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Reconstructing Pricing Rationality among Muslim Micro Entrepreneurs through a Socio Islamic Economic Viewpoint

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Abstract

Pricing in micro-enterprises is conventionally understood as a technical outcome of cost calculations and market competition. However, in Muslim societies, this understanding fails to capture the complex moral, social, and spiritual dimensions that shape real-world pricing decisions. This article examines how Muslim micro-entrepreneurs in Tulungagung Regency, East Java, Indonesia, construct their pricing rationality within a socio-Islamic economic framework. Using a qualitative phenomenological approach, data were gathered through in-depth interviews, direct observation, and documentation involving thirty-three micro-enterprise informants across multiple business sectors. Data analysis employed grounded theory techniques: open coding, axial coding, and thematic coding, verified through credibility, transferability, dependability, and confirmability criteria. Findings reveal that pricing constitutes a normative socio-economic construct, not merely a mechanical market calculation. Three integrative thematic pillars emerge: (1) spiritual ethics as the foundation of economic rationality, replacing the *homo economicus* model with *homo islamicus*; (2) social solidarity functioning as an informal market regulatory mechanism balancing producer and consumer interests; and (3) distributive justice as the normative principle framing the legitimacy of prices. These three pillars give rise to the Integrative Islamic Socio-Economic Pricing Model (ISEPM), which reconceptualizes pricing as a tripartite moral-economic process balancing profit orientation, business sustainability, and socio-religious responsibility. This model challenges dominant neoclassical and behavioral economic theories, proposing instead a paradigm grounded in tawhid epistemology and *maqasid al-shari'ah*.

Keywords: Islamic pricing; socio-Islamic economics; micro-entrepreneurs; distributive justice; moral economy

1. INTRODUCTION

Pricing is one of the most fundamental decisions in economic life. In neoclassical theory, prices are formed by the impersonal interaction of supply and demand, guided by the rational maximization of individual utility (Varian, 2010). This framework treats value as neutral, quantifiable, and divorced from

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moral considerations. However, a growing body of scholarship in Islamic economics and moral economy challenges this assumption, arguing that economic behavior, particularly in Muslim communities, cannot be meaningfully understood without accounting for religious values, social norms, and ethical commitments (Chapra, 2008; Asutay, 2012; Zaman, 2019).

This tension between conventional economic theory and lived Muslim economic practice is particularly apparent at the micro-enterprise level. Micro, Small, and Medium Enterprises (MSMEs) constitute the economic backbone of many Muslim-majority societies. In Tulungagung Regency, East Java, Indonesia, MSMEs number more than 49,000 units (as of 2023), contribute 65.2% of regional GDP, and absorb over 169,000 workers (Department of Cooperatives and MSMEs, Tulungagung, 2024). Yet the pricing practices of these enterprises remain poorly understood, particularly with respect to how Islamic values, social relationships, and moral obligations intersect with market forces.

Existing research on Islamic economics has predominantly focused on financial instruments, banking, and formal institutional arrangements (Iqbal & Mirakhor, 2011; Haider et al., 2021; Hanif & Hamid, 2023). Studies on pricing within Islamic frameworks remain largely normative, prescribing how prices ought to be set according to Islamic jurisprudence (fiqh) principles, rather than empirical investigations of how Muslim entrepreneurs actually construct their pricing decisions. This gap is significant because it means that the everyday moral economy of Muslim micro-entrepreneurs is systematically overlooked in the academic literature.

This study addresses this gap through a phenomenological investigation of pricing behavior among Muslim micro-entrepreneurs in Tulungagung. The central question is: how do Muslim micro-entrepreneurs in this context reconstruct pricing rationality beyond the dominant frameworks of cost calculation and market competition? Drawing on in-depth fieldwork, the study proposes that pricing in this context is best understood as a tripartite moral-economic construct integrating spiritual ethics, social solidarity, and distributive justice. These findings are synthesized into an Integrative Islamic Socio-Economic Pricing Model (ISEPM) that offers a theoretically grounded alternative to conventional pricing theory.

In neoclassical economics, price is defined as the outcome of equilibrating supply and demand within a competitive market. The seminal contributions of Walras (1874/1954) established the mathematical framework for general equilibrium, in which prices are impersonally determined through the interaction of utility-maximizing consumers and profit-maximizing firms. This framework underpins the dominant theory of firm pricing, including cost-plus pricing, market-oriented pricing, and value-based pricing strategies (Kotler & Keller, 2016). From a behavioral economics perspective, Kahneman and Tversky (1979) demonstrated that individuals frequently deviate from strict rationality due to cognitive biases, framing effects, and loss aversion. Nonetheless, these theories remain value-neutral: morality, religion, and social solidarity are treated as exogenous constraints rather than constitutive elements of economic rationality.

Critics have challenged this value-neutrality from multiple directions. The moral economy tradition, associated with Thompson (1971) and Polanyi (2001), argues that economic behavior is always embedded in social norms and moral expectations about just prices, particularly in pre-industrial and non-Western societies. Granovetter's (1985) concept of embeddedness further contends that economic action is inseparable from ongoing social relationships. These perspectives open space for understanding pricing not as a purely technical act but as a socially situated moral practice.

Islamic economics offers a comprehensive alternative framework. Rooted in the Quran, Sunnah, and *fiqh*, Islamic economic thought addresses pricing under the concepts of tas'ir (price regulation), 'adl (justice), maslahah (public welfare), and hifz al-mal (preservation of wealth). Ibn Taymiyyah's doctrine of the 'just price' (thaman al-mithl) established that market prices should reflect fair compensation without exploitation (ihtikar), deception (tadlis), or uncertainty (gharar) (Ibn Taymiyyah, 2016). Chapra (2008) argues that the *maqasid al-shari'ah* (objectives of Islamic law), encompassing preservation of life, intellect, lineage, wealth, and religion, provide the normative framework for all economic activity, including pricing.

Contemporary Islamic economics scholars have sought to extend this framework into modern contexts. Asutay (2012) conceptualizes Islamic moral economy as a system grounded in human-centered development, solidarity, and ethical governance, explicitly distinguishing it from the financialized 'Islamic finance industry'. Naqvi (2014) argues that Islamic economic rationality is fundamentally different from Western rationality because it integrates moral integrity as a constitutive component, not merely an external constraint. Choudhury (2011) goes further, proposing a theological epistemology for Islamic economics that treats the unity of God (tawhid) as the foundational ontological principle governing all economic relationships.

Despite these theoretical advances, empirical research on how ordinary Muslim micro-entrepreneurs actually integrate Islamic values into their pricing decisions remains sparse. Studies such as Kakembo et al. (2021) on Islamic microfinance in Uganda and Saad et al. (2022) on waqf-based SME financing address financing rather than pricing. Adada (2019) and Hanif & Hamid (2023) examine pricing rules in Islamic jurisprudence but do not ground their analyses in ethnographic fieldwork. This study fills this empirical gap.

The sociological concept of embeddedness provides a useful analytical bridge between economic theory and Islamic economics. Granovetter (1985) argued that economic action is embedded in networks of social relationships, which shape information flows, trust, and coordination. Bourdieu (1986) extended this to include cultural and social capital as resources that actors deploy within economic fields. In the context of Muslim communities, this embeddedness has a distinctly spiritual dimension: economic decisions are not only anchored in social relationships but also in relationships with God and in obligations of accountability (amanah) and justice ('adl) that transcend social convention (Beekun, 1997; Haneef & Furqani, 2009).

Zaman (2019) has theorized this as a 'divine embeddedness': economic transactions are not only socially but also transcendentally embedded, giving them a meaning and accountability structure absent from secular market theory. Sen's (1977) critique of the homo economicus model as a 'rational fool' opens space for understanding economic actors as morally committed beings whose preferences are shaped by sympathy and commitment—a perspective that resonates powerfully with Islamic conceptions of the *homo islamicus* (Asutay, 2007). These theoretical convergences form the conceptual background against which the present study's empirical findings are interpreted.

Unlike most studies in Islamic economics, which focus on formal financial instruments such as Islamic banking, zakat, or microfinance, this study specifically highlights pricing practices at the micro level through the direct experiences of Muslim business owners. Most existing literature discusses prices within the normative framework of *fiqh*, for example, the concept of *tas'ir*, the prohibition of *ihtikar*, or the principle of price justice, without exploring how these principles are actually practiced in everyday economic decisions. Thus, this study offers an empirical contribution by examining how Muslim micro-entrepreneurs actually construct pricing rationality within the intertwined social, economic, and religious contexts.

The second novelty of this study lies in its analytical approach, which integrates economic, economic sociology, and Islamic economics perspectives to understand pricing practices as a moral-economic phenomenon embedded within the social life of Muslim communities. This study views prices not merely as the result of cost calculations and market dynamics, but as a social practice shaped by community solidarity, norms of justice, and the spiritual orientation of business owners. This approach expands the discourse on Islamic economics by demonstrating that the economic rationality of Muslim business owners is not driven solely by profit logic, but also by ethical values, social responsibility, and religious consciousness.

The main contribution of this research is the development of the Integrative Islamic Socio-Economic Pricing Model (ISEPM), which explains price determination as a three-layered process encompassing economic rationality, social mediation, and religious legitimacy. This model offers a new conceptual framework that reconstructs pricing theory from the perspective of Islamic moral economics, while challenging the dominant assumptions in conventional economic theory that separate the moral dimension from economic behavior. Thus, this research not only fills an empirical gap in Islamic economic studies but also provides a theoretical contribution to understanding how spiritual values and social solidarity shape economic practices at the grassroots level.

2. METHODS

To examine how these socio-religious and moral dimensions shape pricing practices in everyday economic life, this study employs a qualitative phenomenological approach that focuses on the lived experiences of Muslim micro-entrepreneurs. This methodological approach enables a deeper exploration of how economic calculations, social relationships, and religious values interact in the process of price formation within community-based market contexts. The following section outlines the research design, data collection procedures, and analytical strategies used to investigate these dynamics.

This study employs a qualitative phenomenological approach, designed to capture the lived experiences (Erlebnis) of Muslim micro-entrepreneurs as they construct meaningful pricing decisions within a specific socio-religious context. Phenomenology is particularly appropriate because pricing, in this context, is not a standardized technical procedure but a meaning-laden practice shaped by experience, values, and relationality. Following Husserl's principle of intentionality and Schutz's social phenomenology, the study treats pricing as an intentional act—directed not merely towards profit but towards a complex constellation of economic, social, and spiritual ends (Qomar, 2022).

The study was conducted in Tulungagung Regency, East Java, Indonesia, selected for its dense and diverse UMKM ecosystem and its culturally and religiously homogeneous Muslim community with strong traditional Islamic ties. The informant pool comprised 33 micro-enterprise producers drawn from six business sectors: food and beverage processing (9 informants), batik textile crafts (5), silver and metal crafts (4), household crafts (6), retail food traders (5), and creative product makers (4). Informants ranged in age from 28 to 67 years. Purposive sampling was used to ensure sectoral diversity, followed by snowball sampling to access informants embedded in trust-based community networks. Consumer informants (8 individuals) and supplier informants (2) were additionally recruited for triangulation purposes.

Data were collected through three primary methods. First, in-depth semi-structured interviews were conducted with all informants between March and June 2024, each lasting 60–120 minutes. Interview protocols addressed pricing decision processes, the role of social relationships, religious motivations, responses to market shocks, and perceptions of fairness. Second, direct observation was conducted at production sites, market stalls, and community gatherings on 47 occasions, enabling triangulation between stated practices and actual behavior. Third, documentation was gathered, including business records, pricing notes, community WhatsApp communications, and supplier invoices, providing contextual evidence for pricing calculations and social coordination practices.

Data were analyzed using a three-stage grounded theory coding procedure (Qomar, 2024). Open coding disaggregated transcripts and field notes into 312 initial conceptual categories capturing discrete pricing behaviors, motivations, and constraints. Axial coding reorganized these categories into 18 relational clusters by identifying causal conditions, contexts, intervening conditions, strategies, and consequences. Thematic coding synthesized these clusters into three integrative themes—spiritual ethics, social solidarity, and distributive justice—that constitute the core dimensions of the proposed model. Trustworthiness was established through credibility (member checking with 8 informants), transferability (thick contextual description), dependability (detailed audit trail), and confirmability (peer debriefing with two senior researchers).

3. RESULT AND FINDINGS ANALYSIS

Pricing Systems Practiced by Muslim Micro-Entrepreneurs

Market analysis revealed that most UMKM in Tulungagung operate within locally monopolistically competitive market structures, characterised by differentiated products, proximity to consumers, and price-sensitive demand. Informants demonstrated consistent market awareness practices: scanning competitor prices, monitoring raw material costs, and calculating break-even points informally before setting prices. The dominant pricing strategy was cost-plus pricing, in which all production costs—raw materials, labour, overhead, and transport—were summed and a percentage margin was added. Margins ranged from 10% to 40% depending on product category, sector competition, and target consumer segment.

What distinguishes these practices from textbook cost-plus pricing is their embedded moral character. Bapak Darsono (cassava crisp producer) explained: 'I look at the price of crisps in the shops around me first. Buyers are sensitive—a thousand-rupiah difference can make them switch. I calculate the cost of cassava, oil, and gas, then add a little for profit. If it's too expensive, the product won't sell and I'll lose money.' This statement captures the dual logic operative in the pricing process: economic viability and social acceptability are simultaneously weighted. The threshold of acceptable pricing is not determined by profit maximisation but by community norms of affordable access.

Informants across sectors also demonstrated forward-looking market adjustment, reducing production volumes in slow seasons and preparing special packages for high-demand religious periods (Ramadan, harvest celebrations) without raising prices. This temporal sensitivity reflects not only rational resource management but an ethical commitment to protecting consumer purchasing power during periods of shared need. Ibu Sulistiani (yoghurt producer) articulated this clearly: 'I usually adjust the bottle size rather than the price directly. My buyers are mostly regular customers, so I keep it affordable.'

Price legitimacy mechanisms were observable across sectors. Batik producers like Ibu Siti Khadijah justified premium pricing through transparent narratives of craftsmanship: 'Batik tulis cannot be compared to printed batik. One cloth can take a month to complete. So before setting a price, I look at the motif, the complexity, and who the market is.' Silver craftspeople like Bapak Rahmat linked pricing to commodity market references while maintaining moral limits: 'If the calculation is wrong, I could lose money because silver is expensive. I always check the silver market price first, then set the selling price. I can't just go cheap.' These justificatory practices—explaining the components of price to buyers—constitute a form of moral communication that builds trust and reduces informational asymmetry.

Social, Economic, and Religious Interaction Mechanisms

Data from Bab V reveal how pricing is constituted through the simultaneous operation of economic, social, and religious forces. Economically, raw material price volatility emerged as the most frequently cited external constraint. Rather than immediately passing cost increases on to consumers, informants consistently described absorbing shocks through margin compression, product resizing, or efficiency improvements. Bapak Fredy Oky Erlanda (kebab producer) explained: 'If meat prices rise, we don't immediately raise the kebab price. We usually find ways to be more efficient—reduce promotion costs or adjust portions, but without reducing taste.' This buffering behavior reflects a moral commitment to price stability and consumer protection that overrides short-term profit maximization.

Socially, pricing was shaped by community solidarity mechanisms. Informants consistently described informal price coordination within peer networks—WhatsApp groups, market conversations, and community meetings—where entrepreneurs shared pricing information to avoid destructive undercutting. Fredy noted: 'Among fellow kebab sellers, we usually communicate: don't slash prices too low, because that will hurt everyone.' This practice of voluntary coordination constitutes an informal equivalent of market governance, maintaining price floors not through regulatory authority but through moral consensus. This resonates strongly with Ibn Taymiyyah's concept of hisbah: communal moral oversight of market behaviour.

Religiously, informants demonstrated consistent integration of Islamic values into pricing decisions. Several key mechanisms were identified. First, barakah orientation: informants consistently prioritised 'blessedness' over margin maximization, expressed in statements such as 'a small profit with blessing is better than a large profit without it' (Fredy). Second, tawakkal-based price stability: informants who viewed prices as an amanah (divine trust) were less likely to exploit demand spikes, reasoning that 'if we are patient and don't raise prices arbitrarily, customers will keep coming.' Third, al-ihsan in practice: multiple informants provided discretionary discounts to economically disadvantaged customers, students, or neighbours not as promotional strategy but as an expression of social charity (sedekah) embedded within economic transactions.

Religious authority figures were also found to exert influence on pricing norms. Ibu Nurul Hidayah (bouquet producer) recounted: 'A ustadz once asked me not to raise prices before Eid, because it would burden the community. I followed that advice, even though production costs had also risen.' This illustrates how religious leadership functions as an informal regulatory institution that channels Islamic norms into market behavior—a living instantiation of the hisbah tradition in contemporary context.

Thematic Synthesis

Thematic coding produced three integrative themes that constitute the analytical architecture of the proposed model:

Theme	Core Mechanism	Islamic Principle
Spiritual Ethics	Foundation of economic rationality; prices as amanah; barakah orientation overrides profit maximisation	*Niyyah (intention), tawakkal (reliance), al-sidq (truthfulness), hifz al-mal*
Social Solidarity	Informal market regulatory mechanism; peer coordination; trust-based governance replacing formal contracts	*Ta'awun (cooperation), ukhuwwah (brotherhood), hisbah (communal oversight)*
Distributive Justice	Normative principle framing price legitimacy; price as social currency; rejection of speculation on and hoarding	*Al-'adl (justice), maslahah (welfare), al-barakah (blessing), tawazun (balance)*

Table 1. Three Integrative Themes of Socio-Islamic Pricing

4. DISCUSSION

Spiritual Ethics as the Foundation of Economic Rationality

The finding that spiritual ethics functions as the foundational layer of pricing rationality constitutes a direct challenge to the homo economicus model that underlies most conventional pricing theory. Varian's (2010) framework assumes that rational agents maximize utility subject to budget constraints, treating ethics as external to the decision calculus. Our data demonstrate something fundamentally different: for Muslim micro-entrepreneurs in Tulungagung, moral and spiritual considerations are intrinsic to the very structure of pricing rationality, not imposed constraints upon it.

This aligns with Asutay's (2007) concept of homo islamicus—an economic actor who integrates material and spiritual objectives—and with Naqvi's (2014) argument that Islamic economic rationality encompasses moral integrity as a structural component rather than an ethical supplement. The concept of barakah (divine blessing) is particularly significant: informants consistently privileged transactions likely to attract divine favour over transactions maximising immediate profit margins. This 'barakah rationality' constitutes a distinct mode of economic reasoning that evaluates outcomes not only in material terms but in terms of their conformity to Islamic values and their likely consequences in both worldly and eschatological dimensions.

Crucially, this spiritual rationality does not render micro-entrepreneurs economically irrational. Rather, it redefines what counts as a rational economic outcome. Producers who maintain prices during demand spikes build long-term customer loyalty (a form of social capital investment), avoid the reputational risks of being perceived as exploitative, and signal their moral worthiness to community members who are potential future customers. As Chapra (2008) argues, morality and economic sustainability are not in tension within an Islamic framework—they are mutually reinforcing. The empirical evidence from Tulungagung supports this claim: informants who prioritised barakah over margin maximisation consistently reported stable customer bases and sustained livelihoods.

The finding also challenges the behavioral economics perspective of Kahneman and Tversky (1979), who treat religious orientation as a cognitive 'bias' that deviates from standard rationality. In the Tulungagung context, religious orientation is not a bias but the epistemological foundation of economic decision-making. Zaman's (2019) concept of 'moral boundedness'—in which spiritual discipline constrains speculative and exploitative impulses—provides a more adequate theoretical framework for understanding these practices than the 'bounded rationality' of standard behavioral economics.

Social Solidarity as an Informal Market Regulatory Mechanism

The second major finding—that social solidarity functions as an informal market regulator—challenges Adam Smith's 'invisible hand' thesis as well as contemporary free-market theories that rely on competition as the primary equilibrating mechanism. Smith's (2007) model assumes that individual self-interest, channelled through competitive markets, produces socially beneficial outcomes without any coordination among producers. Our data show a more complex picture: Muslim micro-entrepreneurs in Tulungagung actively coordinate pricing norms through informal networks, maintaining market stability through shared moral commitments rather than competitive pressure.

This practice exemplifies what Granovetter (1985) calls the 'embeddedness' of economic action in social relations—but with a crucial extension: in the Tulungagung context, embeddedness has a spiritual dimension. Following Zaman (2019), we conceptualise this as 'divine embeddedness': pricing decisions are not only embedded in social relationships but in a transcendental moral framework that gives those relationships their normative force. The result is what we term ukhuwwah iqtishadiyyah—economic brotherhood—a form of solidarity that regulates market behaviour not through formal law but through internalised Islamic norms of justice, empathy, and mutual support.

This finding also advances the social capital theory of Bourdieu (1986) by demonstrating that in Muslim communities, social capital has a spiritual dimension: trust between entrepreneurs is not merely a function of social ties but of shared religious commitments and mutual accountability before God. This 'spiritual social capital' reduces transaction costs, enables efficient informal coordination, and generates market stability without regulatory intervention—demonstrating that the Hayekian claim that moral intervention endangers market freedom is empirically unfounded in this context. As Asutay (2012) argues, Islamic moral economy creates forms of 'embedded freedom' in which liberty is exercised within a framework of ethical responsibility rather than in opposition to it.

The solidarity mechanism also manifests Ibn Taymiyyah's hisbah doctrine in contemporary form. Historical hisbah involved state-appointed market supervisors (muhtasib) who enforced just pricing. In Tulungagung, this supervisory function has been internalised by the community itself: peer networks enforce pricing norms collectively, discouraging undercutting and price-gouging through reputational mechanisms rather than legal coercion. This self-regulatory capacity demonstrates the viability of moral economy governance as a complement or alternative to formal market regulation.

Distributive Justice as the Normative Principle of Price Legitimacy

The third major finding—that distributive justice frames the normative legitimacy of prices—challenges the value-neutrality assumption of mainstream economics (Friedman, 1953) and offers a substantive alternative to both utilitarian and Rawlsian theories of justice. In Friedman's positivist framework, price determination is an empirical rather than normative matter: prices simply reflect market equilibrium, and questions of justice are exogenous to economics proper. Our data demonstrate that this is empirically false in the Tulungagung context: informants consistently employed normative criteria of justice to evaluate and justify their pricing decisions.

This finding also differentiates Islamic distributive justice from Rawlsian justice as fairness (1971), which grounds justice in hypothetical rational agreement under a veil of ignorance. In the Islamic framework, distributive justice is grounded not in rational contract but in divine command: al-'adl (justice) is an attribute of God and an obligation incumbent on all economic actors as a matter of religious duty (Chapra, 2014). This gives Islamic distributive justice a different normative character—more robust, more intrinsically motivated, and more holistic—than procedural liberal justice theories.

Practically, this principal manifests in the rejection of ihtikar (hoarding), gharar (deception), and excessive mark-ups, as well as in the positive practice of price transparency, adaptive pricing for vulnerable consumers, and refusal to capitalise on demand spikes during religious holidays. These behaviours are not strategic calculations but expressions of moral identity: for Muslim micro-entrepreneurs, being known as a 'fair dealer' (amin) is a constitutive element of their self-understanding as Muslims, not merely a reputational asset. As Siddiqi (1992) argues, economic behaviour in Islam cannot be separated from taqwa (God-consciousness)—it is always already a form of worship.

Integrative Islamic Socio-Economic Pricing Model (ISEPM)

On the basis of the three integrative themes and their theoretical elaboration, this study proposes the Integrative Islamic Socio-Economic Pricing Model (ISEPM). The model conceptualizes pricing among Muslim micro-entrepreneurs as a tripartite moral-economic process, structured around three interacting layers:

Layer 1: Economic Rationality (Base Layer). The first layer encompasses cost-plus pricing, market scanning, and break-even analysis. This layer is not abandoned but reframed: cost calculation provides the minimum rational floor for pricing, while market scanning provides contextual awareness. Crucially, this layer does not operate autonomously—it is filtered through the second and third layers before producing a final pricing decision.

Layer 2: Social Mediation (Intermediate Layer). The second layer introduces relational and community considerations: loyalty relationships, consumer economic vulnerability, peer pricing norms, and community expectations. At this layer, prices are adjusted to accommodate social obligations—discounting for long-term customers, coordinating with peer traders to avoid market disruption, and moderating margins during periods of community hardship. Social solidarity functions as a quasi-regulatory mechanism that constrains purely market-driven pricing.

Layer 3: Religious Legitimation (Normative Layer). The third layer applies the normative criteria of Islamic ethics: al-'adl, al-sidq, amanah, maslahah, and barakah. This layer does not override the first two but provides the ultimate evaluative framework within which pricing decisions acquire legitimacy. Prices that pass through all three layers—economically viable, socially responsible, and religiously legitimate—constitute what the study terms 'blessed prices' (harga berkah): prices that sustain both the business and the moral-social fabric of the community.

Layer	Component	Function	Islamic Principle
1. Economic Rationality	Cost-plus pricing; market scanning; break-even analysis	Establishes minimum rational price floor and competitive baseline	Hifz al-mal; rational stewardship
2. Social Mediation	Relational pricing; solidarity pricing; community norms	Adjusts price to social obligations; informal market governance	Ta'awun; ukhuwwah; hisbah
3. Religious Legitimation	Barakah orientation; transparency; al-'adl; anti-speculation	Confers final normative legitimacy; defines 'harga berkah'	Al-'adl; maslahah; al-sidq; tawakkal

Table 2. Structure of the Integrative Islamic Socio-Economic Pricing Model (ISEPM)

The ISEPM integrates and extends several existing theoretical frameworks. It builds on the Islamic Moral Economy framework of Asutay (2012) by grounding it in ethnographic evidence from micro-enterprise pricing. It extends Granovetter's (1985) embeddedness theory by demonstrating the spiritual dimension of economic embeddedness in Muslim communities. It challenges the value-neutrality of conventional pricing theory by demonstrating that moral and spiritual values are constitutively—not contingently—involved in pricing rationality. And it offers a practical model that can guide MSME capacity-building programs, zakat and waqf institutions, and Islamic finance practitioners seeking to support morally grounded small business ecosystems.

The model also proposes three theoretical propositions for future research: Proposition 1 — Pricing rationality in Islamic economic contexts is best characterised as 'ethical rationality' (rasionalitas etis), integrating efficiency and moral commitment rather than treating them as competing values. Proposition 2 — Prices serve not merely as market signals but as 'moral currency' (mata uang moral), communicating trustworthiness, ethical identity, and community solidarity. Proposition 3 — Social legitimacy constitutes a form of 'moral capital' (modal moral) that is a prerequisite for business sustainability in Muslim community contexts, overriding and constraining purely market-driven competitive pressures.

5. CONCLUSION

This study has demonstrated that Muslim micro-entrepreneurs in Tulungagung construct their pricing rationality through a complex integration of economic calculation, social solidarity, and spiritual ethics that cannot be adequately captured by conventional pricing theory. The dominant frameworks—cost-plus pricing, market-oriented pricing, neoclassical equilibrium—all treat morality as exogenous to pricing decisions. The present findings show that morality is endogenous: it is constitutively involved in defining what counts as a rational price, a fair margin, and a legitimate profit.

The Integrative Islamic Socio-Economic Pricing Model (ISEPM) proposed in this study offers a theoretically grounded and empirically anchored alternative. By conceptualizing pricing as a tripartite process integrating economic rationality, social mediation, and religious legitimation, the ISEPM captures the full complexity of pricing behavior in Muslim community contexts and provides a platform for further theoretical development in Islamic economics and moral economy studies.

The study's contributions are both theoretical and practical. Theoretically, it advances Islamic economics beyond its predominant focus on financial instruments and formal jurisprudence towards an empirically grounded understanding of everyday moral economy at the micro-enterprise level. It enriches the homo islamicus framework with specific, contextualized evidence, and proposes three theoretical propositions for further investigation. Practically, it provides a framework for MSME development programs, Islamic finance institutions, and policymakers seeking to support economically viable and ethically grounded small business ecosystems.

Limitations of the study include its geographic specificity (Tulungagung, East Java) and its qualitative design, which prioritises depth over breadth. Future research should examine whether the ISEPM generalises to other Muslim-majority contexts, employ quantitative methods to test the model's propositions at scale, and investigate the effects of digital commerce platforms on the social solidarity mechanisms identified in this study.

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Ahmad Syaichoni wrote the original draft preparation, Ayu Swaningrum strengthened the theoretical framework and data analysis. The authors collaborated to finalize the draft.

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