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Shallot Market Mechanism in Nganjuk Regency, East Java: An Analysis from Ibn Taymiyyah's Perspective

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A B S T R A C T

Shallots are a common ingredient in food, but their prices fluctuate frequently. This phenomenon is driven by supply and demand. We aimed to examine this phenomenon in Probolinggo Regency from Ibn Taymiyyah's perspective, as it is the second-largest food production site in East Java. Our research method was a qualitative case study, with primary and secondary data sources. Our data collection techniques included in-depth interviews, participant observation, and documentation. Data analysis utilized data reduction, data presentation, and conclusion drawing. Our research findings indicate that the shallot market mechanism in Probolinggo Regency is generally aligned with Ibn Taymiyyah's Islamic market principles: prices are naturally formed by supply and demand (sunatullah). Under normal conditions, the market is free from ihtikar (stakes made in the name of perishable commodities) and price fixing, reflecting fair prices (thaman al-mithl), while price intervention (tas'ir) is prohibited due to its distortion. However, during crop failures, seasonal fluctuations, or artificial scarcity by wholesalers, the market fails to achieve fairness. Under these conditions, Ibn Taymiyyah requires the government to undertake countercyclical intervention. The ideal intervention is not a rigid HET, but rather asymmetric flexibility: a dynamic reference price (floor-ceiling price) accompanied by structural logistics interventions such as transportation subsidies and market operations, to stabilize consumer prices without harming farmers' fair margins.

Keywords: Market Mechanism, Shallots and Ibn Taimiyah

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INTRODUCTION

Shallots are a strategic horticultural commodity for the economy of Probolinggo Regency. As the second-largest production center in East Java, Probolinggo is home to the Dringu Shallot Wholesale Market, which serves as the primary trading hub in the Tapal Kuda region. However, price movements in this market exhibit significant volatility. Approaching the main harvest in August 2026, shallot prices fell sharply due to abundant supply from various regions (Ardito Bhinadi and Bulan Lestari Yasinta Simatupang, 2025). Conversely, in May 2026, shallots actually contributed to inflation due to declining supply while demand increased ahead of Eid al-Adha.

This fluctuation is worth examining using Ibn Taymiyyah's perspective, employing market mechanism theory. He stated that price fluctuations do not always stem from trader injustice, but rather from the natural interaction of supply and demand (Salsabila Salsabila and Malahayatie Malahayatie, 2026). He distinguished between reasonable price fluctuations and increases resulting from manipulative practices such as hoarding, while emphasizing the need for the institution of hisbah to ensure fairness in transactions. This idea is relevant to examining the mechanisms of the Probolinggo shallot market, which is vulnerable to speculation and price manipulation (Hafirda Akma Musaddad, Zairy Zainol, and Selamah Maamor 2022).

Market mechanisms have actually been introduced by many figures in the past, one of whom was Ibn Taymiyyah. Ibn Taymiyyah explained that prices are formed naturally through the interaction of supply and demand (Khoirun Nisak, 2022). He stated that price fluctuations are not always caused by trader injustice but can occur due to reduced production or increased demand. If supply decreases while demand increases, prices naturally rise (Fawad Khaleel, 2024). Conversely, if supply is abundant and demand decreases, prices fall. He also introduced the concept of a just price (tsaman al-mitsl), a price that arises from a clean market mechanism without manipulation, fraud, or exploitation. According to him, factors that influence demand include public preferences, number of requesters, characteristics of the transacting parties, type of payment instrument, and purpose of the contract (Seven Agi, 2025).

Furthermore, Ibn Taymiyyah also emphasized market freedom and its limitations. Ibn Taymiyyah emphasized the importance of market

freedom and rejected arbitrary government intervention as long as the market operated normally (Taufid Hidayat Nazar, 2022). However, this freedom is not without limits—it must operate within the bounds of honesty, openness, and justice. He distinguished between natural price fluctuations and increases resulting from zulm (injustice), such as monopolies, hoarding (ikhtikar), and collusion. When market distortions occur, state intervention is justified to restore balance. State intervention is corrective, not repressive (Sopian, 2025). The goal is to restore healthy market mechanisms. Ibn Taymiyyah recommended price fixing when sellers refuse to sell unless the price is significantly above normal, while the public is in dire need.

The institution of hisbah (the legal basis for market regulation) functions to oversee the market: preventing fraud, monitoring the scales, preventing monopolies and hoarding, and maintaining ethical transactions (Hafirda Akma Musaddad, Zairy Zainol, and Selamah Maamor 2022). Today, Ibn Taymiyyah's ideas remain relevant for analyzing agricultural commodity price fluctuations, monopolies, and modern market distortions. His framework offers a synthesis of market efficiency and social justice (Sri Wigati, Dwi Izky Aizzah, and Kasyifatun Najaa 2024). In the context of the Probolinggo shallot market, his ideas help distinguish between reasonable price fluctuations due to harvest dynamics and decreases or increases due to speculation and manipulation, thus determining whether government intervention is necessary (Zeki Yaka, 2022).

Our research was inspired by several studies, such as those by Lina Azizah and M. Riza Wahyu Alhadi Abror. Their research focused on use value and exchange value, leaving other values unexplored. Therefore, our research was conducted with a more complex perspective, focusing on use value, exchange value, and the value of justice within Ibn Taymiyyah's ideas. Furthermore, we used a case study to assess the theory's relevance to events in Probolinggo Regency. We were also inspired by the research of Moh. Agus Sifa' and Ahmad Subakir. Their research utilized literature review, aiming to explore the thoughts of Abu Yusuf and Ibn Khaldun on market mechanisms. Our research, meanwhile, examined the relevance of Ibn Taymiyyah's thoughts to the market mechanisms implemented in a region in East Java, the second-largest shallot market in the country.

METHOD

This research uses a qualitative approach with a case study. This approach was chosen because this research aims to deeply understand how the shallot market mechanism in Probolinggo Regency operates and how Ibn Taymiyyah's thinking can be used to analyze it. Case studies allow researchers to explore phenomena in a real-life context. The case study used is a single case study, with Probolinggo Regency as the case, specifically the shallot farmers in Dringu District, one of the main production centers (Dimas Assyakurrohim et al. 2023). The research location was determined to be Probolinggo Regency. The location was selected purposively based on the following considerations: (1) Probolinggo is a significant shallot production center in East Java; (2) there are fluctuating price dynamics in Probolinggo Regency; and (3) the majority of the population in this region depends on shallot farming for their livelihood. The research period is planned for 3–4 months, encompassing the preparation, data collection, and analysis stages.

The data sources in this study consist of primary and secondary data (Ardiansyah, Risnita, and M. Syahran Jailani, 2023). Our primary data were obtained through in-depth interviews with shallot farmers in Probolinggo Regency. Informants were selected using a purposive sampling technique with the following criteria: (1) active farmers who have cultivated shallots for at least three years; (2) own land or rent it; and (3) willing to provide information openly. The number of informants was determined based on the principle of data saturation, which occurs when the information obtained no longer yields new findings. The initial estimate was 10–15 farmers from several villages in Dringu District. Secondary data complemented the primary data, including: (a) shallot production and price data from the Probolinggo Regency Statistics Agency (BPS) and the Department of Agriculture; (b) previous research reports on the Probolinggo shallot market; (c) documents related to price stabilization policies; and (d) literature on Ibn Taymiyyah's economic thought.

Data collection was conducted through three main techniques: in-depth interviews, participant observation, and documentation. Interviews were conducted semi-structured using a flexible interview guide, allowing researchers to dig deeper into the conversation (Marinu Waruwu, 2024). Observations were conducted to directly observe transaction activities in Probolinggo Regency, bargaining patterns, and

interactions between farmers and traders (Siti Romdona, Silvia Senja Junista, and Ahmad Gunawan, 2025). Documentation included the collection of supporting data such as price records, production reports, farmer group archives, and related policy documents (Ardiansyah, Risnita, and M. Syahran Jailani, 2023).

Our data analysis involved three stages: data reduction, data presentation, and conclusion drawing. Data reduction was carried out by selecting, focusing, and simplifying raw data from interviews, observations, and documentation (Qomaruddin and Halimah Sa'diyah, 2024). Researchers sorted information relevant to the research focus, namely market mechanisms and Ibn Taymiyyah's perspective, and excluded unrelated data. The reduced data was presented in descriptive narratives, tables, and interview quotations. This presentation aimed to facilitate researchers in identifying patterns, relationships between categories, and themes emerging from the field data. Researchers drew conclusions based on the identified patterns and themes, then verified these conclusions with the collected data. Initial conclusions were provisional and subject to change as new evidence emerged during the analysis process (Muhammad Rijal Fadli, 2021).

RESULTS AND DISCUSSION

The Power of Supply and Demand.

The price formation of shallots in Probolinggo Regency is fundamentally consistent with microeconomic theory regarding the interaction of supply and demand, and aligns with Islamic market mechanisms according to Ibn Taymiyyah. Empirically, daily price changes in the local wholesale market are primarily seen as a direct impact of shifts in the supply curve, reflected in farmers' harvest stocks. When supply increases sharply during the peak harvest season, prices tend to fall automatically. Conversely, prices can spike rapidly during shortages outside the planting season. However, data analysis indicates a market structure that tends toward a loose oligopoly at the intermediary marketing institution level, with market power held by well-capitalized wholesalers or wholesalers.

These middle-market players possess the financial capacity to influence daily price trends through their dominant bargaining power in the wholesale market. However, speculators' capabilities are limited by

rigid thresholds, leaving them vulnerable and unable to withstand market swings during supply shocks or extreme national stock surpluses. Thus, the pricing structure confirms that fundamental forces in the free market remain the primary determinants of commodity values in Probolinggo. The absence of illegal speculation is influenced by the perishable nature of horticultural commodities and the high risk of weight loss if stored for too long without cold storage. Adjusting distribution speeds by wholesalers in wholesale markets does not involve unprofitable hoarding, but rather a logistics management strategy to maintain the continuity of goods circulation to prevent a supply glut that could drastically lower prices for farmers.

A review of Islamic economics also shows that the supply and value creation of commodities in this market align with the concept of economic justice emphasized by Ibn Taymiyyah. Islamic business ethics are evident through transaction transparency and proportional risk sharing among agents in the field. The resulting market structure minimizes the opportunity for economic exploitation, both upstream for farmers during harvest surpluses and downstream for end consumers during times of famine. Adaptive and equitable supply patterns create a balance of benefits and benefits, ensuring traders' profit margins remain stable without sacrificing farmers' welfare or public purchasing power.

The Concept of Fair Price.

Under normal market conditions, shallot pricing in Probolinggo Regency meets the criteria for perfect competition and aligns with the concept of fair pricing. The formation of daily economic value occurs naturally from the start of wholesale market activity, through the intersection of aggregate supply from incoming goods and aggregate demand from incoming buyers. The absence of market distortions, such as unilateral price manipulation, indicates a high allocative efficiency in the local market structure. The resulting price signals truly reflect the actual scarcity of the commodity, according to Ibn Taymiyyah, a price born of mutual consent without any element of oppression. The adherence to freedom of contract and economic sovereignty in the Probolinggo market is a key indicator of achieving standard prices. Voluntary, non-coercive bargaining helps mitigate extreme information asymmetry, ensuring that traditional farmers' bargaining power remains intact. Furthermore, farmers' ability to reject excessively low offers and

seek alternative trading partnerships demonstrates market liquidity and a relatively balanced distribution of bargaining power. Transparency in economic behavior fosters a healthy transaction climate, allowing producer and consumer surpluses to be allocated proportionally within the regional trade ecosystem. However, when sharp fluctuations occur due to crop failures or spikes in demand leading up to religious holidays, welfare asymmetries can arise between producers and consumers. When prices spike sharply due to natural factors or seasonal fluctuations, pure market mechanisms are unable to distribute justice equitably within a social context.

Consumers bear the burden of rising living costs due to eroded consumer surplus, while farmers do not achieve optimal profits due to reduced volume of goods available for sale. This situation emphasizes that in anomalous situations, the relatively rigid elasticity of supply for horticultural commodities can trigger market failure, which is manifested as burdensome spikes in retail prices. To address these anomalies, field data analysis emphasizes the need for countercyclical and measured government intervention policies to restore the core of fair prices. The ideal intervention, and desired by business actors, is not rigid price regulation, but rather the use of dynamic upper and lower reference price instruments. This economic framework is considered effective in breaking the chain of excessive speculation by intermediaries in the wholesale market, thereby restoring purchasing power stability at the downstream consumer level without sacrificing fair profit margin incentives for shallot farmers in Probolinggo Regency.

Prohibition of Market Intervention under Normal Conditions.

In the shallot market in Probolinggo Regency, which is in a normal and competitive phase, Ibn Taymiyyah's thinking firmly prohibits price intervention by public authorities. Empirical data shows that when harvests are normal, prices are formed entirely from the intersection of the aggregate supply curve and the aggregate demand curve in real time in the daily wholesale market. Prices emerge through a voluntary, transparent bargaining mechanism that depends on the volume of incoming goods, resulting in a justifiable equilibrium price. Under these ideal conditions, changing or setting prices is considered unfair because it violates the right to freedom of transaction under Sharia law. Field data analysis found no extreme monopsonistic or oligopolistic market

distortions in local pricing. There is no empirical evidence of dominant actors, whether institutions, associations, or specific wholesalers, having the power to unilaterally set prices. The market structure, in fact, demonstrates a balanced distribution of bargaining power and the robust principle of economic sovereignty.

Farmers and traders have complete freedom to accept or reject transactions based on their own rational considerations, thus ensuring fair prices without external interference. When the market is in stable equilibrium, government price controls are considered inefficient. From a microeconomic perspective, the forced imposition of price ceilings or floor limits when supply is running smoothly will disrupt the natural price signals arising from market mechanisms. The unnecessary nature of this regulation is based on the argument that a free market system has proven capable of allocating resources optimally. Therefore, forced external intervention during normal times in Probolinggo Regency tends to reduce allocative efficiency and undermine previously harmonious partnerships.

This analysis also highlights the negative impacts of the loss of market efficiency borne by traders and the deterioration of the downstream supply chain ecosystem if intervention continues under normal conditions. Unilateral price restrictions suppress traders' profit margins, increase transaction costs due to regulatory rigidity, and create uncertainty in the business climate. Systemically, the loss of incentives for traders leads to weakened motivation and a reduced capacity to absorb farmers' harvests to their full potential. Ultimately, rather than protecting market participants, ill-timed intervention has the potential to lead to government failure, particularly in the form of artificial supply shortages.

Obligation to Intervene in Markets under Distortion Conditions.

Although intervention is prohibited under normal circumstances, Ibn Taymiyyah requires the government to intervene in the market when distortions arise due to unjust hoarding, namely ihtikar. In Probolinggo Regency, the biological nature of shallots, which are susceptible to mass spoilage and the risk of physical weight loss, actually act as a natural disincentive for speculators to avoid long-term hoarding. Market players understand that withholding supplies of horticultural commodities without special freezing facilities will result in significant capital losses. Small-scale distribution delays in wholesale markets are seen as a daily

logistics strategy to maintain stable commodity circulation and prevent supply surges. However, this analysis still demonstrates the vulnerability of the local market ecosystem to supply shocks engineered by large capitalists.

If stock holding is carried out intentionally to create artificial scarcity, the systemic impact will quickly disrupt healthy price transmission from the wholesale to the retail level. Mechanically, this artificial scarcity shifts the supply curve to the left, triggering market panic, manifested in panic buying, and resulting in asymmetrical retail price spikes. In emergencies that harm the public interest, government authorities are legally obligated to enforce supply openings and establish fair prices. When markets experience distortions due to scarcity, rigid interventions such as setting a Highest Retail Price are deemed inappropriate because they can trigger secondary market failures. Unilateral price setting without considering increases in marginal costs at the upstream level will only stifle economic incentives for farmers and traders who have already assumed significant capital risks. Therefore, this analysis emphasizes that an effective price stabilization policy aligned with Ibn Taymiyyah's spirit of justice must rely on an asymmetrical flexibility approach. Regulatory instruments capable of dampening downstream fluctuations without violating producer rights. In Probolinggo, the most equitable intervention for all economic agents is achieved through a combination of a dynamic reference price policy called corridor pricing and structural logistics interventions.

The application of adaptive price ceilings and floors allows for fluctuations in production costs that actually occur at the farmer level. Furthermore, implementing market operations with direct supply integration from surplus areas through transportation cost subsidies, known as logistics subsidies, serves as a highly efficient market correction instrument. This strategy breaks the chain of excessive profit margins at the intermediary level, lowering retail prices for consumers, while maintaining producer surplus at the farmer level, which is experiencing declining harvest volumes.

CONCLUSION

The shallot market mechanism in Probolinggo Regency has fundamentally been operating in line with Islamic market principles

according to Ibn Taymiyyah, where the daily price formation process in the wholesale market is formed organically through the interaction of supply and demand forces (sunatullah). Under normal market conditions, the local trading ecosystem is free from detrimental hoarding practices (ihtikar) due to the perishable nature of commodities, and is free from unilateral price manipulation (price fixing). This condition has fulfilled the criteria of a perfect competitive market that reflects fair prices (thaman al-mithl) based on mutual consent (raghbah fil-syai') without coercion. Therefore, price intervention (tas'ir) by public authorities in this normal phase is strictly prohibited because it will only create new market distortions (deadweight loss) that damage allocative efficiency and harm existing partnerships. However, when anomalies occur in the form of supply shocks due to crop failure, seasonal momentum, or the potential for artificial scarcity by the power of a loose oligopoly of large traders, the pure market mechanism fails to distribute justice evenly. In this distorted situation that threatens the public welfare (maslahah ammah), Ibn Taymiyyah requires the government to intervene in the market in a countercyclical manner. The ideal and just form of intervention is not through the setting of a rigid Highest Retail Price (HET), but through an asymmetrical flexibility approach that combines a dynamic reference price policy (floor and ceiling-based corridor pricing) with structural logistics interventions in the form of transportation cost subsidies and market operations, in order to reduce price spikes at the downstream consumer level without sacrificing fair profit margin incentives for farmers at the upstream level

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