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The Determination of Fair Selling Price: an Ethnomethodology Study in PT. Panderman Property Syariah

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ABSTRACT

This study aims to reveal the practice of setting the price of sharia property without banks. This study uses an interpretive paradigm with a religious ethnomethodological approach to find ways or methods of setting the price that are believed in a social environment based on justice value in Islam. The data in this study were obtained from observations in the field, documentation and in-depth interviews with people who are related to setting the price at PT Panderman Properti Syariah. Data analysis was performed using equitable indexicality and equitable reflexivity. The results of the study show that there are four ways to determine the selling price, such as; implementing sharia provisions, determining the pricing objectives, calculating costs and determining fair profit, and bidding and contract arrangement mechanisms. Fair selling price is determined by paying attention to the rights of stakeholders, both those that are related to and those not directly related to the company's operations. Each stakeholder is fulfilled their rights in a balanced manner.

INTRODUCTION

Property prices in Indonesia are increasingly expensive. It takes a lot of funds to meet the need for housing. Alleviating this fulfillment, people usually take credit from banks or financial institutions. In the midst of awareness about the prohibition of interest in conventional banking, the Muslim community has turned to Islamic banks as an alternative. However, it turns out that the practice of Islamic banking is not that different from conventional banking. There are many deviations of Islamic principles found in the practices of Islamic banks in providing financing products for housing. For instance, the house financing with a *murabahah* contract which in *fiqh* concept is sale and purchase, yet if it is run by a sharia financial institution it turns into financing (Ernawati and Ludigdo 2012). So that, practically all bank performances are only related to the handling of related documents; and the sales contract is just a formality (Maulidizen 2018).

Regarding to the above phenomena, some Muslims find the need to formulate a certain mechanism so the transactions are in accordance with Islamic *fiqh*. Then, to meet the needs of housing, an alternative to the property business emerged without using bank as an intermediary. This business was later called as the Sharia Housing Credit (KPR Syariah) without a bank (Firmansyah and Indika 2017) or Sharia House Ownership Financing (Sharia PPR) (Idris 2014). KPR Syariah without a bank means that the property sale and purchase correlation only involves the Buyer and the Seller (Developer) using sharia contracts. Buyers purchase on credit and pay installments directly to the developer without involving banks or other financial institutions. The company that sells the property is known as the Sharia Developer. Thus, what is meant by Sharia property sale and purchase in this study is the sale and purchase of property in the form of land or a residential house with a payment scheme based on the contracts or Islamic principles without using financial institutions or banks as a third party. The focus of this research is residential houses sale and purchase with a sharia transaction scheme.

In a business, price is regarded to have an important role in the production of goods and services. The producers may get profits by that

determined price. We may refer to the opinion of Kotler and Armstrong (2008) that price is the only element in the marketing mix which provides income or revenue. Therefore, pricing affects the total revenue and total costs, accordingly pricing decisions and strategies play an important role in every company (Secapramana 2000).

Pricing is closely related to the total revenue and total costs. Furthermore, the price will have a direct effect on the company profits (Secapramana 2000). Accountants define profit as an excess income over expenses (Estes 2005). Maximization of profit (bottom line) is the main goal of a capitalistic business. Conventional accounting is a subsidiary of the Capitalistic economic system characterized by profit maximization as seen in the bottom line of the Profit and Loss report (Subiyantoro and Triuwono 2004). Furthermore, the profit is calculated only for the benefit or loss of the shareholders, not for the stakeholders (Estes 2005).

Pricing becomes more complex when there is a postponed time of payment. In conventional economics, the grace period has a charge to be paid which is then known as interest. There are several developing theories which serve as reasons for charging interest for postponement of time. The first theory is an "abstinence" theory initiated by Nassau Senior, which argues that lending money means that someone will lose the opportunity to please himself, therefore he must be compensated by charging interests. Then, there is a "waiting" theory which was put forward by Alfred Marshal, that it is permissible to charge interests because waiting is suffering. Furthermore, Eugene Baum-Bawerk argues that the basis for the imposition of interest is a matter of preference (based on) time in which people prefer to be in accordance with the present rather than the future (El Diwany 2008). In a capitalist economy, interest is the center of the banking system, without interest the economic system will be paralyzed (Nailufarh 2008).

Thus, is the reality of pricing in conventional business. Regarding to the reality of pricing as already mentioned, so we can find out that the pricing is only based on material considerations, namely profit or loss. We may also see that there are no spiritual values or that there is no role of God in it. It can be seen that the elements of pricing only revolve around revenue, costs or customers which are ultimately intended to make the maximum

possible profit.

We can also understand that in the constituent elements of capitalism, called utilitarianism, views that the benefits measured by the results obtained, not the process that is carried out (Triyuwono 2006). Capitalism establishes a mindset which only concerned of obtaining profits. There is only little attention paid to the suffering and misery caused by the policies adopted, and the crazy thing is, we are facing a situation in which companies make people's misery as their prey (Khan 2008).

In running a business, a Muslim should not only utilize the mind as the only benchmark but should also apply religion values as the main guideline. A Muslim must use God's revelations so that a business is not only assessed for the profit and loss, but also according to *halal* or *haram* standards. In sharia-based business, pricing must certainly consider Islamic principles and values.

Price has a very important position in *muamalah* Islam. In the Islamic view, price is a pillar of sale and purchase. The sale and purchase is considered valid if it meets four conditions, which are the existence of a seller, buyer, price and agreement. Islam sees that pricing is a right for market behavior, where basically the price goes according to supply and demand, this applies if the market is in a normal state, then the price equality will apply (*thaman al-mithl*) (Syahpawi 2013).

Among the Islamic principles in pricing, especially the price in sale and purchase on credit, that there is no usury in it and the price set is a fair price. Usury is one of the economic practices prohibited in Islam. A Muslim must neither take advantage nor eat the proceeds of usury. The sin of consuming usury is enormous; the lightest sin of it is likened to commit adultery to his own mother (Narrated by Ibn Majah and Al-Hakim). On the top of that, Allah states firmly that the usury eater has declared war on Allah and His Messenger (Surah Al-Baqarah: 279).

Furthermore, the value of justice must be present in pricing. The discourse of fairness in conventional accounting is very limited. The principles developed in conventional accounting only focus on the value of self-interest, which the ultimate goal is profit (income/ earnings) (Mulawarman 2006). Mulawarman (2006) further explains that the morality discussed by the West emphasizes the principles of usefulness,

agreement, and consensus. Western morality is very materialistic and is based on the negation of forces outside of human.

The fairness issue in transactions of sale and purchase with credit payments is very real in financial institutions. Sharia bank positioned as a financing institution (a financier) not a seller of goods (a seller) is in a superior position compared to customers. Sharia banks will utilize methods to ensure that debts are repaid on time, and if not, the 'loss' obtained by the bank is borne by the customer (Maulidizen 2018). These methods include confiscating collaterals if the customer fails to pay or imposing a fine if the customer is late in installment. The risks borne by the debtor customers emerge due to the form of a standard bank credit agreement so that the debtor cannot participate in determining the contents of the agreement (Hamin 2017). The standard form of clauses is made unilaterally by the bank, so it is very logical that the agreement will only benefit the bank and protect all possible losses on the bank's side.

The practice of pricing has been widely researched. These various studies indicate that the determination of selling price is not only influenced by material profits but also other elements such as culture and religion values. Researchers such as Anwar, et al (2015) and Amaliah (2016) reveal that in fact, the concept of selling prices is also based on the culture. Anwar, et al (2015) examined the selling price of traditional traders that based on the internalization of the values of "*Rukuno La Taaliya*" (pillars of sale and purchase), a culture that exists in Gorontalo. The cultural values of *Rukuno Lo Taaliya* have a role in creating operational values in the form of honesty, mutual assistance, sincerity, trustworthiness, and the value of togetherness which have an active role in the determination of selling price. In this study, it was also found that the profit is assessed not based on how much money gained, but on the value of worships and alms that are manifested in gratitude.

Amaliah (2016) examines the cultural values behind the pricing implemented by the Balinese transmigrant community. The result of the research is that the selling price determined by the Balinese transmigrant community in Bolaang Mongondow is not only aimed at gaining material benefits, but also contains the cultural values of *Tri Hita Karana* which reflect the value of submission to the

Creator, environmental preservation and mutual cooperation.

It is not only culture; religion may also influence accounting practices, especially in Islam. Islam is a comprehensive system of life which regulates all aspects, both social, economic and political as well as spiritual life (Akmal and Abidin 2015). In the practice of pricing, Alimudin (2011) explores Islamic values that influence the practice of selling prices determination. These values include the value of honesty, the value of justice and the value of brotherhood. In the selling price method based on the value of justice, it will create a balance between one's own needs and the ability of the buyer, between the worldly needs and the hereafter needs, between one's own needs and the surrounding environment.

The research that explores the implementation of religion values was also conducted by Agustuliani and Majid (2016). This study reveals the implementation of *itsar* value on accounting concepts and practices to the traders in Pannampu traditional market in Tallo District, Makassar City. The *itsar* value in this study is a synonym for altruism or altruistic. *Itsar* is a noble behavior pattern based on the main values or Islamic teachings. The results of this study reveal the values of *itsar* in the form of brotherhood values, honesty, gratitude and care that greatly affect the selling price of the traditional market traders.

Based on the description above, this study aims to reveal the pricing practice of property sale and purchase in sharia way without banks based on the value of justice. This research is expected to provide a theoretical contribution in the development of Islamic management accounting.

RESEARCH METHOD

This study seeks to reveal the practice of selling price determination by Sharia developers in the context of their social and daily work environment. Therefore, the appropriate approach to use in this study is qualitative research. The purpose of conducting qualitative research according to Moleong (2014) is to understand the phenomenon of what is experienced by research subjects by means of descriptions in the form of words and language, in a specific natural context and by utilizing various

natural methods. So, this qualitative research will later describe holistically about the behavior, perceptions, motivation, actions, etc. which experienced by the research informants.

This study utilizes an interpretive paradigm, since it seeks to examine humans with all their experiences in pricing practices. The purpose of theory development in the interpretive paradigm is to produce descriptions, views and explanations of certain social events so that researchers are able to reveal the system of interpretation and understanding (meaning) that exists in the social environment (Gunawan 2014). Djamhuri (2011) states that the interpretivism tradition emphasizes the efforts to construct (constructivis) and interpret the community actions. Thus, the quality of theory in the interpretive paradigm is measured by its ability to interpret, not its ability to explain and predict (Triyuwono 2006).

Therefore, this study originated from an interpretation of the management perceptions which directly related to pricing. By the interpretive paradigm, it will be explored how the perceptions of each research subject on a phenomenon or their experience in pricing.

The interpretive approach used in this research is the ethnomethodological approach. One of the qualitative research approaches that focus on the awareness, perceptions and actions of actors in their daily lives is ethnomethodology (Susilo 2017). Ethnomethodological study explores how natural attitudes are realized by actors in everyday life as a phenomenon. In those activities, community members produce and regulate conditions of regular daily affairs identical to the procedures of community members to make the conditions "accountable" (Garfinkel 1967). Furthermore, Garfinkel (1967) explains that social practices are carried out with the support of, and are possible to occur as events in the same daily affairs in organizing what they describe. Based on this, according to Giddens (2010) this makes ethnomethodology away from phenomenology, with its Cartesian emphasis on the eminence (essential or existential) of subjective experience, towards the study of 'situational action' as linguistic forms that are publicly interpreted.

This study uses a religious ethnomethodology because it tries to reveal the practice of the

determination of selling prices based on Islamic values. As a research method, ethnomethodology can indeed be combined with critical, postmodern or religious paradigms (Kamayanti 2016). Ethnomethodological study is used to reveal the daily practices of members in a community. As an empirical study, inductive truth in ethnomethodological studies is then used as the truth of knowledge. So based on this, ethnomethodological study is classified as secular research methodology (Kamayanti 2016).

Since the researcher wants to portray the Islamic value of the pricing phenomenon by Sharia developers, the use of *an sich* ethnomethodology is not appropriate for this purpose. Therefore, ethnomethodological study should not left unchecked. In applying religious ethnomethodology, Kamayanti (2016) explains that researchers must first determine the religious values used as the basis to be a corridor for the truth of the knowledge produced. For this reason, the researcher includes one of the Islamic values to interpret the practice and the understanding obtained from a social phenomenon that is the value of justice.

Researcher uses the value of justice to analyze the practice of the establishment of Sharia property selling price. The discourse of fairness in conventional economics is very limited. The value of self-interest is so prominent that the ultimate goal of a business or accounting is to maximize profit (income/ earnings). The seller or creditor often has a stronger bargaining position compared to the buyer or debtor. The party with a stronger bargaining position then has the potential to violate the weaker party in order to reap the highest profit, thus injuring justice in transactions. In addition, the value of justice is used by researcher because it is a primary and important value in Islam (Chapra 2000; Qardhawi 2001b). The value is a solid foundation in all dimensions of Islamic teachings and laws in the form of *aqidah*, *sharia* and *morals*.

According to Qardhawi (2001b, 390), justice means giving every right to its respective owners without exaggerating and reducing. Justice can also be interpreted as *tawazun* (balance) between various individual potentials both moral and material, balance between individuals and communities (society) and between one community and another (Qardhawi 2001b, 396). Furthermore, justice

according to Qardhawi (2001b, 396) does not mean an absolute equality. The principle that must be adhered to is not to equate two different things such as not distinguishing two things that are the same.

Based on the definition of justice above, we can see the two components that form the value of justice, which are: the entitled parties and balance (*tawazun*) which are not only in material but also moral form. Firstly, the entitled parties. Every right owner must be given his rights, he cannot be harmed. Regarding to a company business, the entitled parties are them who have rights over the company existence. The parties having right to the added value created by the company according to Shariah Enterprise Theory (SET) are the parties having direct contributions to the company (shareholders, management, employess, customers, suppliers, government, etc.) or parties which do not directly related to the company/ indirect participant such as nature and God (Triyuwono 2006, 335).

Secondly, *tawazun* (balance) between moral and material. Business in Islam's point of view is not only intended for material gain, but there are also non-physical (immaterial) values such as spiritual or moral values. Then the balance also occurs between the individual and the community (society), so a company must fulfill community rights such as paying *zakat*. In addition, balance can also mean the balance with the environment or nature. Qardhawi (2001, 159) argues that Islam teaches to prosper the earth in working. Therefore, a company operational must not cause environmental damage just for the sake of reaping maximum profit.

The value of justice in this study will be used as an analytical tool to assess the practice of pricing by Sharia developers based on their daily routine. Researcher will analyze how the Sharia Developer meets the rights of the stakeholders in the determination of selling price. Thus, the determined selling price is a fair selling price.

Concerning to the objectives to be achieved, this research is conducted at one of the Sharia Developers, namely PT Panderman Properti Syariah. This Sharia Developer based in Batu city is a member of the Sharia Property Developer (DPS) community. PT Panderman Properti Syariah is a Sharia Developer that provides plots of land and housing with a bankless sharia scheme. The ongoing housing projet is Lesanpuro Indah (modern

housing with a 100% sharia concept in Malang City area) which is located in Kedungkandang sub-district, Malang city.

To gain an in-depth understanding of pricing, it requires direct observation on the subject of Sharia Developer at the research site. Thus, the informant is determined as a source in providing information on the research topic. Informants who will be examined in this study are presented in the table below:

Table 1 Research Informants

No	Name	Jabatan
1.	Mr. Kamarudin	President Director
2.	Mr. Akhmad Khafied	Project Manager
3.	Mr. Mahbub	Consultant/ Marketing Staf

The reason for choosing the informant is that the management involved in determination of selling price at PT Panderman Properti Syariah is the President Director and Project Manager. These two people are the main informants in this study. Meanwhile, Consultants or Marketing Staf are supporting informants who have knowledge of sharia property sale and purchase activities. The information gained from the supporting informants also serves as additional information or comparison to the practice of selling prices establishment carried out by Sharia Developers.

Data collection technique in this study is performed in three ways: in-depth interviews, observation and documentation. In-depth interviews are conducted by face-to-face question and answer session between the interviewer and the informant with or without using the interview guide. The observation conducted in this research is passive participation observation, which is carried out by observing, following the activities performed by the Sharia Developer and helping to perform the sales activities, but in this case the researcher does not play a role as a Sharia Developer. The aim of passive observation is that the data obtained is natural and unbiased. Meanwhile, documentation is conducted by collecting documents related to the problem observed. Those documents are sales brochures, documents on office activities, bookkeeping, supporting notes and so on related to sharia property pricing.

In ethnometodological research, there are two main keys used in data analysis; indexicality and

reflexivity. Since the research is a religious research using fairness analysis, it uses equitable indexicality analysis and equitable reflexivity. Fair indexicalities referred to in this study are phrases, expressions, and movements performed by research subjects that represent the value of justice in their daily routine. Researchers will classify and integrate the indexicality gained in the research site according to the value of justice for parties who have rights to the existence of a company in the midst of society. While, the fair reflexivity is a social reality performed by research subjects represent the values of justice. So, the reality of pricing application practices explored by researchers is the social reality of pricing that represents the value of justice for the entitled parties, namely God, humans and the environment (nature). The reflexivity analysis in this research is performed by understanding and analyzing the practical activities of Sharia Developers in pricing according to their routine.

RESULTS AND DISCUSSION

The results obtained from this study indicate that PT Panderman Properti Syariah has four ways in the determination of selling price: (1) Implementing sharia provisions; (2) Determining the pricing objectives; (3) Calculating cost and determining fair profit; and (4) Bidding and contract arrangement mechanisms. Each of these methods is performed by fulfilling the rights of the stakeholders that are God, man and nature.

The first, implementing sharia provisions. PT Panderman Properti Syariah runs a sharia property business by implementing sharia schemes and sharia principles. The application of the *istishna'* contract - without usury, penalty, confiscation - is one of the commitments as a Muslim to the religious teachings commanded by God, Allah The Almighty. Mr. Akhmad explained one of the motivations for running a sharia property sale and purchase business as follows:

“...this usury-free business is **performing the heaven commitments**. So, we prioritize compliance with sharia by leaving *akad-akad bathil* (false contracts).”

According to Mr. Akhmad's statement above, there is fair indexicality in **performing heaven**

commitment. Based on the fair reflexivity traced by the researcher, this expression means that there is a social reality that the business performed by Sharia Developers is run in order to carry out the provisions of God's revelation that is Islamic sharia which commanded by Allah the Almighty. Applying God's rules in running a business, including pricing, is a form of justice to God. In running a business, human beings do not solely rely on the ratio of reason by considering profit or loss, but also concerning the *halal* or *haram*. When God declares that an deed is lawful (*halal*), Muslims are allowed to do the deed. Yet, if God declares that an act is forbidden (*haram*) such as usury transaction, then the deed must be abandoned even if it brings profit.

Sharia developers always concern to sharia provisions in every stage of the selling price determination; including setting goals, calculating and estimating costs, determining profits and bidding and contract arrangement mechanisms.

The second, determining the pricing objective. The objective of the selling price determination at PT Panderman Properti Syariah cannot be separated from the company's vision. As a business institution, PT Panderman Properti Syariah has a vision to be the largest Islamic property developer in Indonesia. Mr. Kamarudin explained:

“Our vision is **spreading sharia property**. The benefits of the business must actually be seen and felt by the community. So, not just talking about such sharia schemes but there is no real example of how it is implemented. Therefore, we must also concern to this aspect of the business.”

From Mr. Kamarudin's explanation above, there is an indexicality, **spreading Islamic property**. This reflexivity means that the company wants to use the Islamic property concept as a solution to property ownership without having to utilize banks or financial institutions. If the community wants to meet their needs for property or residential houses, the community may buy the property from a Sharia Developer. For this big purpose, of course, it is not only running one or two projects, but the company's operational activities must continue to develop in order to provide products in a sustainable manner for the community. Based on this, it can be

concluded that the pricing objective is to create a sustainable company.

As a prerequisite for the sustainability of a company business is gaining profit or benefits from its business operations. Profit contains a process of justice that basically the common need of all corporate entities is to earn profits. The expected profits have an important role in the flow of investment and funds improvement in the future. Thus, if the profits of a business are low, it will result the difficulty for the company in improving funds in the future (Triyuwono and As'udi 2001, 38). The company's needs are fulfilled if its profits have been able to contribute to the company's sustainability in proportion; when the production needs are fulfilled and the predictions of the company's sustainability have been fulfilled (Subiyantoro and Triyuwono 2004, 203).

The next objective in pricing is to create a selling price that is affordable to the public. Providing a good product in the form of Islamic housing, as well as a transaction scheme that is in accordance with sharia principles will be useless if the public cannot afford it. Or in other words, people cannot afford to buy the products. Therefore, before working on a business project, PT Panderman Properti Syariah conducted a business feasibility study. As a member of the Sharia Property Developer (DPS) community, PT Panderman has been provided with an application to calculate the feasibility of a project. The application is called the Quickcount application. The Quickcount application is a price calculation formula in the form of a Microsoft Excel application with certain formulas to calculate the selling price. Mr Kamarudin explained:

“We have an application called Quickcount. We just need to input several components such as land area, cost of land, including the price of competitors in the area or the nearest area. Utilizing the Quickcount application we **ensure that the project is feasible**.”

From Mr Kamarudin's explanation, a fair indexicality is obtained from the phrase “**ensuring that the project is feasible**”. Reflectively, this expression is used to state that the project performed is feasible to work on. One of the criteria that the project is feasible is if the selling price generated affordable by the community. Thus, the company

ensures that the costs are not too high which may resulting to the expensive selling prices that the community cannot afford. In addition, the company also considers the prices offered by competitors in the same area so that the company can find out the prevailing prices in the market.

An affordable product does not mean that it is a perfunctory product provided by the company. One of the justice forms for the buyer is that the buyer entitled to get *halal* and *thoyib* (good) products. The products should match the price offered. Sharia developers as producers not only provide sharia contracts or schemes but also provide *halal* and good products. Sharia developers should provide a comfortable home to live in, convenient transportation access and the most important is the provision of various Islamic facilities including the Tahfidz House (memorizing Al-Qur'an). Thus, the price paid by costumers is suited to the house they get. In Islam, there is a recommendation to fulfill the measure and balance fairly, as Allah the Almighty says in Al Qur'an surah Al-Isra verse 35.

The third, calculating costs and determining fair profit. Mathematically, the profit earned by the company is the result of the difference in selling price minus the costs incurred by the company. The first step in calculating selling price is calculating and estimating costs. After calculating the costs, management determines the level of profit. The profit set is usually 20% of the costs incurred, as conveyed by Mr. Akhmad as follows:

“Before we decide to work on the project, first **we have to look for the prospective land**. Furthermore, we estimate the operational costs during the project. After that we increase the expected profit, usually 20% of the cost of goods. Yet, if it turns out that the price we get later is not good enough, it means that the project is not prospective. Then we have to look for land in another location.”

According to Mr. Akhmad's statement above, there is indexicality, namely **looking for prospective land**. This reflexivity shows that costs are the basis consideration in determining the selling price. From these costs, it is estimated how much money will be spent during the project. If it turns out that the project has high costs, then

of course the price offered will also be expensive. So, the company will look for other land for its business projects. In addition, the phrase “if it turns out that the price we get later is not good enough” means that if the project is unable to cover the costs incurred by the company, then it is not feasible to undertake. Working on the projects that can benefit the company is part of justice. If the company experienced loss, it will not be able to fulfill its obligations, such as paying the employees' salaries. Thus, a fair selling price for the company is a benefit which is able to meet the company's operational costs and is able to maintain business sustainability.

The costs calculated by PT Panderman Properti Syariah are the estimated costs during the project. The costs including site survey costs, land acquisition costs, permit fees, land preparation costs, operational costs and housing production costs. As a sharia business organization, the company not only recognizes private costs and benefits but also public costs and benefits. According to the SET concept, stakeholder coverage includes: 1) direct participants (parties directly related to the company's business) and 2) indirect participants (parties not directly related to the company's business) (Triyuwono 2006). All incurred costs are recognized by the company and charged to the business operational. Thus, the existence of the company not only accommodates the interests of the capital owners but also provides benefits for other stakeholders, such as the public and the environment.

The costs must be calculated carefully, managed in such a way that the selling price determined can be achieved by costumers or society in general. Qardhawi (2001b, 194) states that in a business there must be an accurate planning with in-depth calculations, realistic figures, and accurate knowledge of the things needed, their levels, and the extent of their urgency. Furthermore, it is necessary to know the various capacities that exist, the extent of the capacity to develop and the various supporting infrastructure to meet these needs and to anticipate various things.

The determination of the selling price by PT Panderman Properti Syariah is performed not only concerning to internal company but also related and non-related stakeholders of the company. Mr Kamarudin explained as follows:

“One of the aims of Islamic law is to manifest *rahmatan lil alamin* (to give grace to the universe). Therefore, the sharia property business is not only aimed to build an Islamic civilization, but is also aimed to preserve nature and empower the economy of Muslims. Thus, **the existence of the Islamic property business can create benefits for all parties.**”

Based on Mr Kamarudin's statement, there is a fair indexicality, that is *creating benefit for all parties*. This in a reflexive fairness means that the sharia property business is not only performed to gain profit for the company but also to create benefits for all parties (stakeholders). Thus, the benefits to be achieved are including the environmental preservation and a harmonious relationship of the society by the economic empowerment of the people and the realization of Islamic civilization.

The property business is closely related to the natural environment. Fair pricing must concern to the impact of company operations on the nature. To build a residential area, a plot of land is needed. The misuse of land may cause environmental damage. In manifesting the environmental preservation, Sharia Developers fulfilling the government legality related to land use and paying all administrative costs and taxes related to land. The company complies with the Regional Spatial Plan (RTRW) of building housing. The land status used for housing development is yellow land. The company avoids green land which is actually productive for the agricultural sector, although administratively, is allowed to be converted into yellow land.

The company is not only concerning the land but also establishing environmentally friendly housing facilities and infrastructure. The effort is by leaving space for infiltration and providing a garden for the stability of air circulation. Thus, a business should be able to preserve the natural environment. This is in accordance with the mission of human life, called as *khalifatullah fil ardi*, which means to become God's representative on earth to manage earth and maintain its sustainability and prevent it from all damage.

Apart from environmental sustainability, the advantage the company wants to gain is the establishment of a harmonious relationship with the community. This is manifested by allocating *zakat, infaq* and alms funds. This expenditure of

zakat, infaq and alms is not seen as a burden, but has the value of a reward that one wants to achieve in doing business.

In obtaining profits, companies do not justify any means. The potential illegitimate elements to generate profits are shunned and left out by the company. In running its business, Sharia Developers do not take advantage of costumers' conditions to make maximum profits for their companies. Regarding this, Mr. Akhmad explained:

“In bank, costumers are like being extorted to reap the maximum profits. Starting from the beginning, the administration of disbursed funds has been deducted so that the customers do not receives the whole funds. After that, the interest is charged to the costumers. It does not end here, if the customer is late in installments, the bank will charge fines and if the installment gets stuck, the costumers' house or collateral will be forcibly confiscated by the bank. So that, if it is totaled at the end, the value of the financing paid by the consumer can be greater than what was determined at the beginning.

This is different from what we do in Islamic property. **We treat the costumers as partners, not the objects to be exploited.** The profit we obtain is the profit we agreed on at the beginning, which at the price specified in the contract. We do not take other advantage of the buyer.”

Based on Mr. Akhmad's statement above, there is a fair indexicality, which is **treating the costumers as partners, not the objects to be exploited.** This means that there is fair reflexivity, where the costumers are partners for the company and the company does not take any advantage of the condition of the costumers who have debt to gain maximum profit for the company. In its operations, the company has a slogan that is No Usury, No Fine, No Penalty and No Confiscation. Even though these elements may bring benefits to the company, yet since according to the Islamic teaching it is *haram* and exploitative in nature, the company does not take it to maximize profits.

Fair price is a price that does not cause exploitation or oppression (injustice) so as harming

one party and benefit the other (Azizah 2012). Thus, the selling price established must not contain elements of oppression or injustice. Injustice may occur when there are elements that exploit the buyer or debtor to maximize the profit of the seller or creditor. The exploitative elements that must be eliminated in establishing fair selling prices are:

1. Usury (*Riba*)

Based on Al Qur'an surah Al-Baqarah verse 275, usury is illegitimate (*haram*). We have to leave it since it is a prohibition from Allah, the Lord of the worlds; usury can also make sale and purchase transactions unfair. The rational reasons regarding the wisdom of prohibiting usury according to Qardhawi (2001a) are: (a) usury is taking other people's property without compensation; (b) depending on usury will prevent people from doing business, do not want to take the risk of doing business, trading and heavy work; (c) usury will cut off the goodness between communities in term of lending and borrowing; (d) from a social point of view, usury means providing a way for the rich to collect additional assets from the poor who are weak. Thus, in usury there is an element of extortion of the weak for the benefit of the strong which resulting the rich getting richer and the poor getting poorer (Qardhawi 2001a).

Management of PT Panderman Properti Syariah believes that usury is a transaction that is prohibited in Islam. So that, in running his business, one of its slogans is "No Usury". In the terms of the agreement made by the company, it is stated about the specifications of the house and the price that must be paid by the costumers. The price in the contract is a fixed price that applies during the financing period. There is no extra price during the financing period, because it is a form of usury which management thinks should be abandoned.

2. Fines

Fines in credit are intended in order the debtor is not late in paying installments according to the agreed time. Fines are sanctions to debtors who are not disciplined in paying their obligations. If the debtor is late in payment and the creditor sets a fine, it will increase the profit for the creditor because it adds the value of the transaction beyond what has been agreed upon. Thus, in accordance with the principle that the price

must remain the same as what has been stated in the contract, any addition in any form including a fine is a form of usury which is prohibited in Islam. Therefore, fines should not be included in the provisions for pricing in sale and purchase with the installment payment system.

Sharia developers do not treat the costumers despotically just to reap maximum profits for the company. Antisipting the late payment of installments by costumers, the company applies the principle of a win win solution, which is a solution that benefits both parties so that none of the party will be harmed. If the payment from the costumer is late, the Sharia Developer will remind them and give them the letter of warning (*SP – Surat Peringatan*). Reminding the costumer to pay installment punctually is one of the *da'wah* value activities of the company.

3. Penalty

Penalties are usually imposed by financial institutions if the debtor customers repay the debt earlier than the predetermined schedule. It is performed by financial institutions because they will lose the potential gain on interest according to the scheduled maturity. Thus, the imposition of a penalty may add the value of the object or item purchased by the customers. Therefore, a fair selling price must eliminate penalty when costumers, as creditors, pay off their debts more quickly. In addition, the seller as a creditor should benefit more because it gets a faster repayment than the predetermined schedule. Thus, the selling price must still be no additional for any reason or condition. Practically, Sharia Developers do not impose penalties for costumers who pay off their debts earlier; they give appreciation to the costumers in form of gifts instead.

4. Collateral Confiscation Despotically

Confiscation is a method used by financial institutions when a debtor fails to pay off. Confiscation is done by taking over and selling collateral or the object being transacted, such as a house. This is intended to ensure the creditor's funds are returned. Thus, the financial institutions are almost without risk. This is different in Islam, if the creditor will provide funds and the contract is profit-sharing, the creditor will examine the debtor's project very carefully (El Diwany 2008, 77). Therefore,

confiscating a property to which the costumer is entitled despotically is prohibited in Islam. This method must be eliminated in pricing.

The fourth method is the bidding mechanism and contracting. The results of the calculation of costs plus the amount of profit expected by the company are stated in the price list along with the specifications of the house to be sold. The price stated in the price list is not a final price. There is a next step in pricing, which is offering to prospective buyers.

PT Panderman Properti Syariah provides potential customers with the opportunity to negotiate prices. In addition, potential customers can also negotiate repayment periods, either sooner or later than the predetermined scheme. Negotiations or offers made by costumers usually considering the costumer's ability in terms of down payment (DP) and the ability to pay monthly installments. Mr Kamarudin explained:

“Accommodating offers from costumers, **we are fiddling with the price and timing of repayments**. This is conducted by adjusting the capabilities of potential customers. For instance, a prospective costumer can affords the installments but cannot afford the down payment yet, we shift the down payment to be paid in terms. When costumers already have sufficient DP but the installments are very tight, so the repayment time can be made longer so that the monthly installments are light.”

From the statement above, there is a fair indexicality which is **fiddling with prices and repayment times**, it shows fair reflexivity that prices are still able to be changed, adjusted to the bargaining power of the prospective buyers. Likewise, the determination of the repayment time in sharia property is flexible. Companies can approve costumer's request by shifting downpayments and installment payment terms that are adjusted to the costumer's ability. In addition, company is also able to provide discounts for costumers by considering the company's conditions. By this price bidding mechanism, it is expected that a fair price can be realized, there is no price imposition on buyers.

In normal circumstances, prices are formed because there is a balance point between supply and demand. Islam provides market freedom, and leaves it to *tabi'i* law to perform the mechanism according to the supply and demand (Qardhawi 2001a, 295). One of the forms of the justice value is not forcing people to buy at a certain price (Qardhawi 2001b, 315). In the market there should be no monopoly, no price games, and no domination of the strong over the weak. Prices are formed on the principle of supply and demand. Thus, the seller and the buyer agree on the price that they agreed on without any coercion, violation or deviation of the price.

Therefore, the fair price can be formed when market interactions occur voluntarily between sellers and buyers. Demand and supply of prices in the Islamic market mechanism must be performed in a balanced manner (Azizah, 2012). Producers as sellers must not be arbitrary in determining the selling price or the seller manipulates the information in such a way that costumers misjudge the goods to be purchased. On the costumer side, they should not ask for prices that are too low, which may cause loss to the seller because they are unable to cover the costs incurred in the production process.

After the price has been agreed upon, both parties solidify the transaction by signing an *aqad* or sale contract. The price stated in the contract is the final price. Prices are fixed, so there are no additional charges until the costumer has paid all of his obligations.

Fair trading occurred when both parties, the seller and the buyer have an equal position. When the author asked about the position of Sharia Developers as sellers and costumers as buyers, Mr. Akhmad explained:

“For the rights and obligations of the seller or buyer, we follow the orders of *syara' Mas*. We *'purely'* use the *istishna'* contract, so that the seller's obligation is to build the house ordered. Meanwhile, the buyer's obligation is to pay in accordance with the agreed amount and time. For details of all the rights and obligations, we stated in the contract. We make contracts on the basis of **mutual understanding** and **mutual approval** of consumers.”

Based on the expression of Mr. Akhmad, following the orders of *syara'* means the rights and obligations are given to the maker of the sharia, namely Allah the Almighty. When the rights and obligations in trading are regulated based on the provisions of Allah, it will bring about justice for both parties. From Mr. Akhmad expression, there is equitable indexicality, namely *we make contracts on the basis of mutual understanding and mutual approval*. *Mutual understanding* means that the provisions regarding the sale agreement must be understood by both parties. Both the seller and the buyer must know their respective rights and obligations as stated in the contract. *Mutual approval* means that transactions carried out by both parties are based on willingness without any element of coercion or injustice. So with this provision it can manifest transaction justice.

The contract used in the sales of houses by PT Panderman Properti Syariah is *akad istishna*. The sale contract contains the rights and obligations of both the seller and the buyer. The understanding to this contract is very necessary so that each party knows all the consequences of the contract. Thus, the contract should not be made unilaterally which may benefit one party but disadvantage the other. Therefore, before the buyer signs the contract, the developer explains the *istishna'* contract, and all of the rights and obligations of the buyer and the seller in the contract.

CONCLUSION

The results of the analysis using the method of religious ethnomethodology in this study found four ways of pricing based on justice value in Islam. *First*, implementing sharia provisions in pricing. This is a major concern in the sharia property trading system without a bank. Thus, companies do not only pay attention to profit or loss in pricing, but also pay attention to *halal* or *haram*.

Second, selecting the pricing objectives. In determining the purpose of pricing, the company concerning the vision to be achieved that is to become the largest Sharia Property Developer in Indonesia. The first objective of pricing is to create a company that is able to operate sustainably in order to provide sustainable benefits to the community. The next objective of pricing is to manifest a selling

price that is affordable for the purchasing power of the public.

Third, calculating costs and determining fair profit. Costs calculated by companies are not only private costs, but also recognize public costs. Manifesting the company's sustainability, business operations are also performed in order to obtain fair profit. The first fair profit is the profit for the company itself. The fair price for the company means that the established price is able to cover operating costs and the company's business sustainability. The next fair profit is additional margins for environmental preservation. Nature, which is the place where humans live, must be considered in order to preserve it. Sharia Developers in managing land for housing are very concerning the natural preservation. Sharia Developers do not build the whole land to gain higher profit, but leaving space for green land. In addition, the fair profit is the realization of a harmonious relationship with society. The existence of a business must be able to provide benefits for the community. This is manifested by allocating *zakat*, *infaq* and alms funds. This expenditure of *zakat*, *infaq* and alms is not seen as a burden, but also has the value of merits that management wants to achieve in their work. In addition, the Sharia Developer also empowers the surrounding community by opening up jobs in housing construction projects.

In seeking profits, companies must not use haram and exploitative methods. Therefore, Sharia Developers do not impose interest in sales with delayed payments. In addition, it also does not impose fines if consumers are late in paying installments. Sharia Developers also do not apply a penalty if the consumer pays installments earlier than the predetermined time. As well as Sharia Developers do not confiscate collateral for consumers who fail to pay, but rather by amicable deliberation to complete the sale contract.

Fourth, the company provides opportunities for prospective buyers to negotiate prices and payment times. The selling price resulting from calculations using the cost-plus pricing method is not a final price. There is a negotiation process between the seller and the buyer. Transactions are carried out fairly, so prices are formed from balanced supply and demand. After the price has been agreed upon, then the price will be stated in

aqad/ sale contract. In this contract, the price is final. So, there are no additional charges until the consumer has paid off all obligations.

Based on the description above, it can be concluded that the fair price is the price established in accordance with Allah's law, which is able to cover production costs, supports business continuity in proportion, has a fixed value, there is no additional charges to costumers either usury, fines and confiscation and the profits do not only for the benefit of shareholders but also for the other stakeholders. Thus, the Sharia Developer establishes price with justice value in Islam to manifest a mercy to the universe (*rahmatan lil 'alamin*).

As an academic research, this paper certainly has limitations. This study explores the determination selling price based on justice value in Islam. One of the principles of justice is

to give rights to the respective owners without exaggerating or reducing. The owners of these rights are stakeholders, namely parties that are directly related or indirectly related to the company's operations. The stakeholders include the company itself, consumers, communities, government and the natural environment. However, in this study, the informants studied still limited in the scope of company management. Researchers do not collect information from other supporting informants such as costumers, local communities, government and the impact of the natural environment. Therefore, further research is expected to be able to collect more information from supporting informants related to the establishment of the selling price of Islamic properties. Thus, it is hoped that a more complete concept of establishing the fair price will be found.

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