationality may incorporate moral responsibility, social relationships, and distributive considerations alongside conventional business objectives (Syaichoni & Swaningrum, 2026). Discussions of Ibn Khaldun's economic thought recognize that market prices reflect changing conditions of demand and supply, making the economic causes of price variation relevant to evaluating commercial transactions (Nisak, 2022). Classical Islamic economic literature also places commercial conduct within a normative framework that considers legitimate earnings and responsibilities toward society (Mannan, 1986). Fairness consequently requires distinguishing price increases arising from genuine scarcity or higher costs from those associated with deception, coercion, or deliberate exploitation of market conditions.

The principle of maslahah extends the evaluation of producer decisions from private profitability toward their consequences for consumers, workers, communities, and the broader economic environment. Islamic economic scholarship emphasizes that economic activity should contribute to human welfare while remaining subject to principles of justice and the prevention of harmful conduct (Chapra, 1992). A production activity may generate substantial financial returns while simultaneously creating negative consequences through unsafe products, misleading information, or irresponsible resource utilization. Research addressing production in Islamic economics similarly examines the relationship between economic efficiency and moral responsibility, indicating that productive success cannot be evaluated exclusively through financial indicators (Juwita et al., 2026). Literature concerning halal value chains identifies interconnected activities and organizational requirements that extend beyond individual transactions, making coordinated responsibility relevant to the assessment of production and distribution (Harsanto et al., 2025). Research on sustainable halal product performance further associates business outcomes with sustainability-related considerations, reinforcing the analytical relevance of organizational responsibility (Mabkhot, 2023). These contributions provide a normative basis for assessing productive activities without establishing that ethical compliance necessarily increases market supply or produces a predetermined change in production costs.

Harmful hoarding, commonly discussed through the concept of ihtikar, raises questions concerning the deliberate restriction of commodity availability and the resulting consequences for market participants. Deliberately withholding essential goods to exploit scarcity differs from maintaining inventories for seasonal demand, production continuity, or protection against distribution interruptions. Comparative studies of Ibn Khaldun and Ibn Taymiyyah address the distinction between legitimate market price formation and practices that may require intervention to prevent injustice (Rusdi & Widiastuti, 2020). Research on halal supply-chain resilience emphasizes the relevance of maintaining supply continuity under disruptive conditions, illustrating why the existence of inventories cannot

independently establish improper market conduct (Harwati et al., 2025). Assessing potentially harmful withholding requires evidence concerning inventory quantities, storage purposes, distribution patterns, prevailing scarcity, and the consequences of commercial decisions. Table 3 summarizes the principal Islamic ethical requirements and their implications for producer decisions and market governance.

Table 3. Islamic Ethical Principles and Their Implications for Supply and Market Governance

Islamic Principle	Normative Requirement	Relevance To Producer Decisions	Market Governance Implication
Honesty (*sidq*)	Accurate product information	Transparent marketing and transactions	Supervision of misleading practices
Justice (*adl*)	Fair treatment in exchange	Avoidance of exploitative conduct	Protection against unfair practices
Halal compliance	Permissible goods and processes	Selection of inputs and production activities	Appropriate compliance supervision
Prohibition of harmful *ihtikar*	Avoidance of deliberate harmful scarcity	Distinction between normal inventory and manipulation	Investigation of proven manipulation
Public welfare (*maslahah*)	Consideration of social consequences	Evaluation beyond private profit	Proportionate market intervention

The classification in Table 3 indicates that Islamic ethical principles operate through different requirements and should not be interpreted as interchangeable determinants of market supply. Honesty and justice primarily govern the legitimacy of commercial information and transactional behavior, whereas halal compliance may also influence the selection of productive inputs, suppliers, and production procedures. Research examining halal integrity in broiler chicken supply chains demonstrates the relevance of structured supplier and operational assessments for maintaining compliance across interconnected business activities (Anggraini et al., 2024). Studies of upstream halal enterprises further identify institutional requirements and organizational capabilities as considerations affecting the implementation of compliant production and supply arrangements (Islam et al., 2024). These requirements may influence costs, market participation, or productive capacity, although their actual consequences depend on enterprise resources, implementation arrangements, and consumer responses. The prohibition of harmful ihtikar and the principle of maslahah establish additional criteria for assessing deliberate market restrictions and the broader consequences of producer decisions. The conceptual distinction is essential because the ethical legitimacy of supply activities cannot be inferred exclusively from observed quantities, while changes in market supply cannot be attributed to normative principles without supporting economic evidence.

Classical Islamic economic thought provides a foundation for distinguishing ordinary market price adjustments from distortions associated with unfair commercial behavior. Interpretations of Ibn Khaldun's economic reasoning recognize that changes in commodity availability and market demand contribute to price formation, indicating that price fluctuations are not necessarily evidence of misconduct (Nisak, 2022). Comparative analysis of Ibn Khaldun and Ibn Taymiyyah emphasizes the relevance of market supervision while recognizing the operation of supply-and-demand mechanisms under legitimate trading conditions (Rusdi & Widiastuti, 2020). This distinction limits the justification for intervention based solely on observations of rising prices without examining their underlying economic causes. Appropriate supervision requires identifying whether shortages result from production failures, distribution constraints, excessive market concentration, deceptive transactions, or deliberate withholding intended to exploit scarcity. Government responses should therefore correspond to verified market conditions and consider the effects of intervention on productive incentives, legitimate commercial activity, and consumer access to essential commodities.

Market governance can address supply disturbances through improved distribution systems, transparent inventory information, proportionate regulatory enforcement, and assistance to producers experiencing genuine operational constraints. Research involving micro and small enterprises in West Sumatra identifies challenges and potential strategies concerning halal supply-chain management, providing relevant organizational considerations for implementing ethical production requirements

(Andespa et al., 2024). Studies examining barriers to halal supply-chain implementation similarly demonstrate the relevance of organizational resources, operational capabilities, and implementation arrangements when assessing enterprises' ability to comply with required standards (Ardiantono et al., 2024). Research concerning the pempek industry in Palembang identifies motivations and barriers associated with halal supply-chain practices, indicating that sectoral characteristics should inform regulatory and managerial responses (Wahyudi et al., 2026). Literature on halal logistics and organizational capabilities also associates supply-chain performance with coordination and knowledge management, although supply-chain performance should not be equated directly with aggregate market supply (Abd Rahman et al., 2023). Policy measures supporting supplier information, logistics infrastructure, and compliance procedures may improve the conditions under which enterprises operate, but their effectiveness requires independent empirical evaluation. Enforcement against market manipulation should consequently depend on substantiated evidence of harmful conduct rather than assumptions that ordinary inventory management, increased production costs, or higher market prices constitute violations.

The reviewed literature supports an integrated interpretation of Islamic supply theory that preserves conventional analysis of production costs, productive feasibility, and market incentives while incorporating ethical restrictions and social responsibilities. Islamic microeconomic scholarship provides a normative basis for evaluating permissible production, fair transactions, and producer responsibilities without abandoning the economic mechanisms governing supply decisions (Beik et al., 2022). The broader Islamic economic framework likewise places justice and human welfare among the criteria for assessing economic activity and institutional arrangements (Chapra, 1992). The conceptual contribution lies in distinguishing economic determinants capable of changing market supply from ethical obligations governing acceptable producer behavior, while recognizing that these dimensions may interact through costs, organizational capabilities, and regulatory requirements. Because the study employed a narrative literature review, its conclusions represent comparative conceptual interpretations rather than empirical estimates of the effects of halal compliance, ethical conduct, or market supervision on quantities supplied. Further research could examine these relationships using observed commodity prices, production costs, inventory movements, output quantities, and regulatory conditions to determine how economic mechanisms and Islamic normative requirements interact across different markets.

CONCLUSION

The literature review found that supply is influenced by product prices, production costs, raw material prices and availability, technology, productivity, the number of producers, government policies, expectations, and natural and distribution conditions. Other factors held constant, higher prices generally increase the quantity supplied by strengthening producers' incentives to expand output. Changes in production costs, technological capabilities, resource availability, and other nonprice determinants may instead shift the supply curve by altering productive capacity and economic feasibility. Distinguishing changes in quantity supplied from changes in supply is essential for interpreting market dynamics and identifying the economic mechanisms underlying price fluctuations. The analysis demonstrated that production capacity, input availability, financial resources, and distribution constraints can limit supply responses even when market prices increase. Conventional and Islamic microeconomic approaches recognize these economic determinants, although Islamic analysis additionally evaluates the permissibility and social consequences of production and exchange decisions. The principal conceptual contribution of this study lies in integrating economic supply determinants with Islamic normative considerations while distinguishing measurable market mechanisms from ethical requirements governing producer behavior.

Islamic microeconomics recognizes the importance of prices, production costs, efficiency, and reasonable profits while situating producer decisions within the principles of honesty, fairness, halal compliance, social responsibility, and public welfare. Fraudulent transactions, deliberate hoarding that creates harmful scarcity, and exploitative market practices are inconsistent with these principles because they compromise equitable exchange and consumer welfare. Nevertheless, rising prices and declining supply do not necessarily indicate producer misconduct, as such conditions may arise from genuine production constraints, adverse weather, increasing input costs, or distribution disruptions. Market supervision and government intervention should consequently be based on verified economic

conditions, evidence of harmful practices, and consideration of both consumer protection and legitimate producer interests. This study was limited by its narrative literature review design and selected sources, without directly measuring supply conditions for rice, chili peppers, or micro, small, and medium enterprises in Indonesia. Future research should incorporate official statistical data and field investigations to examine relationships among commodity prices, production costs, output quantities, resource availability, and market behavior. Further empirical investigations could also evaluate how halal requirements, producer ethics, and regulatory arrangements influence supply decisions across different industries, thereby testing the practical applicability of the proposed conceptual synthesis.

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