

## **ANALYSIS OF THE LERNER INDEX OF THE HALAL FOOD INDUSTRY IN BANGKA BELITUNG FROM THE PERSPECTIVE OF IBN KHALDUN'S PRICE CONCEPT**

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### **Abstract**

The halal food industry in Bangka Belitung is a rapidly growing sector in line with the increasing awareness of Muslim consumers about the importance of halal products. This study aims to analyze the market power of halal food companies in the province using the Lerner Index, and to relate it to the price concept proposed by Ibn Khaldun. The method used is a quantitative approach by calculating the Lerner Index based on price and marginal cost data from 173 halal food companies. The research results show a variation in market power, where some companies have the ability to set prices above marginal cost, while others operate in a more competitive market. In Ibn Khaldun's perspective, excessively high prices due to market power can create injustice in the accessibility of halal products. These findings underscore the importance of policies that support healthy competition and fair pricing, to create a more equitable halal market in Bangka Belitung

*Keywords: Lerner Index; market power; fair pricing; halal food industry; Ibn Khaldun*

### **Abstrak**

Industri makanan halal di Bangka Belitung merupakan sektor yang berkembang pesat seiring dengan peningkatan kesadaran konsumen Muslim akan pentingnya produk halal. Penelitian ini bertujuan untuk menganalisis kekuatan pasar perusahaan makanan halal di provinsi tersebut menggunakan Indeks Lerner, serta menghubungkannya dengan konsep harga yang diajukan oleh Ibnu Khaldun. Metode yang digunakan adalah pendekatan kuantitatif dengan menghitung Indeks Lerner berdasarkan data harga dan biaya marginal dari 173 perusahaan makanan halal. Hasil penelitian menunjukkan adanya variasi dalam kekuatan pasar, di mana beberapa perusahaan memiliki kemampuan untuk menetapkan harga di atas biaya marginal, sementara yang lain beroperasi dalam pasar yang lebih kompetitif. Dalam perspektif Ibnu Khaldun, harga yang terlalu

tinggi akibat kekuatan pasar dapat menciptakan ketidakadilan dalam aksesibilitas produk halal. Temuan ini menggarisbawahi pentingnya kebijakan yang mendukung persaingan sehat dan penetapan harga yang adil, untuk menciptakan pasar halal yang lebih berkeadilan di Bangka Belitung.

*Keywords: Indeks Lerner; kekuatan pasar; harga adil; industri makanan halal; Ibnu Khaldun*

## A. Introduction

Particularly in nations where the main population is Muslim, the halal food industry has grown in importance within the global economy.<sup>1</sup> Given that Indonesia is home to the world's biggest Muslim population, the halal food sector is vital to the country's economy.<sup>2</sup> There is a lot of room for growth in the halal food business in the Bangka Belitung Islands Province, which is also a part of the national economy. Businesses in Bangka Belitung are starting to concentrate on creating food that satisfies halal requirements as awareness of the value of halal products, particularly in the food industry, grows. However, the encouraging trend is being overshadowed by concerns about the pricing strategies employed by local halal food business participants.<sup>3</sup>

The market dominance of business owners is one of the primary problems facing the halal food sector.<sup>4</sup> The ability of businesses to set prices above their marginal costs is known as market power, and it frequently results in non-competitive rates that hurt customers. The Lerner Index serves as an analytical tool to assess a company's pricing power in this scenario.<sup>5</sup> This index gives a

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<sup>1</sup> Md Siddique E Azam and Moha Asri Abdullah, 'Global Halal Industry: Realities and Opportunities', *IJIBE (International Journal of Islamic Business Ethics)*, 5.1 (2020), 47–59.

<sup>2</sup> Mujahidin Mujahidin, 'The Potential of Halal Industry in Indonesia to Support Economic Growth', *Al-Kharaj: Journal of Islamic Economic and Business*, 2.1 (2020), 77–90.

<sup>3</sup> Mohamed Syazwan Ab Talib and Mohd Hafiz Zulfakar, 'Sustainable Halal Food Supply Chain Management in a Small Rentier Halal Market', *Arab Gulf Journal of Scientific Research*, 42.3 (2024), 449–63.

<sup>4</sup> Hamzah Ali Al-Shami and Shariman Abdullah, 'Halal Food Industry Certification and Operation Challenges and Manufacturing Execution System Opportunities. A Review Study from Malaysia', *Materials Today: Proceedings*, 80 (2023), 3607–14.

<sup>5</sup> Hirofumi Fukuyama and Yong Tan, 'Estimating Market Power under a Nonparametric Analysis: Evidence from the Chinese Real Estate Sector', *Or Spectrum*, 45.2 (2023), 599–622.

general picture of the degree of industry rivalry by calculating the extent to which a product's price surpasses its marginal cost.<sup>6</sup> Islamic economic literature has long addressed the idea of fair pricing, especially by well-known scholars like Ibn Khaldun. Ibn Khaldun believed that fair prices should strike a balance between producers' reasonable earnings and customer delight.<sup>7</sup> This idea underscores the importance of free and fair competition, along with supply and demand-driven pricing. According to Ibn Khaldun, monopolies or unequal market power can lead to unreasonably high prices, which might disturb social fairness and threaten economic stability.<sup>8</sup>

The connection between market power and pricing in the halal sector has been the subject of numerous earlier studies. Companies with strong market dominance in the halal food sector typically set prices higher than their marginal costs, generating substantial profit margins.<sup>9</sup> High market concentration in the halal sector can impede innovation and lower production efficiency, which would ultimately affect non-competitive prices. Furthermore, applying Islamic economic principles—like Ibn Khaldun's idea of fair pricing—can help to foster a more balanced and competitive market.<sup>10</sup> Research that integrates Ibn Khaldun's price notion in Islamic economics with contemporary market power analysis using the Lerner Index, and applies it to the halal food business in developing nations, is still rare. The relationship between Islamic price theory and contemporary market indicators has not been thoroughly examined in a number of earlier studies; therefore, this research is anticipated to offer fresh and

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<sup>6</sup> Yaghoob Jafari and others, 'Markups and Export Behavior: Firm-level Evidence from the French Food Processing Industry', *American Journal of Agricultural Economics*, 105.1 (2023), 174–94.

<sup>7</sup> Masruri Muchtar and others, 'The Impact of the Indonesia–OIC Countries' Free Trade Agreement on the Halal Food Sector: CGE Analysis', *Journal of Islamic Marketing*, 2024.

<sup>8</sup> Dipali Mukhopadhyay and Kimberly Howe, *Good Rebel Governance: Revolutionary Politics and Western Intervention in Syria* (Cambridge University Press, 2023).

<sup>9</sup> Adi Priatno, Rahmat Dahlan, and Muhamad Fauzi, 'Honey Halal Product for Competition Strategy in Indonesia: The New Institutional Economics', *Social Sciences*, 13.6 (2023), 322–37.

<sup>10</sup> Abdullah Al Mamun, Bahadir Sinanoğlu, and Muhammad Salah Uddin, 'Ibn Khaldun's Economic Theories Revisited', *Journal of Islamic Economics*, 2.2 (2022), 25–47.

practical insights.

The purpose of this study is to examine the Lerner Index in the Bangka Belitung Islands Province's halal food business and relate it to Ibn Khaldun's pricing theory. This study aims to address the following key questions: How does the Bangka Belitung Islands Province's halal food industry use the Lerner Index to determine prices? From the standpoint of Ibn Khaldun's pricing approach, what are the findings of the Lerner Index computation in the Bangka Belitung Islands Province's halal food industry? This study's primary goals are to determine how well the Lerner Index can detect market power in Bangka Belitung's halal food sector and to investigate the applicability of the fair price idea from Ibn Khaldun's point of view. Furthermore, this study seeks to offer policy suggestions that can support the growth of a more equitable and competitive halal food sector in the province. Therefore, we anticipate that this study will provide both theoretical and practical insights into the dynamics of the Indonesian halal food market, particularly in Bangka Belitung, and explore the potential application of Islamic economic concepts to establish a more equitable and sustainable market.

## **B. Research Method**

This study employs a mixed-methods approach, with an emphasis on descriptive qualitative analysis of the Lerner Index from the standpoint of Ibn Khaldun's price idea and a quantitative analysis of the Lerner Index in the halal food business in the Bangka Belitung Islands Province. From data collection to statistical analysis, this study methodology consists of multiple methodical steps.

Businesses in the Bangka Belitung Islands Province's halal food sector serve as the research's subjects. We chose this industry due to the explosive growth of Indonesia's halal food sector, particularly in Bangka Belitung, which holds immense potential for the production of halal food items. This study focuses on large, medium, and small-scale halal food producers to understand

how market dominance varies based on firm size. Product pricing information and marginal costs from every business producing halal food are among the data used in this study. We gathered this data through surveys and interviews with business owners, supplemented by secondary data from government publications and financial records.

We employ the method of purposeful sampling, selecting halal-certified and actively operating businesses in Bangka Belitung as samples. Purposive sampling ensures the businesses under investigation are relevant to the research issue. In this study, 173 halal food companies are involved. The selection of this sample aimed to include a diverse range of companies within the halal food sector. This study employs a descriptive-analytical methodology and a non-experimental design. Analyzing each company's Lerner Index in light of its market strength is the main goal of this study. We compute the Lerner Index using each company's price and marginal cost information. This study also examines the distribution of market power among large, medium, and small businesses, connecting it to Ibn Khaldun's price theory. This study measures the following variables:

Product Price (P) : The price of products sold by halal food companies  
 Biaya Marginal (MC) : The formula calculates the change in total cost that happens as production increases or as the cost of producing more quantities rises.

$$MC = \frac{\Delta C}{\Delta Q}$$

Indeks Lerner (L) : The formula determines the size of a company's market power.

$$L = \frac{P-MC}{P}$$

To calculate marginal costs, we adopted a cost accounting approach that distinguishes between fixed and variable costs. In this study, marginal cost (MC) is defined as the additional cost incurred to produce one more unit of output. Only variable costs were included in the calculation of marginal costs, as fixed costs remain constant regardless of output level. The variable cost components

considered include raw material costs, direct labor, packaging, and utilities directly associated with the production process. Fixed costs, such as rent, salaries of administrative staff, and equipment depreciation, were excluded from the marginal cost estimation because they do not change with output volume in the short run. Marginal cost values were derived from survey responses, where firms reported their total variable costs and production volume.

For micro and small enterprises, where incremental production data was limited, we used average variable cost per unit as a proxy for marginal cost, based on industry-standard practices in empirical studies of this scale. This clarification ensures transparency in how the Lerner Index was derived and reinforces the methodological rigor of the cost estimates used in market power analysis.

Where MC is the marginal cost and P is the price. The Lerner Index produces a value between 0 and 1. When the index approaches 1, it indicates high market power and monopoly power. However, the Lerner Index value tends to approach 0 when there is strong competition. Semi-structured interviews and surveys are the methods utilized to gather data. We sent surveys to business owners to gather information on prices, production costs, and sales volume. Interviews gather in-depth information about pricing plans and the company's opinions on market competition. We also gathered secondary data from official sources, such as reports from the Food, Drugs, and Cosmetics Research Institute (LPPOM MUI) of the Indonesian Ulema Council. This secondary data validated and supplemented the primary data collected through surveys and interviews.

### **C. Research Findings and Discussion**

This study aims to investigate the pricing strategies in the halal food industry of the Bangka Belitung Islands Province by calculating the Lerner Index. We will then assess the findings using Ibn Khaldun's concept of price. The Lerner Index's computation reveals notable differences in market strength between businesses, which reflects the industry's varied market structure. We will further

examine these findings by relating them to Ibn Khaldun's concept of fair price, emphasizing the importance of striking a balance between reasonable prices for consumers and fair profits for producers.

### **Analysis of Price and Marginal Cost**

The Lerner Index, a gauge of market power, is heavily reliant on price and marginal cost information. The Lerner Index gauges a company's ability to set prices above its marginal cost. The company's market power increases with the size of the disparity. The data analysis includes 173 halal food businesses in Bangka Belitung, revealing a notable range in their prices and marginal costs. These businesses often sell goods for between 10,000 rupiah and 300,000 rupiah, with marginal costs ranging from 4,400 rupiah to 142,500 rupiah. This variance suggests notable variations in each company's operating scale, product offerings, and price policies. While some businesses seem to be more effective at cutting manufacturing costs, others could provide high-end goods at more expensive production prices. Reasonably priced products dominate the market, with the majority priced between 10,000 rupiah and 50,000 rupiah. This is in line with the features of the local snack or traditional food sector. Nonetheless, some businesses charge more than 100,000 rupiah, which can be indicative of high-end goods or goods with more value.

Most businesses are able to keep production costs at a relatively low level, as evidenced by the fact that the majority of them have marginal costs that lie between 5,000 rupiah and 80,000 rupiah. The utilization of more costly raw materials or limited production scales, however, may be the cause of some businesses' higher marginal costs. Product prices in the low-price group range from 10,000 rupiah to 50,000 rupiah. Many small and medium-sized businesses have low marginal costs. With a price of 15,000 rupiah and a marginal cost of 10,000 rupiah, Kemplang Panggang AA, for instance, has a Lerner Index of 0.333, suggesting that it has a modest but competitive profit margin. The Lerner Index reaches 0.44 in the mid-price segment, which comprises goods priced between

50,000 rupiah and 100,000 rupiah. For example, Faiz sells its products for 100,000 rupiah with a marginal cost of 56,000 rupiah. This indicates that the company can set higher prices because of better product quality or a less competitive market. Large corporations or high-end goods costing more than 100,000 rupiah typically have a higher Lerner Index in the high-priced group, indicating more market dominance. With a price of 220,000 rupiah and a marginal cost of 125,000 rupiah, Kerupuk Kenangan, for instance, has a Lerner Index of 0.4318, demonstrating its capacity to set prices much higher than its costs of production.

Table 1. Descriptive Statistics of Price and Marginal Cost  
Harga Biaya Marginal

	<b>Price</b>	<b>Marginal Cost</b>
Count	173.000000	173.000000
Mean	69904.624277	45445.942197
Std	56865.287379	38706.471911
Min	10000.000000	4400.000000
25%	20000.000000	11000.000000

(Source: Processed by the Author, 2024)

The table above displays the descriptive statistics of price and marginal cost, two significant factors in this study. These figures provide an overview of cost performance and pricing in Bangka Belitung's halal food industry, illustrating the allocation of product prices and marginal costs among the 173 participating enterprises in the study. First, we can observe that the analysis was carried out on 173 companies based on the quantity of data (Count). This suggests a wide enough scope to explain the state of the halal food sector in the area. This huge sample size offers a solid basis for deriving more precise findings regarding business conduct and market conditions. The corporation sets an average price (mean) of 69,904 rupiah for halal food goods in this market. However, the average marginal cost is 45,445 rupiah, which indicates that the average cost of producing a single unit of the product is less than its selling price. The difference between the pricing and the marginal cost represents the potential profit margin that the



business can achieve. Considering the market's discrepancy between selling price and manufacturing costs, the business may benefit.

The standard deviation (Std) figures show how prices and marginal costs differ amongst businesses. The price standard deviation is 56,865 rupiah, and the marginal cost standard deviation is 38,706 rupiah. These figures show notable variations in production costs and prices across various businesses. While some businesses may be able to offer their products at lower prices, others may be able to set prices significantly higher. Similarly, variations in operational efficiency, manufacturing scale, or technology can lead to a wide range of marginal costs for businesses. It is evident from the minimum value (Min) that the company's lowest pricing is 10,000 rupiah, and its lowest marginal cost is 4,400 rupiah. This suggests that some businesses have extremely low production costs, either as a result of their outstanding productivity or usage of cheap raw materials. The low minimum price, however, indicates that there is fierce price rivalry in some market niches, where businesses may be cutting costs to draw in customers.

The price is 20,000 rupiah, and the marginal cost is 11,000 rupiah in the first quartile (25%). This indicates that 25% of businesses in this sector have low marginal costs—below 11,000 rupiah—and set their product pricing at or below 20,000 rupiah. According to this statistic, a number of businesses operate with lower expenses and more affordable prices. These businesses can be competing in marketplaces with narrower margins or aiming to reach more price-sensitive market groups. All things considered, this data offers a thorough analysis of the pricing and marginal cost distribution in Bangka Belitung's halal food sector. The fact that average prices are greater than marginal costs suggests that most businesses have a healthy profit margin. Significant differences in expenses and prices, however, show that not all businesses are as profitable. While businesses with lower manufacturing costs may use operational efficiency to maintain price competitiveness, those with higher pricing probably have more market power or sell higher-quality goods. We can calculate the Lerner Index and further analyze

market power and industry structure using this pricing and marginal cost data. This will assist in determining the degree of market power possessed by both big and small businesses, as well as the distribution of that power across businesses operating in Bangka Belitung's halal food sector.

The link between product price and marginal cost, a key idea in microeconomics, examines a company's pricing strategy and its potential to exploit its market dominance. The extra expense a business must pay to create one more unit of a product is known as the marginal cost. The price that customers pay for each unit of a product is known as the product price. The relationship between the two gives an overview of how a business can make money and the degree of its market dominance. Setting prices higher than marginal costs may increase profits but hurt customers. Customers may pay more than the product's manufacturing cost. In certain situations, customers may view this approach as excessive pricing, particularly if the product is a fundamental necessity or there are no substitutes.

If the price is too close to the marginal cost, the business may struggle to generate enough revenue to invest in new product development, quality enhancement, or market expansion. Pricing must therefore strike a balance between being fair and not burdensome for customers and being profitable for the business. Additionally, the relationship between product price and marginal cost influences market structure. Competition will push prices near marginal cost in a market with lots of small businesses. However, because there are few direct competitors, prices in an oligopoly—a market with a few large enterprises controlling the majority of the market—tend to be far higher than marginal cost. This is evident in Bangka Belitung's halal food sector, as small businesses must maintain lower pricing to stay competitive, but larger businesses may have more power to set prices above marginal cost.

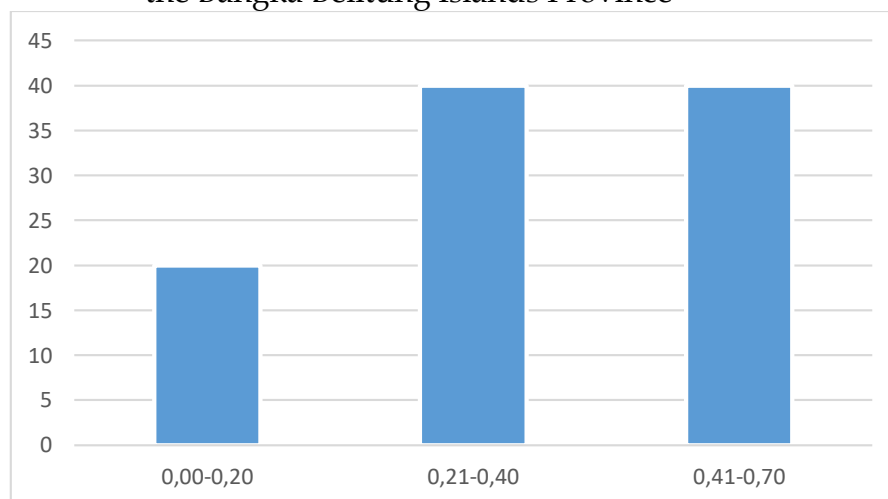
An essential metric for assessing a company's level of market power and how it sets pricing to optimize profits is the correlation between product prices

and marginal costs. The disparities in prices and marginal costs among businesses in Bangka Belitung's halal food sector reflect differences in their pricing tactics and market dominance. While businesses with a low Lerner Index function in a more competitive market, those with a high Lerner Index show that they can set prices much higher than their marginal costs.

### Findings from the Market Power Analysis and Lerner Index

One of the key instruments for assessing a company's or industry's market power is the Lerner Index. Market power refers to a business's ability to set prices above its marginal cost, a measure of its level of market control. The company's market power increases with the size of the price-to-marginal cost differential. The Lerner Index distribution analysis offers profound insights into the market structure and the degree to which industry participants can affect market prices in the context of the Bangka Belitung Islands Province's halal food sector. The graphic above depicts the Lerner Index distribution in Bangka Belitung's halal food business, dividing it into three groups: 0.00-0.20, 0.21-0.40, and 0.41-0.70.

Figure 1. Distribution of the Lerner Index in the Halal Food Industry in the Bangka Belitung Islands Province



(Source: Processed by the Author, 2024)

1. Classification: 0.0-0.20.

Twenty percent of all businesses in Bangka Belitung's halal food sector fall into this group. The Lerner Index value falls within this range, indicating that businesses in this category have little market power. They can only establish prices that are extremely close to the marginal cost. This suggests that there may be competition in the market, where numerous businesses are selling comparable goods, making it impossible for businesses to establish prices significantly higher than their production costs. Industries with several companies of lesser market strength typically reflect a more competitive market environment, where consumers have a wide range of product options and competitive prices.

2. Classification: 0.21-0.40.

This group comprises 40% of all businesses, suggesting that the majority of them have a considerable amount of market power. Businesses can set prices in this category higher than their marginal costs without much difference. This condition suggests that the businesses in this group have some ability to influence market prices, perhaps as a result of their slightly varied products or distinct market niches. Businesses in this category may have already started to differentiate themselves from rivals through product differentiation or customer loyalty.

3. Classification: 0.41-0.70.

Additionally, 40% of all businesses fall into this category, suggesting that there are few businesses with comparatively strong market positions. These businesses are able to set prices significantly higher than their marginal costs, as indicated by the Lerner Index value falling inside this range. Due to their strong brands, access to less expensive raw resources, or successful marketing techniques, businesses in this category are probably more prominent in the market. These businesses may be able to enjoy higher margins due to the limited number of similar options available to consumers.

**The Lerner Index Distribution's Implications**

The halal food business in Bangka Belitung has a fairly diverse market structure, as seen by the Lerner Index distribution above. While some businesses operate in highly competitive environments, others have substantial market dominance. A number of factors, such as the size of production, the availability of raw materials, the technology employed, and marketing capabilities, may contribute to this.<sup>11</sup> To boost their profit margins, businesses in the 0.00-0.20 category could need to diversify their product lines or increase manufacturing efficiency. Conversely, businesses in the 0.41-0.70 range may have already benefited from larger economies of scale and can leverage their market dominance to increase their earnings. They must exercise caution, nevertheless, to avoid overusing their market dominance, as this can draw regulatory notice or engender customer discontent.

One significant indicator that gives a general picture of market structure is the Lerner Index.<sup>12</sup> It is possible to draw the conclusion that the halal food sector in Bangka Belitung is a hybrid of an oligopolistic and competitive market based on the Lerner Index distribution. In an oligopolistic market, a small number of powerful firms can significantly affect price setting, while in a competitive market, businesses have less control over prices.<sup>13</sup> The majority of businesses with a high Lerner Index are probably big ones with enough cash on hand to keep market prices under control. Compared to smaller businesses, they could have more sway over the marketing, distribution, and supply chain. A highly concentrated market structure results from this, with a small number of powerful enterprises controlling the majority of the market share. However, there is still competition in this industry, as evidenced by the presence of multiple

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<sup>11</sup> Darius Antoni, Ferry Jie, and Ahmad Abaresi, 'Critical Factors in Information Technology Capability for Enhancing Firm's Environmental Performance: Case of Indonesian ICT Sector', *International Journal of Agile Systems and Management*, 13.2 (2020), 159–81.

<sup>12</sup> Qiong Zhang and others, 'Impact of High-Speed Rail on Market Concentration and Lerner Index in China's Airline Market', *Journal of Air Transport Management*, 83 (2020), 101755.

<sup>13</sup> Reza Basiri and others, 'A Dynamic Analysis of the Firms in Oligopoly Market Structure: A Case Study', *Journal of Modelling in Management*, 2024.

businesses with low Lerner Index scores. Despite having less market power, small and medium-sized businesses can nevertheless compete in the market by operating in more specialized market areas or meeting more specialized customer needs.<sup>14</sup>

The biggest problem for businesses with low Lerner indices is how to gain market share without drastically increasing manufacturing costs.<sup>15</sup> Profit margin growth may be mostly dependent on new product development, enhanced marketing tactics, and increased production efficiency. Conversely, businesses with a high Lerner Index need to be able to hold onto their market share without compromising the caliber of their products or their positive customer relations. As the demand for halal products rises both domestically and internationally, Bangka Belitung's halal food sector could eventually expand considerably. The government and other stakeholders must assist this industry by providing financial aid, training, and technological access to enhance the competitiveness of local businesses in the global market.<sup>16</sup>

The Lerner Index distribution of Bangka Belitung's halal food industry reveals significant differences in market dominance among enterprises. Despite the majority of businesses having moderate to high market power, some continue to operate in extremely competitive environments.<sup>17</sup> For businesses looking to consistently innovate and improve their competitiveness in domestic and international markets, this market structure offers both opportunities and problems. To be competitive and maximize profit margins, businesses must

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<sup>14</sup> Miklós Stocker and Lída Várkonyi, 'Impact of Market Orientation on Competitiveness: Analysis of Internationalized Medium-Sized and Large Enterprises', *Entrepreneurial Business and Economics Review*, 10.1 (2022), 81–95.

<sup>15</sup> Xiu Jie Deng, Man Qing Yuan, and Cai Yi Luo, 'Corporate Digital Transformation, Market Competition, and the Environmental Performance—Microevidence from Chinese Manufacturing', *Business Strategy and the Environment*, 33.4 (2024), 3279–98.

<sup>16</sup> Adeola Olusola Ajayi-Nifise and others, 'The Role of Government Policy in Fostering Entrepreneurship: A USA and Africa Review', *International Journal of Management & Entrepreneurship Research*, 6.2 (2024), 352–67.

<sup>17</sup> Yair Aharoni, 'The Role of Small Firms in an Interdependent World', in *Standing on the Shoulders of International Business Giants* (World Scientific, 2024), pp. 237–61.

constantly assess the state of the market and modify their plans.<sup>18</sup> To guarantee that Bangka Belitung's halal food business can keep growing and competing in a market that is becoming more and more competitive, the government and pertinent parties must also offer the right kind of assistance.

### **Analyzing the Lerner Index in light of Ibn Khaldun's pricing**

One technique to determine how much a corporation may set prices beyond their marginal cost is to look at the Lerner Index, which is a measure of market power. The Lerner Index offers a viewpoint on market competition and monopoly power within the framework of contemporary economics.<sup>19</sup> However, Ibn Khaldun's concept of price, which encompasses morality, ethics, and a wider social balance, deepens our understanding of price and its determination. Ibn Khaldun, one of the greatest theorists in Islamic economics history, provides a perspective on economics that closely aligns with societal stability and morality.<sup>20</sup> According to him, supply and demand interact to determine prices, which is a natural economic law. Ibn Khaldun did, however, also stress the significance of preserving equilibrium between prices and societal prosperity.<sup>21</sup> According to Ibn Khaldun, a fair price takes into account a good's social value and effect on the general well-being of society in addition to the cost of production.

In the Muqaddimah, Ibn Khaldun highlights that while too low prices might depress the spirit of producers, too high prices can upset social equilibrium and hurt the larger community. Ibn Khaldun asserts that price encompasses moral and social aspects, prioritizing the general well-being of society over profit

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<sup>18</sup> Radka Vaníčková and Katarzyna Szczepańska-Woszczyna, 'Innovation of Business and Marketing Plan of Growth Strategy and Competitive Advantage in Exhibition Industry', *Polish Journal of Management Studies*, 21.2 (2020), 425–45.

<sup>19</sup> Zhimin Dai and Lu Guo, 'Market Competition and Corporate Performance: Empirical Evidence from China Listed Banks with Financial Monopoly Aspect', *Applied Economics*, 52.44 (2020), 4822–33.

<sup>20</sup> Zhihwan Tahir and Abdulwahed Jalal Nuri, 'Examining the Impact of Religion on Civilization: Insights from Ibn Khaldun and Arnold Toynbee's Theories', *DIROSAT: Journal of Education, Social Sciences & Humanities*, 2.2 (2024), 106–23.

<sup>21</sup> Aufa Rizka Azzumi, Miswanto Miswanto, and Naqiyah Naqiyah, 'Islamic Economic Thoughts And Their Relevance In Society 5.0 Era Of Zainal Abidin Ahmad', *Public Service and Governance Journal*, 4.2 (2023), 44–50.

and competitiveness.<sup>22</sup> If we relate Ibn Khaldun's ideas to the Lerner Index, we can understand several significant facets of pricing in Bangka Belitung's halal food business. The Lerner Index reveals a company's level of market power by calculating its ability to set prices beyond its marginal costs.<sup>23</sup> In this case, a high Lerner Index value suggests the existence of monopoly or oligopoly power in the market since it shows that the corporation may raise prices above the necessary production costs. Ibn Khaldun asserts that unreasonably high price increases, indicated by a high Lerner Index number, may pose a threat to the well-being of society.<sup>24</sup>

These findings show that 40% of firms have Lerner Index values between 0.41 and 0.70, indicating significant market power and the potential for pricing above socially acceptable thresholds. In light of Ibn Khaldun's principle, these firms risk crossing the boundary from fair profit into social harm, especially when dealing with basic consumer necessities like halal food. On the other hand, 20% of firms fall within a Lerner Index of 0.00–0.20, reflecting competitive conditions and price levels closer to marginal cost. This corresponds more closely to Ibn Khaldun's ideal of market-driven fairness where competition protects consumers from exploitation. These findings suggest the need for policy mechanisms that prevent excessive mark-ups while still enabling reasonable profit. Examples include transparency in pricing, capacity-building for small enterprises, and encouraging ethical competition—measures aligned with Ibn Khaldun's framework that aims to balance individual economic incentives with collective welfare. By aligning empirical Lerner Index values with Ibn Khaldun's normative economic thought, this study demonstrates how classical Islamic

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<sup>22</sup> Sakinah Mat Zin and others, 'A Conceptual Approach to Developing Sustainable Intellectual Capital and Islamic Work Ethics in SMEs', *Journal of ASIAN Behavioural Studies*, 9.27 (2024), 1–15.

<sup>23</sup> Manzoor Ahmad and others, 'Measuring Market Power in the Sugar Industry of Pakistan', *Journal of the Knowledge Economy*, 15.2 (2024), 5095–5120.

<sup>24</sup> Tahir and Nuri.



economic ethics remain relevant in guiding contemporary market behavior and regulatory design.

Ibn Khaldun maintained that excessively high pricing for things would burden society as a whole, particularly the poor.<sup>25</sup> In the context of the halal food sector, which plays a significant role in the Muslim community's daily consumption, exorbitant costs may make it difficult for the community to obtain reasonably priced halal products. It is crucial to remember, nevertheless, that Ibn Khaldun also understood the value of producers receiving fair earnings. He contends that prices ought to cover manufacturing expenses and generate enough revenue to support the long-term viability of the company. Accordingly, a fair pricing can be represented by a moderate Lerner Index value, which allows the business to turn a profit without unduly burdening customers. This is consistent with Ibn Khaldun's economic theory of balance. The balance between the company's pricing and the community's social welfare is crucial when relating the Lerner Index to Ibn Khaldun's theory of price.<sup>26</sup>

A corporation with a high Lerner Index has substantial monopoly power, which enables it to set prices that are far higher than their cost of production.<sup>27</sup> Although producers gain from this, consumers may suffer as a result. Overly high prices have the potential to reduce the public's purchasing power, which over time may jeopardize social and economic stability. On the other hand, a low Lerner Index indicates a more competitive market with prices set closer to the marginal cost. Lower prices may benefit consumers in this situation, but producers may not necessarily benefit if they do not make enough money to

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<sup>25</sup> Slim Thabet, 'The Circuit in the History of Economic Thought: The Contribution of Ibn Khaldūn', *International Journal of Political Economy*, 52.3–4 (2023), 328–37.

<sup>26</sup> Dare Ojo Omonijo and Michael C Anyaegbunam, 'Exploring the Concept of Social Change in the Thought of Ibn Khaldun', *Academic Journal of Interdisciplinary Studies*, 9.5 (2020), 292–303.

<sup>27</sup> Arash Arianpoor and Saleh Orfizadeh, 'The Relationship between Market Value, Capital Expenditures, Value Creation and Product Market Power', *Iranian Journal of Accounting, Auditing and Finance*, 5.3 (2021), 107–26.

remain in business.<sup>28</sup> In his writings, Ibn Khaldun stressed the significance of preserving this equilibrium, which allows producers to make a respectable profit without endangering consumers with exorbitant pricing.

The Lerner Index results provide an overview of market structure and the ability of businesses to establish prices. The majority of businesses in this sector have considerable market power to raise prices above their marginal costs if their Lerner Index value is high. According to Ibn Khaldun, this suggests that these businesses have a tendency to set excessive prices, which could potentially harm customers, especially when it comes to essential halal goods. However, if the Lerner Index distribution for this industry is moderate and the majority of businesses set prices that do not significantly exceed their marginal costs, it indicates a more competitive market. Lower prices in this situation might be more consistent with Ibn Khaldun's fair pricing principles, which preserve consumer welfare while allowing companies to make a sufficient profit to continue operating.<sup>29</sup> Policy intervention may be required to preserve this equilibrium and prevent businesses in the halal food sector from abusing their market dominance by establishing unreasonably high pricing.<sup>30</sup> Price regulation, rewards for businesses that follow fair pricing guidelines, and promoting healthy producer competition are some ways to achieve this.

The Lerner Index provides important information about price and market power for Bangka Belitung's halal food sector. According to Ibn Khaldun, fair pricing should consider societal welfare as well as consumer access to necessities like halal food items, in addition to the financial success of producers.<sup>31</sup>

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<sup>28</sup> Colin Mayer, 'The Future of the Corporation and the Economics of Purpose', *Journal of Management Studies*, 58.3 (2021), 887–901.

<sup>29</sup> Rusni Hasan and others, 'A Conceptual Foundation for Blockchain Development: The Contribution of Ibn Khaldun', *Journal of Technology and Operations Management (JTOM)*, 16.1 (2021), 38–56.

<sup>30</sup> Nurudeen Hanafi Olushola, 'Exploring the Impact of Monopolistic Practices on the Nigerian Economy: An Islamic Perspective', *Journal of Islamic Economic and Business Research*, 4.1 (2024), 79–90.

<sup>31</sup> Norazilawati Md Dahlal, Sheereza Mohamed Saniff, and Che NurHidayu Che Noh, 'Harmonising Food Safety and Friendly Service through Halal and Toyyib Principles', *Halalsphere*, 4.1 (2024), 80–87.

Therefore, Ibn Khaldun emphasized the importance of considering the moral and social aspects of pricing, despite the Lerner Index indicating a corporation's level of market power. Achieving a balance between reasonable prices for consumers and equitable profits for producers is crucial. Appropriate legislative and regulatory measures can preserve this equilibrium, ensuring Bangka Belitung's halal food sector maintains its competitiveness and aligns with Islamic economic ideals that prioritize social stability, justice, and welfare.

#### **D. Conclusion**

The Lerner Index is a useful tool for assessing a company's market power in setting prices above marginal cost, according to research on the Analysis of the Lerner Index of the Halal Food Industry in Bangka Belitung Province from the Perspective of Ibn Khaldun's Price Concept. The market power of the halal food business in Bangka Belitung is generally diverse, with certain companies having more market power than others, according to the Lerner Index calculation. The ability of certain businesses to set product prices significantly higher than their marginal costs suggests that there is monopoly or oligopoly power in this market. According to Ibn Khaldun's price idea, unreasonably high prices brought on by strong market power can lead to unfair distribution of social welfare since they make it harder for customers to get reasonably priced halal products. Ibn Khaldun stressed the significance of preserving equilibrium between reasonable prices for consumers and just profits for producers. Consequently, even if the Lerner Index gives a general picture of market strength, it is crucial to balance it with the Islamic economics concept of fair pricing. Policies that better support healthy competition in Bangka Belitung's halal food business are among the study's suggestions, along with initiatives to persuade manufacturers to establish more equitable prices. This step is crucial to ensuring that the expansion of the halal food industry benefits everyone in society, particularly consumers, and not only big corporate owners.

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