COMPLEMENTING MICROENTERPRISES, BUSINESS COMMUNITY AND ISLAMIC BANKING TO MITIGATE SUPERMARKETS' IMPACT ON TRADITIONAL MARKETS IN INDONESIA BY USING TAWHI DI STRING RELATION METHODOLOGICAL APPROACH

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Abstract

The 1998 liberalization of retail trade sector provided the impetus for the emergence of various foreign supermarkets and other modern markets chains in Indonesia. The presence of supermarkets and other modern markets chains have been sign that the traditional markets in Jakarta are experiencing a drastic decline in income and profits. The supermarkets become superior benefitting from their economies of scale, which lies in the fact that they have established large business links with suppliers and allows them to sell products at lower prices. The superiority of supermarkets on traditional markets is denying the continuance of the rule of justice, equality and fairness in all community, as termed in the Quran and Sunnah. In response to the unequality, it would require a complementarity between microenterprises in traditional markets with business community and Islamic banking, which is implied in Tawhidi String Relations (TSR) methodology. Thus, this paper tries to confirm that the TSR methodology is the most effective solutions to mitigate the negative impact of supermarkets on traditional markets.

Keyword: tawhidi string relations, supermarkets, modern markets, microenterprises, Islamic banking

I. Background

Indonesia's urban centers underwent an explosion of supermarkets. The emergence of various foreign supermarket chains in Indonesia has been driven by the liberalization policy of retail trade sector in 1998, which regulates the retail trade sector are opened to investment from companies supported by foreign capital or foreign legal bodies. According to Rangkuti and Wright (2013), the Indonesian retail sector began its rapid expansion in 1999, when a Presidential
Decree (No. 96/2000 and 118/2000) allowed Carrefour, a French retailer, to expand retail operations in Jakarta. As other retailers followed, the Indonesian retail sector became more competitive, benefitting consumers and taking market share from traditional retail outlets. Foreign retailers in Indonesia include Carrefour (Operated by CT Corp/PT Trans Retail), Giant, Lotte Mart (formerly Makro), Lion Superindo, Circle K, Seven Eleven, Lawson, Family Mart and Ministop. Some modern retailer chains have multi-format outlets. Hypermarket, supermarkets, convenience shops and minimarkets are all present in Jakarta.

<table>
<thead>
<tr>
<th>Table 1. Indonesia: Grocery Retailers Brand Shares (% sales value)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Wholesale/Hypermarket</td>
</tr>
<tr>
<td>Carrefour</td>
</tr>
<tr>
<td>Hypermart</td>
</tr>
<tr>
<td>Giant</td>
</tr>
<tr>
<td>Lotte Mart</td>
</tr>
<tr>
<td>Supermarket</td>
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<tr>
<td>Superindo</td>
</tr>
<tr>
<td>Alfa Midi</td>
</tr>
<tr>
<td>Foodmart</td>
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<tr>
<td>Hero</td>
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<tr>
<td>Minimarket/Convenience Store</td>
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<tr>
<td>Alfamart (minimarket)</td>
</tr>
<tr>
<td>Indomart (minimarket)</td>
</tr>
<tr>
<td>Circle K</td>
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<tr>
<td>Others</td>
</tr>
</tbody>
</table>

Source: Euromonitor in Rangkuti and Wright (2013)
Several studies have been carried out on the impact of supermarkets has found numerous negative effects on traditional markets in developing countries such as Indonesia. According to Suryadarma et al. (2010), with cheaper, higher quality commodities and better services, supermarkets have the potential to drive traders in traditional markets out of business or experienced declines in their business.

The objective of this paper is to confirm that the Tawhidi String Relations (TSR) methodology is the most effective solutions to mitigate the negative impact of supermarkets on traditional markets. In addition, the possibility of introducing the TSR concept explained that the complementarity and participatory between microenterprises in traditional markets, business community, and Islamic banking could also formulate useful contributions to the poverty alleviation in Indonesia.

II. Methodology

This paper applies to the perspective of participatory under the TSR methodology, to determine the complimentary relationship between microenterprises in traditional markets with business community and Islamic banking in order to mitigate the negative impact of supermarkets on traditional markets and its microentreprises. The qualitative methods in this study typically rely on gathering information and categorizing variables in a model into patterns as the primary basis for organizing and reporting results. Thus, this paper is analyzing and reporting results in order to answer the following questions:
1. How does the form of retail trade sector in Indonesia? Does it contribute the social well being of microenterprises in traditional markets?

2. What is the form of TSR view on microenterprises in traditional markets with the business community and Islamic banking?

3. How does the form of TSR can be implemented to develop a social well being for the microenterprises in Indonesian traditional markets?

III. Theoretical Studies And Previous Researches

From 1998 to 2003, supermarkets in Indonesia grew by 27% a year from 8 to 49 stores. The growth is concentrated in the Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi region), which has 58% of all supermarkets (Poesoro, 2007:4). The findings of a study by A.C. Nielsen (2006) reveal that modern markets like supermarkets in Indonesia are growing by 31.4% a year, whereas traditional markets are decreasing by 8% a year. Table 2 shows the top five modern retailers in Indonesia, their establishment date, current ownership structure, and growth rates over the past five years from 2005 to 2010 (Suryadarma, 2011).

Research by Poesoro (2007:6) also examined the impact of supermarkets on traditional markets in urban area by using quantitative approach to measure business performance of traders in traditional markets by using 3 variables: earnings, profit, and the number of employees. For the two indicators, earnings and profit are insignificant. However, for the number of employees is significant which shows that traders in traditional markets have to reduce their operational costs by reducing the employee costs in order to maintain their business continuity. Rosfadhila (2007:11) mentioned that several studies have also been carried on the impact of supermarkets in developing countries by Reardon and Berdegué, 2002; Reardon et al, 2003; Traill, 2006; Reardon and Hopkins, 2006, which have found that the rapid increase in supermarkets has had negative effects on traditional traders. The traders who are the first to become bankrupt are usually those who sell broad lines, processed food and dairy products, followed by shops that sell fresh produce and traditional markets. They can survive for only a few years. After that, the traders who continue to operate are those who deal in specific products and those who carry out trade in areas where they are protected from the presence of supermarkets (Rosfadhil, 2007:11). According to Hasan Basri (2007) in Poesoro (2007:5), head of the Jakarta branch of the Indonesian Traditional Market Traders Association (APPSI), from 151 traditional markets in Jakarta, 9 of them have already closed since the presence of foreign supermarkets or hypermarkets.
Table 2. Five Largest Supermarkets Operators in Indonesia

<table>
<thead>
<tr>
<th>Top of Five Retailers</th>
<th>2005 (no.of stores; sales)</th>
<th>2010 (no.of stores; sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrefour (1998), currently 60% foreign</td>
<td>22 hypermarkets; A$551 million</td>
<td>67 hypermarkets, 16 supermarkets (including acquisition of Alfa in 2008); A$1.4 billion</td>
</tr>
<tr>
<td>Hero (1970s), currently 94% foreign</td>
<td>16 hypermarkets; 99 supermarkets; A$428 million</td>
<td>38 hypermarkets, 120 supermarkets; A$867 million</td>
</tr>
<tr>
<td>Matahari (1995), currently 0% foreign</td>
<td>17 hypermarkets; 37 supermarkets; A$281 million</td>
<td>38 hypermarkets, 29 supermarkets; A$338 million</td>
</tr>
<tr>
<td>Alfa (1989), acquired by Carrefour in 2008</td>
<td>33 total hypermarkets &amp; supermarkets; A$371 million</td>
<td>-</td>
</tr>
<tr>
<td>Superindo (1997), currently 51% foreign</td>
<td>41 supermarkets; A$111 million</td>
<td>73 supermarkets; A$152 million</td>
</tr>
</tbody>
</table>

Source: Suryadarma (2011:50)

The Tawhidi epistemology model in formal sense helps to unsolved the problems faced by the traditional markets and its microenterprises by establishing the interactive and dynamic unity of knowledge caused by the interrelationships between the microenterprises in traditional markets and business as community entities. According to Choudhury (2000, 2004), the entities interrelations should be applied to the perspective of participatory development and complementary relationships. This will also consider the role of Islamic banking by giving financial resources and promoting the traditional markets' microenterprises as in business community. The idea of participation and the pervasive complementarities are codetermined by learning into the Interactive, Integrative and Evolutionary (IIE) process, which will establishes an extensive social network for attaining social wellbeing for all communities that formulated in the Tawhidi String Relations (TSR) methodology.

IV. Analysis and Results

4.1 The Form of Retail Trade Sector in Indonesia

Traditional markets are still struggling with their internal problems, such as poor management and very limited facilities and infrastructures. In fact, many traditional markets in the
Jabodetabek region are unmaintained. They are narrow; dirty, muddy, musty, oul-smelling, and their access roads are congested. The records of PD Pasar Jaya (2007) show that from total 151 markets in Jakarta, only 27 markets are still in good physical buildings. Of the rest, 111 markets have buildings that are somewhat damaged or seriously damaged, while only 13 are slightly damaged. Hasan Basri, head of the Jakarta branch of the Indonesian Traditional Market Traders Association (APPSI), says that from 151 traditional markets in Jakarta, 9 of them have already closed since the presence of hypermarkets. Furthermore, micro and small-scale traders (microenterprises) in traditional markets cannot directly compete with large-scale retailers of supermarkets because of their inferiority. Proportion between number of traditional retail and modern retail outlet in Indonesia from 2003 to 2007 show in Table 3.

Table 3. Proportion Between Number Of Traditional Retail and Modern Retail Outlet In Indonesia (2003-2007)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Store (A)</td>
<td>1,694,747</td>
<td>1,745,589</td>
<td>1,787,897</td>
<td>1,846,752</td>
<td>1,900,332</td>
</tr>
<tr>
<td>Mini market (B)</td>
<td>4,038</td>
<td>5,604</td>
<td>6,456</td>
<td>7,476</td>
<td>8,889</td>
</tr>
<tr>
<td>Supermarket (C)</td>
<td>896</td>
<td>956</td>
<td>1,141</td>
<td>1,277</td>
<td>1,379</td>
</tr>
<tr>
<td>Hypermarket (D)</td>
<td>43</td>
<td>68</td>
<td>83</td>
<td>105</td>
<td>121</td>
</tr>
<tr>
<td>Proportion A/B</td>
<td>419.70</td>
<td>311.49</td>
<td>276.94</td>
<td>247.02</td>
<td>213.78</td>
</tr>
<tr>
<td>Proportion A/C</td>
<td>1,891.46</td>
<td>1,825.93</td>
<td>1,566.96</td>
<td>1,446.16</td>
<td>1,378.05</td>
</tr>
<tr>
<td>Proportion A/D</td>
<td>39,412.71</td>
<td>25,670.43</td>
<td>21,540.93</td>
<td>17,588.11</td>
<td>15,705.22</td>
</tr>
</tbody>
</table>

Source: Halim (2009)

The composition of the Indonesian retail industry based on A.C. Nielsen survey in 2006 shows that in terms of quantity, modern retail comprises a far smaller portion of the market than traditional retail. There are far more traditional retailers than modern retailers. However, annual earnings for the modern retail sector stands at about Rp50-60 trillion for approximately 15,000 traders, whereas earnings for the traditional retail sector is approximately Rp500 trillion for more than 1.5 million traders-making it very clear that earnings for individual modern retailers is far higher than earnings for individual traditional retailers. The rapid growth of the modern retail industry is currently causing a shift in the retail market share, where modern retail is eating more and more into the traditional retail share. Slowly but surely, modern retail is controlling retail market share (Ahmad, 2007:29, 30). Figure 2 illustrates this development.
Figure 2. Indonesia Retail Sales Value Share (%)

Table 4. Wholesale, Hypermarket and Supermarket outlets in Indonesia

<table>
<thead>
<tr>
<th>Retail Name &amp; Market Type</th>
<th>Ownership</th>
<th>Sales/year 2012</th>
<th>No. of Outlets 2012</th>
<th>Locations (city/region)</th>
<th>Purchasing Agent Type</th>
</tr>
</thead>
</table>
| Carrefour                | Trans Retail Indonesia, PT (Local per November 2012) | N/A | 69 hypermarket format  
11 Carrefour Express  
3 Carrefour market | Jakarta, several cities in Banten West Java, Central Java & East Java; Palembang, Medan, Batam, Makassar, Denpasar | Direct Agent/Importer, Distributor |
| Giant                    | Hero Supermarket Tbk, PT (Dairy Farm - Hongkong) | Net revenue from Hero retail group IDR 10.5 trillion | As of July 2013  
46 hypermarket  
103 supermarket | Jakarta, several cities in Banten, West Java, Central Java, East Java; Bali, Bandar Lampung, Bengkulu, Jambi, Pakanbaru, Banjarmasin, Balikpapan, Samarinda | Direct Agent/Importer, Distributor |
| Hypermart                | Matahari Putra Prima Tbk, PT (Local – Temasek, Singapore) | N/A | As of July 2013  
86 Hypermart  
7 Matahari convenience stores  
2 Bigmart stores | Jakarta, several cities in Banten, West Java, Central Java, East Java, North Sumatera, Riau, Jambi, South Sumatera, Bengkulu, Bandar Lampung, Pontianak, Palangkaraya, South Kalimantan, Balikpapan, Samarinda, North Sulawesi, Gorontalo, Palopo, Makassar, Kendari, Ambon, Jayapura, Kupang, Bali | Direct Agent/Importer, Distributor |
| Lotte Mart (former Makro Wholesale) | Lotte Shopping Indonesia, PT (South Korea per Oct 2008) | N/A | 19 wholesaler  
10 hypermarket | Jakarta, Tangerang, Serang, Bekasi, Bandung, Semarang, Yogyakarta, Solo, Sidoarjo, Medan | Direct Agent/Importer, Distributor |
<table>
<thead>
<tr>
<th><strong>Alfa Midi (bigger than minimarket but smaller than supermarket)</strong></th>
<th><strong>Lotte Mart (former Makro Wholesale)</strong></th>
<th><strong>Hero</strong></th>
<th><strong>Lion Superindo</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Midi Utama Indonesia Tbk, PT (Local)</td>
<td>Lotte Shopping Indonesia, PT (South Korea per Oct 2008)</td>
<td>Hero Supermarket Tbk, PT (Dairy Farm - Hongkong)</td>
<td>Lion Superindo – Gelael, PT (Local)</td>
</tr>
<tr>
<td>Net revenue IDR 3.87 trillion from Alfamidi, Alfa Express &amp; Lawson</td>
<td>N/A</td>
<td>Net revenue from Hero retail group IDR 10.5 trillion</td>
<td>N/A</td>
</tr>
<tr>
<td>As of June 2013 514 Alfamidi 74 Alfa Express</td>
<td>19 wholesaler 10 hypermarket</td>
<td>As of July 2013 39 outlets</td>
<td>As of July 2013 109 outlets</td>
</tr>
<tr>
<td>Jakarta, Bogor, Tangerang, Depo, Surabaya, Makassar, Samarinda, Medan</td>
<td>Jakarta, Tangerang, Serang, Bekasi, Bandung, Semarang, Yogyakarta, Solo, Sidoarjo, Medan, Pakanbaru, Palembang, Bali, Makassar, Banjarmasin, Balikpapan</td>
<td>Jakarta, Bekasi, Bogor District, Tangerang, Tangerang Selatan, Bandung, Yogyakarta, Surabaya, Sidoarjo, Malang, Bali, Mataram, Tembaga Pura, Makassar, Balikpapan, Samarinda</td>
<td>Jakarta, several cities in Banten, West Java, Central Java &amp; East Java;</td>
</tr>
<tr>
<td>Direct Agent/Importer, Distributor</td>
<td>Direct Agent/Importer, Distributor</td>
<td>Direct Agent/Importer, Distributor</td>
<td>Direct Agent/Importer, Distributor</td>
</tr>
</tbody>
</table>

Source: Rangkuti and Wright (2013)

Supermarkets are expanding rapidly in Indonesia. There are four players in the hypermarket group (including wholesalers) and five in the supermarket group in Indonesia (Table 4). Hypermarket and supermarket businesses are the most likely to sell imported products. Imports account for 5 to 30 percent of the food items sold in each store, increasing to 60 percent for specialty retailers catering to high-end consumers. Minimarkets are also rapidly growing in popularity throughout urban and suburban Indonesia. Following the introduction of 7-Eleven in 2009, the stores have grown in popularity among young consumers and students. According to Rangkuti and Wright (2013), convenience stores differ from Indonesian minimarkets in that they offer fewer SKUs (Stock Keeping Units) than minimarkets while offering ready to eat foods and a dining area. Locally owned minimarkets are progressively expanding to residential and office areas throughout Java, Bali and other provinces.
Table 5. Convenience Store/ Minimarket outlets in Indonesia

<table>
<thead>
<tr>
<th>Retail Name &amp; Market Type</th>
<th>Ownership</th>
<th>Sales/year 2012</th>
<th>No. of Outlets 2012</th>
<th>Locations (city/region)</th>
<th>Purchasing Agent Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfà Minimarket</td>
<td>Sumber Alfaria Trijaya, PT (Local)</td>
<td>N/A</td>
<td>7,064 (includes 2055 franchise stores)</td>
<td>Jakarta, Bogor, Bekasi, Tangerang, Java, Bali, Lampung</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Circle K (convenience)</td>
<td>Cireleka Indonesia Utama, PT Franchise</td>
<td>N/A</td>
<td>As of June 2013 300 outlets</td>
<td>Jakarta, Bogor Batam, Bandung, Bali, Yogyakarta</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Indomaret</td>
<td>Indomarco Prismatama, PT (Local)</td>
<td>N/A</td>
<td>8,039 outlets (includes 2,837 franchise stores)</td>
<td>Java, Madura, Bali, Sumatera, Sulawesi</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Mini-mart (Convenience)</td>
<td>(Sentra Ritelindo, PT) (Local)</td>
<td>N/A</td>
<td>80 outlets</td>
<td>Bali</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Star Mart</td>
<td>PT Hero Supermarket Tbk, PT (Local)</td>
<td>N/A</td>
<td>151 outlets</td>
<td>Jakarta</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Yomart</td>
<td>Yomart Rukun Selalu, PT &amp; Griya Pratama, PT (Local)</td>
<td>N/A</td>
<td>203 outlets</td>
<td>West java</td>
<td>Agent/Importer, Distributor.</td>
</tr>
<tr>
<td>Lawson (Convenience)</td>
<td>Midi Utama Indonesia Tbk, PT</td>
<td>N/A</td>
<td>80 outlets</td>
<td>Jakarta, Bogor, Depok, Tangerang.</td>
<td>Agent/Importer, Distributor.</td>
</tr>
</tbody>
</table>

Source: Rangkuti and Wright (2013)

Minimarkets are in direct competition with traditional independent small grocers (warungs), on the basis of price, cleanliness, food safety, and comfort. Independent small grocers face this challenge by offering personalized, flexible services to their community. There are a variety of specialty stores serving high-end consumers in major urban areas. These businesses specialize in imported goods, fruit boutiques, dairy, fish and poultry products (owned by integrated poultry companies). Western-style bakeries are also growing due to new consumer awareness of western style breads and pastries. This is especially true in cities outside of Jakarta. Indonesian minimarkets carry essential staple goods, some frozen items, and fresh fruits. They are located close to residential areas, office buildings, or areas with high footfalls. Most minimarket chains have their own distribution facilities (Table 5). Purchasing from manufacturers, importers or...
distributors is centralized and items can be delivered to a central warehouse or directly to stores. Imported fruits are available in some of these stores (Rangkuti and Wright, 2013).

4.1.1 The Inferiority of Traditional Markets in Indonesia

The traditional markets cannot directly compete with supermarkets or hypermarkets because of several reasons which are:

1. Poor Management
   Because there is no networking with large suppliers, the micro and small-scale traders in traditional markets could not attain their economics of scale. Their procurement management is also poor; hence, they are unable to accommodate the consumers’ needs.

2. The Street Vendor Phenomena
   Traditional markets are plagued with internal problems and face increasingly bitter competition from street vendors (Suryadarma et al, 2010). The presence of street vendors causes financial loss to other traders and disturbing market order. They threaten the business of traders renting stalls inside the market and the markets seem dirty and disorganized, which is a common sight in traditional markets. Street vendors are often spread along the street, right to the sidewalks, and often cause traffic jams and general disorder, adding to the general unpleasantness of shopping at traditional markets. Furthermore, street vendors are only required to pay rent for using the vacant space outside the market, avoiding the expensive advance rental for stalls inside the market. According to Poerorsu (2007), in one market in Jakarta, a street vendor only pays Rp10,000 per day to rent a space outside the market to the person who controls that space. Meanwhile, the price of renting a stall inside the market can be Rp600,000–700,000 per month (Rp20,000 per day). Thus, the constant increase in the number of street vendors reduces the number of customers buying from traditional markets’ traders.

3. Retribution Payments with Insufficient Service in Return
   Retribution payments (services fees) collected at government traditional markets are regulated by Local Regulation. Retribusi payments come in a number of forms such as public services, trading services and market services retribusi. The market services retribusi is based on the class of market, the type of facilities that are provided in the market, and the size of the stalls. Therefore, the amount of market services retribusi are varies from market to market, such as market retribusi, law and order retribusi, retribusi for animals traded in the market area, and retribusi for toilet facilities (Akhmadi, 2007:21). One would expect that traders receive something in return for the many retribusi payments, that is,
comfortable trading facilities and a clean market environment. However, many traders explain that the markets still do not provide a comfortable shopping environment and that the lack of cleanliness is still a serious problem as daily concerns, include the theft of goods from stalls, the dirty and muddy state of the markets. This current situation may be caused by the minimal incentive funds for improving market services standards. Generally only 5% of the total collected retribusi funds transferred to the local government are allocated for improving the standard of market services. Thus, the collection of market services retribusi is only as cash cows or insufficient service in return for the traders.

4. The Minimum Amount of Capital Assistance Available
They have very limited access to the capital because they do not have sufficient collateral. This condition (unequal access to capital) implies to the unhealthy competition which defined by the presence of unequal playing field between traditional market and modern markets.

5. Multi-level Buildings
The state traditional markets' buildings in Indonesia have generally been in operation for decades and have undergone several renovations. This has pushed the regional governments to modernize and renovate the buildings, transforming them into multi-level buildings, which use land more efficiently and provide more space for traders and buyers. Unfortunately, according to Budiyati (2007:19), the steep stairways and high stairs in the market buildings also make buyers reluctant to shop on the top floor of the market. It is difficult for buyers to carry their goods up and down the stairs with such stairways. It is also difficult for the market traders to carry their stock via such stairways. As a result, many traders from the top floors have moved to lower floors or have become street vendors. Some have even stopped trading as there simply are not enough buyers. Furthermore, as the market is not arranged in a way that certain goods are sold only on certain floors, all goods can be bought on the bottom floor. This leaves no incentive for buyers to venture to the top floor. Thus, traders on the top floor of the market are now unable to meet their installments and do not pay the retribusi for their stall.

4.1.2 The Superiority of Supermarkets
The superiority of supermarkets or hypermarkets lies in the fact that they can sell the same products at lower prices, in addition to the comfort, longer opening hours (especially on weekends), free parking, different payment options and large advertising. As the large-scale retailers, they also have become a deciding force in the retail business by controlling the product.
supply chain from the supplier, right through to the consumer. The bargaining powers of hypermarkets become stronger as the position of suppliers continues to weaken which make them creating and adding multiple suppliers trading terms in time to time (Table 6).

The superiority of modern over traditional markets lies in the fact that the former can sell the same products at lower prices. The hypermarkets also establish business links with large suppliers, usually for an extended period of time, which enables them to operate efficiently, benefiting the economies of scale (Poesoro, 2007: 4). Susanto, chairman of the Association of Indonesian Modern Retail Market Suppliers, admitted that the absence of specific cost containment on trading terms charge to suppliers over the years, often times making the retailer sets a fairly high cost. This, he continued, is a heavy burden for suppliers to incorporate their products into the modern market, especially for small and medium suppliers. Many suppliers lose because they do not have a strong funding to cover these costs. This ultimately makes the supplier does not dare to supply products to the modern retail (Andriani, 2014).

<table>
<thead>
<tr>
<th>No</th>
<th>2003</th>
<th>2004</th>
<th>2005-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fixed Rebate</td>
<td>Fixed Rebate</td>
<td>Fixed Rebate</td>
</tr>
<tr>
<td>2</td>
<td>Conditional Rebate</td>
<td>Conditional Rebate</td>
<td>Conditional Rebate</td>
</tr>
<tr>
<td>3</td>
<td>Promotion Discount</td>
<td>Promotion Discount</td>
<td>Promotion Discount</td>
</tr>
<tr>
<td>4</td>
<td>Promotion Budget</td>
<td>Promotion Budget</td>
<td>Promotion Budget</td>
</tr>
<tr>
<td>5</td>
<td>Regular Discount</td>
<td>Regular Discount</td>
<td>Regular Discount</td>
</tr>
<tr>
<td>6</td>
<td>Common Assortment Cost</td>
<td>Common Assortment Cost</td>
<td>Common Assortment Cost</td>
</tr>
<tr>
<td>7</td>
<td>Reduced Purchase Price</td>
<td>Reduced Purchase Price</td>
<td>Reduced Purchase Price</td>
</tr>
<tr>
<td>8</td>
<td>Minus Margin*</td>
<td>Minus Margin*</td>
<td>Minus Margin*</td>
</tr>
<tr>
<td>9</td>
<td>Penalty Delay Delivery for Event</td>
<td>Penalty Delay Delivery for Event</td>
<td>Penalty Delay Delivery for Event</td>
</tr>
<tr>
<td>10</td>
<td>Penalty on Short Level</td>
<td>Penalty on Short Level</td>
<td>Penalty on Short Level</td>
</tr>
<tr>
<td>11</td>
<td>Opening Cost</td>
<td>Opening Cost</td>
<td>Opening Cost</td>
</tr>
<tr>
<td>12</td>
<td>Opening Discount for New Store</td>
<td>Opening Discount for New Store</td>
<td>Opening Discount for New Store</td>
</tr>
<tr>
<td>13</td>
<td>Additional Discount for Other</td>
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<td>14</td>
<td>Anniversary Discount</td>
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<td>15</td>
<td>Store Remodeling Discount</td>
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<td>16</td>
<td>Opening Listing Fee</td>
<td>Opening Listing Fee</td>
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<tr>
<td>17</td>
<td>Lebaran Discount</td>
<td>Lebaran Discount</td>
<td>Lebaran Discount</td>
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</tbody>
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* Contractual stipulation that suppliers are not to sell their goods to other retailers at a lower price
4.1.3 Business Competition Regulation in Retail Trade Sector

According to Ahmad (2007: 27), the retail liberalization policy has removed the retail industry from the list of industries closed to foreign investment. This policy was encapsulated in Presidential Decree No.96/2000 on Business Fields that are closed to Investments and Business Fields that are conditionally Open for Investment, and in Presidential Decree No.118/2000 on the amendments to Presidential Decree No. 96/2000. These regulations regulate the trading services sectors and the supporting sectors that are closed to investment from companies supported by foreign capital or foreign legal bodies. The decrees except large-scale retail trade (malls, supermarkets, department stores, and shopping centers) and other large-scale trade (distributors and wholesalers, and export and import trade).

Retail liberalization is also supported by the Decree of the Minister of Finance No. 455/KMK.01/1997 on the Purchase of Shares by Foreign Investors through Capital Markets. This policy removed the limit on share buying for foreign investors through capital markets and the stock exchange, as was previously stipulated in Decree of the Minister of Finance No. 1055/KMK.013/1989. With this revised policy, all companies listed on the Jakarta Stock Exchange, including retail companies, can now be owned by foreign parties. As a result, there is now no limit to foreign ownership in the large-scale Indonesian retail industry (Ahmad, 2007: 28). So far, national level regulations dealing with traditional markets exist only in the form of a ministerial decree issued by the Minister of Industry and Trade on 13 October 1997 (see Table 7). Due to protests from traditional market retailers, local government bodies have also limited permits for new convenience stores (Rangkuti and Wright, 2013). They enforce zoning and operating hour rules on convenience store and minimarket franchises (Presidential Decree No 112/2007 regulates the operating hours from 10 am to 10 pm Monday to Friday and 10 am to 11 pm on Saturday and Sunday).

<table>
<thead>
<tr>
<th>Level of Regulation</th>
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<td></td>
<td>2. Decree of Minister of Industry and Trade No. 261/MPP/ Kep/7/1997 on Establishment of the Central Team for the Spatial Planning and Development of Markets and Shops.</td>
</tr>
<tr>
<td></td>
<td>3. Decree of Minister of Industry and Trade No. 402/MPP/ Kep/11/1997 on Stipulations on Business Licenses for Foreign Trade Representative Offices.</td>
</tr>
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<td></td>
<td>4. Decree of Minister of Industry and Trade No. 420/MPP/ Kep/10/1997 on</td>
</tr>
</tbody>
</table>
9. Presidential Decree No. 118/2000 on the Changes of Presidential Decree No. 96/2000 on Business Sectors that is open or closed with some requirements to Foreign Direct Investment.
12. Presidential Regulation No 111/2007 states that supermarkets smaller than 1,200 square meters and minimarkets below 400 square meters should be owned by Indonesian investors.*
13. Presidential Regulation No 112/2007 and Ministry of Trade Regulation (MOT) No. 53/2008 regulates the size, ownership and distance of new modern outlets from traditional markets. They also provide guidelines on listing fees, discounts and promotional costs.*
14. Franchise regulations on modern retail (MOT No 68/2012) limit the number of outlets owned by a retailer to 150. If a retailer already has more than 150 outlets, forty percent of the rest of the existing stores should be franchised to a third party within 5 years. The outlets are also required to sell a minimum of 80 percent of local products out of the total number of goods traded.*
15. The Empowerment and Protection of Farmer Law No. 19/2013 will limit the expansion of modern retail outlets that are not owned and or cooperate with Farmer Groups, Farmer Association, Cooperatives, and/or other Farmer Economic Institution in their Agricultural commodity production district.*

| City (sample areas) | City of Depok: Mayoral Decree No. 49/2001 on Disturbance Permit; Local Regulation No. 23/2003 on Market Management in Depok |
| | City of Bandung: Local Regulation No. 3/1994 on Market Management in the Districts of Bandung; Local Regulation No. 27/1996 on Office of Market Management of Bandung District; Mayoral Decree No. 382/2000 on Classification of Markets and Standard Selling Prices of Markets in Bandung; Local Regulation No. 19/2001 on Market Management in Bandung; Mayoral Decree No. 644/2002 on Tariff for Cleaning Services in Bandung; Draft Regional Regulation on Modern Markets and Shops; Service Guide for One-stop Service Units |

Source: Suryadarma et al (2007: 9); Rangkuti and Wright (2013)
During the process of introducing more competition into the retail sector, the Indonesian Government has issued a new regulation that attempts to balance the needs of traditional markets and small businesses against those of modern shopping developments. On 12 December 2013, the Ministry of Trade (MoT) issued Regulation No. 70/2013, which will come into force on 12 June 2014 and will revoke the previous regulation on guidelines of arrangement and development of traditional markets, shopping centres, and modern stores (MoT Regulation No. 53/2008). The new regulation on the arrangement and development of Modern Stores was issued to encourage competitiveness in the retail sector while at the same time protecting small businesses (especially the traditional markets). The regulation limits a business from owning more than 150 Modern Store outlets, with any additional outlets needing to be co-owned. The Indonesian Trade Minister was quoted as saying: ‘the business of traditional markets, shopping centres and modern stores growth rapidly and in 2013 the estimated income from these businesses is Rp. 375 trillion. Given this amount the Government must regulate these businesses properly so that the income can be distributed evenly so that the Indonesian locally produced goods and Indonesian small and medium enterprises can proportionally benefit from it.’ (Hutapea and Allen, 2014).

The key provisions of Regulation 70 are (Hutapea and Allen, 2014):

1. A cap on the number of Modern Store outlets: The maximum number of Modern Store outlets that can be owned and managed by a single company will be 150. If a company already owns 150 outlets and intends to establish more outlets, Regulation 70 requires it to enter into a partnership with a small or medium enterprise local partner.

2. Additional outlets held in partnership: The type of partnership between the Modern Store owner and the local partner may take the form of marketing partnership, providing a business premises, or a partnership in respect of the supply of goods.

Regulation 70 does not expressly require that this partnership involves equity participation and there is a five-year transition period until 12 June 2019 to comply with this requirement.

3. Cap on sale of self-branded goods: Only Modern Stores will be allowed to sell self-branded goods, subject to a cap of 15 percent of all goods sold. This cap excludes goods not made in Indonesia, and high-quality goods and/or high-technology goods.

There is a two-year transition period until 12 June 2016 to comply with this requirement.

4.2 The TSR Form on Complementing Microenterprises in Traditional Markets with Business Community and Islamic Banking

Regarding to the Tawhidi, epistemology model in formal senses helps to unsolved the negative impacts of supermarkets on traditional markets by establishing the interactive and
dynamic unity of knowledge caused by the interrelationships between the microenterprises in traditional markets and business as community entities, there will be explanations (based on Choudhury, 2000, 2004) about the transmission mapping of the oneness of the divine law on to the world-system. According to Choudhury and Harahap (2009b), microenterprise is defined as a marginal trading institution of the unorganized poor. The poor come from different rungs of society and make a living out of such marginal enterprises, hardly sufficient to give them the necessary empowerment and entitlement to cope in the economy. These microenterprises appear and disappear depending on the availability of marginal resources.

A community is the causal creation by virtue of the pervasive nature of behavior carried through by individual and group-specific preferences, social contracts and organizational behavior, economy and markets, trade and polity, all integrated into well-defined socially embedded symbiotic forms (Choudhury and Harahap, 2009a). Business has two characteristics as a learning entity embedded within community and society. Firstly, market forces prevail. Secondly, the guidance of market functions in the light of Shari’ah-compliance in socioeconomic choices which are derived out from Tasbih-Shura as learning process (Choudhury and Harahap, 2009a). According to Choudhury (2000), the Quran provides the groundwork for embedded world-systems that share between them in the light of the episteme of unity of knowledge according to Tawhid. Contrarily, they also point out the conflicts and rivalry between differentiated world-systems caused. Within this kind of contrast between truth and falsehood rest the respectively divergent forms of interrelationships between microenterprises in traditional markets and business community, as in economy and society. According to the episteme of unity of the divine laws, the embedded and unifying systems are codetermined by learning. Learning yields organic participation and systemic complementarities or ‘pairing’.

4.2.1 Implementing the TSR Methodology To Develop Social Well Being For Microenterprises in Traditional Markets

4.2.1.1 Maqasid As-Shari’ah

The superiority of supermarkets and hypermarkets on traditional markets is denying the continuance of the rule of justice, equality and fairness in all community. The protection and security for all community, as in the Maqasid As-Shari’ah, would require a participatory and complementarities between business community and microenterprises in traditional markets. The guarantee of life-fulfilling needs for all community would be produced in response to consumer preferences formed by Shari’ah consciousness which is driven by awareness to alleviate poverty by means of dynamic basic needs regimes of development.

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In Tawhidy String Relations epistemology (Figure 3), the unity of knowledge termed in the Quran and Sunnah as Tawhid. Ω, S). (θ) Comes out when normative law is complemented with the positive law undertaken by discourse (Shura) in the spirit of consciousness (Tasbih). The idea of Oneness attained consequences of complementarities (X (θ)) to unravels human possibilities of Tawhidi understanding within the problems under investigation.
Continuous evolutions of world-system by circular causation of knowledge until the Hereafter

Knowledge-induced with complimentary space

Tasbih & Shura

Tawhid: Ω & S

Source: Choudhury (2000)

Figure 3. Principle of Pervasive Complementarities and Interactive, Integrative and Evolution (IIE)

In the world system there are exists pervasive interaction as continuous evolutions of the World System by circular causation of knowledge which called as the Interactive, Integrative and Evolutionary (IIE) process. When the knowledge flow, human have consensus to create the social wellbeing function (W(θ,X(θ))). Every evolving event recalls the fundamental epistemology of Tawhid (Q,S). The end of process 1 is the beginning of process 2. In formulating the new teta (θn), it should keep on the right process according to (Ω,S). The Arrow indicates the direction of causality as the continuity of learning process extends to the final event of the Hereafter (Akhira).

4.2.1.2 The Shari’ah Compliants

In TSR model, any approach to Islamic socio-scientific issues must be fundamentally premised on Q,S. In the case of inequality problems currently faced by microenterprises at traditional markets will be denying the rule of Justice and Fairness (θ). The TSR model in Figure 4 indicates that all entities within the Business Community with Government participatory should
collectively take a discourse (Shura) by means of consciousness on discoursed issues in the light of Tawhidi understanding. Consequently, the entities interrelations should be applied to the perspective of participatory development and complementary relationships ('pairing'). By the Policies evaluation, this will consider the role of Islamic Banks by giving financial resources which also as joint venture by sharing technologies in promoting the microenterprises as in Business Community.

![Diagram](image)

Source: Adopted from Choudhury (2000)

**Figure 4. Complementing Microenterprises in Traditional Markets with Business Community and Islamic Banking by the TSR Methodology**

The complementarities with the real economy, represents the productive transformation of financial resource mobilization extend to profit and capital Investment which will generate liability payment and Trickle Down Effect to the GDP, Business Mix and Local Industries. The idea of participation and the pervasive complementarities are codetermined by learning into the IIE process. Continuity evaluation of the degree of unification of knowledge establishes extensive social network for attaining social well being for all communities.

Figure 5 provides a scheme on how interrelatedness can be realized by the participation of business community and other parties concerned and by complementarities of their activities. As the return on productive capital to the real economy, each shares of capital investment in community with traditional markets and microenterprises (B) that will give the quantitative measures of share participation by the rate of financial return and profit-sharing. The result of such
complementary embedding is expected to result in enhanced organization and productivity of microenterprises in traditional market.

The complimentary at Business community (C) level also determines the transformation of consumer preferences, production and policy menus to realizing dynamic basic-needs regimes of development. This interconnecting with the real economy circular linkages will represent the principle of sustainability. In the economy-wide sense of this complementarities gains from the money-real economy underlying appropriate monetary and financial policies.

Source: Choudhury and Harahap (2009a)

**Figure 5. The Tawhidi IIE-Learning Process between Microenterprises in Traditional Markets, Business Community and Islamic Banking in Retail Business**

The participation in productive social transformation of business community with the participatory of government will consider the role of Islamic banks (D) as the endogenous institution in promoting traditional market and its microenterprises by using their financial instruments. The Islamic banks provide financial resources mobilization which will increase the
active participation of shareholder and stakeholder from all parties so they can diversify the risk which also connects to the costs-diversification and production-diversification. Positive consequences are gained by risk-diversification, cost and product-diversification in terms of economies of scale in the good things of life experienced by the Tasbih-Stura process.

4.3 Circular Causation of Social Well Being Function

Indonesia has a large number of very poor microenterprises that appear in traditional markets. How can these entities be productively enhanced through the complementary role of community especially business community along with microenterprise ventures and with Islamic development-financing instruments promoted by Islamic banks as a participating business entity? Application of TSR model (see Accounting Identity below) of embedded learning systems in the light of the Tawhidi unity of knowledge leads to the following strategy for microenterprises with business community symbiotic relations in Indonesian government’s development planning.

Accounting Identity: \[ W(M, Pr, T, Y, E, P) \]

- **M**: Islamic Cooperative Development Financial Resources: ZIS, Mudarabah, Musharakah, Murabaha, Qard Hassana, Bay Muajjal, Trade Financing, Joint Venture, Secondary Financing Instrument, etc.
- **Pr**: Price level (Stability)
- **T**: Sharing of Technology: Management and Skill Resources (Supply : Chain, Distribution Channel, Inventory, Training, IT, etc)
- **Y**: Income
- **E**: Employment
- **P**: Policy

TSR Model - induced by \( \theta \) (teta):

\[
W(M(\theta), Pr(\theta), T(\theta), Y(\theta), E(\theta), P(\theta))
\]

Sim. \( W(M(\theta), Pr(\theta), T(\theta), Y(\theta), E(\theta), P(\theta), \theta) \)

Stand to Circular Causation

TSR Circular Causation Concepts:

- \( M(\theta) = f1(\theta, Pr(\theta), T(\theta), Y(\theta), E(\theta), P(\theta)) \)
- \( Pr(\theta) = f2(\theta, M(\theta), T(\theta), Y(\theta), E(\theta), P(\theta)) \)
- \( T(\theta) = f3(\theta, M(\theta), Pr(\theta), Y(\theta), E(\theta), P(\theta)) \)
- \( Y(\theta) = f4(\theta, M(\theta), Pr(\theta), T(\theta), E(\theta), P(\theta)) \)
- \( E(\theta) = f5(\theta, M(\theta), Pr(\theta), T(\theta), Y(\theta), P(\theta)) \)
- \( P(\theta) = f6(\theta, M(\theta), Pr(\theta), T(\theta), Y(\theta), E(\theta)) \)
θ = f(7(M(θ), Pr(θ), T(θ), Y(θ), E(θ), P(θ))

Model Equations:

\[ M(θ) = a_0 + a_1 Pr(θ) + a_2 T(θ) + a_3 Y(θ) + a_4 E(θ) + a_5 P(θ) + a_6 \theta \]

\[ Pr(θ) = b_0 + b_1 M(θ) + b_2 T(θ) + b_3 Y(θ) + b_4 E(θ) + b_5 P(θ) + b_6 \theta \]

\[ T(θ) = c_0 + c_1 M(θ) + c_2 Pr(θ) + c_3 Y(θ) + c_4 E(θ) + c_5 P(θ) + c_6 \theta \]

\[ Y(θ) = d_0 + d_1 M(θ) + d_2 Pr(θ) + d_3 T(θ) + d_4 E(θ) + d_5 P(θ) + d_6 \theta \]

\[ E(θ) = e_0 + e_1 M(θ) + e_2 Pr(θ) + e_3 T(θ) + e_4 Y(θ) + e_5 P(θ) + e_6 \theta \]

\[ P(θ) = f_0 + f_1 M(θ) + f_2 Pr(θ) + f_3 T(θ) + f_4 Y(θ) + f_5 E(θ) + f_6 \theta \]

\[ \theta = g_0 + g_1 M(θ) + g_2 Pr(θ) + g_3 T(θ) + g_4 Y(θ) + g_5 E(θ) + g_6 P(θ) \]

This planning will also consider the role of Islamic banks as business entities in promoting microenterprises development in rural Indonesia. This will examine the role of Zakat as a development-financing instrument that is mobilized through Islamic banks for poverty alleviation by activating the rural microenterprises. The selected variables above, establish circular causation interrelations that represent complementarities between variables. The simulations imply the degree of unity of knowledge that attained between the participating sub-systems in terms of their selected variables evolving across Interactive, Integrative and Evolutionary (IIE) learning processes. The productive transformation of microenterprise groupings through their complementary relationships with business community is shown to invoke the Tawhidi epistemic worldview (see TSR model below). The result of such complementary social embedding is expected to result in enhanced organization and productivity of microenterprises. Policy prescriptions for such participatory development change are pointed out.

<table>
<thead>
<tr>
<th>Correlation Between Variables</th>
<th>M</th>
<th>Pr</th>
<th>T</th>
<th>Y</th>
<th>E</th>
<th>P</th>
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<td>M</td>
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(Based on theoretical framework assumption)

The theoretical framework to support the premise base on circular causal concept (based on assumption) are:

**Correlation between Variables (M):**

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• M – Pr: positive correlation, more financial resource mobilization will increase Price Stability
• M – T: positive correlation, more financial resource will increase Technology
• M – Y: positive correlation, more financial resource will increase Income
• M – E: positive correlation, more financial resource will increase Employment
• M – P: negative correlation, when financial resource decrease by means of the unifying relationships between parties and community by the medium of financing instrument is weak, they need to improve policy formulation to attain participatory development

Correlation between Variables (Pr):
• Pr – M: positive correlation, when the Price is stable Financial Resources will increase
• Pr – T: positive correlation, when the Price is stable Technology will increase
• Pr – Y: positive correlation, when the Price is stable consumer will buy more and the Income will increase
• Pr – E: positive correlation, when the Price is stable Employment will increase
• Pr – P: negative correlation, when the Price is unstable the unifying relationships between parties and community is weak, they need to improve policy formulation to attain participatory development.

Correlation between Variables (T):
• T – M: positive correlation, more sharing Technology will increase Financial Resources
• T – Pr: positive correlation, more sharing Technology will increase Price Stability
• T – Y: positive correlation, more sharing Technology will increase Income
• T – E: positive correlation, more sharing Technology will increase Employment
• T – P: negative correlation, when sharing Technology decrease, the unifying relationships between parties and community is weak, they need to improve policy formulation to attain participatory development.

Correlation between Variables (Y):
• Y – M: positive correlation, more Income will increase Financial Resources
• Y – Pr: positive correlation, more Income will increase Price Stability
• Y – T: positive correlation, more Income will increase Technology
• Y – E: positive correlation, more Income will increase Employment
• Y – P: negative correlation, when Income decrease the unifying relationships between parties and community is weak, they need to improve policy formulation to attain participatory development.
Correlation between Variables (E):
- E - M : positive correlation, more Employment will increase Financial Resources
- E - Pr : positive correlation, more Employment will increase Price Stability
- E - T : positive correlation, more Employment will increase Technology
- E - Y : positive correlation, more Employment will increase Income
- E - P : negative correlation, when number of Employment decrease, the unifying relationships between parties and community is weak, they need to improve policy formulation to attain participatory development.

Correlation between Variables (P):
- P - M : positive correlation, Policy by means of the participatory development is well built, Financial Resources will continue increase
- P - Pr : positive correlation, Policy by means of the participatory development is well built, will increase Price Stability
- P - T : positive correlation, Policy by means of the participatory development is well built, will increase Technology
- P - Y : positive correlation, Policy by means of the participatory development is well built, will increase Income
- P - E : positive correlation, Policy by means of the participatory development is well built, will increase Employment.

Traditional market is the place for clearing off the sale of goods sold by microenterprises. It is recommended here that such markets should become productively viable projects through organizing the microenterprises into economically viable groupings with diversities of goods being distributed by such groupings. According to Choudury and Harahap (2009a), the groupings would not compete between them for gaining market shares. Instead, the microenterprises within groupings will pool their marketable items and share in cooperative financing and by common ways of raising the human resource capabilities of their membership. In the end, the net sale revenues would be shared by the members within groupings in accordance with their share-ratios of invested resources.

Similar kinds of enterprises will be grouped in critical mass sizes, while allowing for several such groups to exist in traditional markets. Diverse goods sold would continue to be the feature of different groupings of sellers. The pooled resources would be cooperatively organized between farmers and business outlets. The latter would train and organize the critical mass of resources, goods and microenterprises groupings by joint ventures. Thus, traditional markets exist as clearing venues for the microenterprises' products. Businesses would also enable shareholding by the microenterprises groupings. Economies of scale along with the trade and market penetration 124 Jurnal Kajian Islam Modern
of organized groupings could then improve the terms-of-trade of the goods. Revenue sharing is now made possible between the microenterprises and supportive mainstream businesses (Choudhury and Harahap, 2009a), which in this case including the foreign super or hypermarkets enterprises.

On the cost side, sharing of technologies and diversification of production and expertise between the microenterprise groupings and businesses (supermarkets enterprises) will promote common interest and purpose between them. This will lead to cost-diversification, product-diversification and risk-diversification, just as increased participation proceeds. Furthermore, positive consequences are gained by product-diversification in terms of economies of scale in the good things of life that the Tasbih-Shura experience determines out of moral consciousness and discourse on the basis of the Tawhidi episteme. Instead of competition between them, microenterprises groupings and businesses would be seen as cost-diversification, risk-diversification and product-diversification mechanisms. With deepening participation, technology and skill-sharing, the microenterprise groupings and mainstream businesses would be able to organize around institutionalized forms of discourse mechanisms. This is to invoke the IIE-learning processes. The result will be to end the participatory learning processes with the Tawhidi kind of knowledge induction in them. Left out of the decision-making and choices are individualistic preferences, self-interest, conflict and competition. The latter kind of producing systems yield only meager income to individual microenterprises in the existing traditional markets. Instead, the cooperative transformation would reduce unit cost while it expands production diversity. Product-diversification and risk-diversification take place together. This result is conducive of reaping economies of scale in the participatory development framework. The principle of pervasive complementarities between community, business and microenterprise is thus invoked to organize and mobilize resources and development-financing instruments with cooperative sharing. What is the policy outlook of using the Tawhidi ontological formalism in community and society interface at the grassroots?

According to Choudhury and Harahap (2009a), in the context of the Indonesian case of Islamic banks, policy formulation in the light of Tawhidi formalism requires understanding the symbiotic interrelationships and interconnections between institutions and society or community by the medium of financing instrumentation. Thus when such unifying relationships are weak, they need to be improved in order to attain participatory development. If there is appearance of unifying interrelationships then to the learning processes of Tawhidi worldview recommends creative evolution to higher and better states of participatory development. Choudhury and Harahap (2009a) examines some policy recommendations in the light of interrelationships between
communities, businesses and microenterprises with Islamic bank implications of the Tawhidi worldview:

1. It is recommended that a Think Tank Center should be established that can look into possibilities of carrying out the Tawhidi groundwork to realize the unifying circular causation interrelationships between communities, businesses and microenterprises along with rural and urban sector cooperation. It will be the definition Shura of the community, business and microenterprise participatory development program in the light if the Tawhidi episteme and methodology. The very first function of the Think Tank Center is learning on the Tawhidi worldview and the world-system that it addresses. In the light of this policy prescription a pronounced role of Indonesian Islamic banks, the Shari'ah Directorate of Bank Indonesia, Islamic insurance, and what is called in Indonesia as Shari‘ah markets, ought to be mandated. The Think Tank Center would be established in and by the private sector, preferably within an institution of higher learning, with the cooperation of Islamic banks, Islamic insurance, communities and businesses. Such a project is not altogether foreign to the Indonesian Islamic banking community and Shari‘ah Directorate of Bank Indonesia in their objectives. But the effectiveness of the Indonesian Islamic banks and governance of Bank Indonesia in this regard has shown some weaknesses in Islamic financing instruments of the participatory types such as Mudharaba, Musharakah, and Murabahah (MMM). These instruments ought to be enhanced to achieve closer ties between microenterprises and Islamic development-financing. While the Bank Indonesia Shari‘ah Directorate is an example of a Think Tank, this exists in the public sector as an advisory body to Islamic banks. A similar one is Islamic Research and Training Institute as the Think Tank of the Islamic Development Bank exclusively devoted to this IDB interests. The Think Tank recommended in this paper is a private-public sector networked institution with training, advisory and planning powers for promoting extensive participatory development with the goal of attaining Social Well being.

2. Subsequent to Recommendation (1), the organizational design of community, business and microenterprise integration, and rural-urban sector linkages by means of the Shari‘ah instruments of resource mobilization, sustainability and maintenance, can be extended to private sector participation. At this time financing by the private sector of agricultural projects through the medium of Islamic banking share capital is low. Risk of such financing is the cause. This requires a greater deal of linkages between the Islamic banks and Islamic insurances to diversify risk for the private sector shareholders in the agricultural sector investments. The Bank Indonesia Shari‘ah Directorate needs to develop effective advisory for such linkages in the light of both its governance procedures and the need for community and enterprise linkages according to Maqasid as-Shari‘ah (purpose of the Shari‘ah).
3. Thus the Shari’ah Directorate of Bank Indonesia should promote the idea of participatory development by awareness in the private and public sectors. The epistemic foundation is the Tawhidi worldview and its participatory framework of the world-system. This can be achieved by establishing extended participation of the Bank Indonesia Shari’ah Directorate in the proposed Think Tank Center. Such a development ought to include both Islamic banks and Islamic insurances in cooperation with the private sector under the advisory mentorship of Bank Indonesia Shari’ah Directorate. Issues of risk and production diversifications resulting into community-enterprise participatory linkages will be closely studied so as to increase resource mobilization at the community microenterprise and sectoral levels.

4. The Bank Indonesia Shari’ah Directorate is an advisory and overseeing body. It does not participate in the businesses of Islamic financing institutions in Indonesia. Therefore, the Think Tank Center looking at the application of a participatory development in the light of the Tawhidi unification ontology, will utilize the expertise of BI-Shari’ah Directorate as catalyst for supporting the participatory development process. Its role will not be one of policy formulation for grassroots development. This matter should be left to the community, business and microenterprise networking as an empowering participatory experience.

5. Share capital raised by Islamic banks and businesses from broad shareholding and stakeholding shall provide some of the financing of the Think Tank Center and its grassroots participatory development activities. Such expenses can also come from the Islamic bank ZIS-funds that according to the Shari’ah can finance technical matters of grassroots development, and hence of similar participatory activities of the Think Tank Center in relation to grassroots development.

6. The Think Tank Center shall launch applied research projects in its research on community, business and microenterprise participatory development. Such applied research projects can come out of postgraduate thesis topics in Islamic economics and finance. This would lead to an international consortium of intellectual and practical directions towards formalizing and applying the Tawhidi worldview and methodology into community, business and microenterprise participatory development. Right now there is lack of networking among Islamic banks internationally. The realization of better networking, thereby realizing the mobilization of ZIS-fund can be raised by Islamic banks from shareholders.

7. The Think Tank would be both an intellection and an advisory body of the private sector in concert with the BI-Shari’ah Directorate in the public sector. In promoting these two-pronged activities the Think Tank Center would organize workshops on specific themes concerning the understanding and application of the Tawhidi worldview and methodology to issues and
problems of community, business and microenterprise participatory development. An example is the Islamic Development Bank’s similar activities conducted during summer terms in western universities.

8. By the above-mentioned recommendations ZIS-funds and Islamic cooperative development-financing instruments become the enhancing participatory development instruments for community, business and microenterprise in rural and urban settings. An effective networking between community, businesses and microenterprises is realized in the midst of the ZIS-fund mobilization. In our example of the Bangladesh Women’s Sewing Project this kind of resource synergy with grassroots development was pointed out. Microenterprises are thus the beneficiaries of the ZIS-fund collected and disbursed in planned ways as would be guided by the Think Tank Center for comprehensive participatory development.

9. The collective efforts of all the participating members and groups in the community, business and microenterprise participatory development ought to find inroads into national development plans. The Islamic Development Bank and its Islamic Research and Training Institute could enhance this process of development planning with the grassroots focus. This means a broadening up of the complementary and participatory development synergy at the grassroots at institutional levels.

V. Conclusion

In embedding relationships, the application of the Tawhidi law of oneness of divine knowledge is implemented through the Shari’ah which is explained by circular causation interrelationships between the relevant systemic variables. Traditional market and their microenterprises need to be organized as critical mass and for productive transformation through participatory development planning. The organizational design of community, retail business and traditional market microenterprise integration in retail trade sector linkages by means of the Shari’ah instruments of resource mobilization, sustainability and maintenance, can be extended to private sector participation.

At this time financing by the private sector of traditional market projects through the medium of Islamic banking share capital is very low. Risk of such financing is the cause. This requires a greater deal of linkages between the Islamic banks and Islamic insurances to diversify risk for the private sector shareholders in the traditional market investments. It is recommended to develop a Think Tank Center to study the participatory development framework between community and microenterprises in retail trade sector with Islamic banks, Bank Indonesia and other supportive institutions have been advised as the Islamic Shura and Tasbih for realizing social change along these lines.
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