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EFFICIENCY OF ISLAMIC INCOME ALLOCATION AND DISTRIBUTION AMONG MSMES IN PENTOL BAKAR PACET, MOJOKERTO

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Abstract

Islamic Allocation Efficiency means that no individual can increase his utility without reducing other uses. Islamic allocation efficiency does not allow increasing personal welfare which can cause the welfare of others to decrease. Income Distribution in Islam refers to the distribution of existing assets, both private and public, to the people who are entitled to receive them. One of the goals to be achieved by distributing Islam is a social goal, meeting the needs of groups in need and enlivening the principle of solidarity in Islamic society so that society can live in prosperity. This research uses descriptive qualitative research. Data collection was obtained from interviews and field observations as well as various reading materials, both journals and books. This research resulted in the MSMEs business actors of Pentol Bakar (Grilled Pentol) Pacet being able to be said to be efficient because the allocation of income received from both employees and bosses without the bosses and employees being harmed was not wronged by the MSMEs business actors of Pentol Bakar Pacet in accordance with the theory of income distribution in Islam because there was no efforts to improve the welfare of others over the suffering of others because the income received by employees is greater than what the staff earns. There is also an aspect of justice because in this case no one is harmed by this system, it's just that employees must continue to optimize their work in order to earn more income. MSMEs actors of Pentol Bakar Pacet are in accordance with Islamic allocation efficiency.

Keywords: Efficiency, Allocation, Income Distribution

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INTRODUCTION

Economic equality in society is a government policy step to strengthen the progress of the Indonesian economy. Community welfare is something that various parties continue to strive for, one of the things that must be maximized to achieve one of the things that must be improved is the efficiency of allocation and distribution of income because if in a country the efficiency of allocation does not work well accompanied by unequal distribution of income it will result in inequality or inequality. This gap or inequality in society is closely related to income in society, so this can give rise to conflict and also cause overall (permanent) poverty for the sustainability of the community's economic growth (Haris Maiza Putra, Hisam Ahyani, Dede Abdurohman, Naeli Mutmainah, & Memet Slamet, 2022).

One of the main objectives of economic equality policies belongs to MSME actors. This policy provides access to land and quality Human Resources (HR) and opens up wider employment opportunities (Br Tarigan, Dewi, & Pribadi, 2022). The role of society in national development is greatest in micro, small, and medium enteIDRrises. The position of MSMEs in the Indonesian economy has an important and strategic role. In their existence, MSMEs are very dominant in continuing to grow the national economy because of the large number of industrial businesses that exist in all economic sectors and are able to become potential in terms of employment and economic contribution (Triapnita Nainggolan et al., 2023). In the formation of gross domestic product (GDP), MSMEs are very dominant (Sarfiah, Atmaja, & Verawati, 2019).

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National economic growth is greatly influenced by the role of MSMEs, the number based on data from all business units reaches 99%. The role of MSMEs in GDP growth with a total of 60.5%. Meanwhile, the role of MSMEs in national labor absoIDRtion is 96.9% (Coordinating Ministry for Economic Affairs, 2022). The growth of MSMEs in the global economy is said to be an engine of development and economic growth. More than 90% of the world's industry is MSMEs, in the creation of new jobs in developing country markets these MSMEs support 80%. The development of MSMEs in driving economic growth and development plays a huge role in both developing and developed countries, even though MSMEs are very influential. In terms of location, compared to large companies, MSMEs are more geographically dispersed, this certainly has the potential for a country in terms of a fairer distribution of income to reduce the economic gap between urban and rural areas (Br Tarigan et al., 2022).

In situation of modern times, competition from small businesses has created entrepreneurs who have become increasingly competitive and forced entrepreneurs to compete to achieve the best results, creative and innovative solutions to maintain the continuity of their business. Innovation is one of the keys to the sustainability and development of a business that keeps up with the times, especially in the culinary sector. Until now, interest in the culinary field has never waned, there are several types of concepts, shapes and flavors offered by entrepreneurs, these are here to pamper the eyes and tastes of the connoisseurs (Hajar, 2022). Many foods, drinks, and snacks are available at varying prices depending on the expected target market (Fitri et al., 2022).

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According to the BPS report, the performance of the food and beverage industry in Indonesia will grow by 5.33% annually in the first quarter of 2023. Most micro businesses or small industries (IMK) in Indonesia operate in the food sector. The culinary or food and beverage business reached 1.51 million business units in 2020. The proportion of IMK in the food and beverage sector reached 36% of all national IMK which amounted to 4.21 million business units. This data does not include data from unregistered and surveyed traders so it is estimated that there will be even more (Statistik, 2022). Like the seller of MSMEs of Pentol Bakar Pacet tourist area, Mojokerto Regency. These Pentol Bakar sellers line the road leading to the tourist area, located on the Mojosari Pacet highway, which has been able to take advantage of business opportunities, which are based on data on tourist visitors in Pacet District in 2017–2020 from the 2021 Mojokerto Regency tourism, youth and sports office. The count of tourist entrance tickets was 3,272,554 people (Mariana, Novaria, & Nasution, 2018). This data is not comprehensive because there are many other privately owned tourist attractions as well as various culinary tours that make visitors interested in coming to the Pacet Mojokerto tourist area.

By using a cart mounted on a motorbike, these burning pentol sellers sell their wares. The buyers are tourists who come from various areas such as Sidoarjo, Surabaya, Gresik, and so on. Dozens of sellers of Pacet roasted pentol usually line the road near the Pacet police station. Pentol Bakar is named because before being served, the pentol seeds are burned like satai. Only then coated with peanut sauce and sweet soy sauce. On weekends each seller is able to sell Pentol Bakar up to 1200 to 1400 sticks. What's unique is that among the dozens of existing traders, they sell the same merchandise without any friction,

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so the traders are comfortable selling Pentol Bakar. The worker system for this Pentol Bakar varies, there are some who sell their own goods or merchandise, there are also some who sell other people's possessions with a reward system or salary Based on the number of Pentol Bakar sold, the existing provisions are all types of raw materials for making Pentol Bakar until the cart belongs to the skipper or boss and the seller only has to sell or peddle the Pentol Bakar, the average reward given is IDR 35,000 for workers who have sold IDR 100,000 of Pentol Bakar as well as multiples. Workers selling Pentol Bakar on average in one day from morning to night get a profit or salary according to what they sell (Fery Irawan, 2023).

MSMEs of Pentol Bakar actors carry out their work with no basic salary agreed at the beginning but rather with a wage system or in other words it could be said to be part-time with this system, workers or employees must be able to sell Pentol Bakar for a certain amount to be able to get a temporary wage if they are unable to. selling a certain amount, sellers cannot get a decent wage. This is certainly a concern because the basic principles of Islamic economics do not allow a person or group to increase personal or group welfare by causing a decrease in the welfare of other people or other groups. In the Islamic economic view, economic actors who increase their personal utility are prohibited from reducing the utility of other economic actors. Protecting others is a basic concept in Islamic income distribution. In the Islamic economy, there are private property rights which include the property rights of other people, because basically the essence of property belongs to Allah SWT. A perfectly competitive market is said to be efficient if the market maximizes equal input and output. A person or individual adds usefulness to an object



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without reducing the usefulness of other objects (Shofiyati, 2022). Workers who have worked for a relatively long time with uncertain results because they have to achieve targets in order to earn money, this is certainly a problem whether in this way the worker feels they are benefiting or even being disadvantaged. Justice is the main pillar of Islamic economics. Allah has shown that Islam is a way of life for all mankind and emphasized the importance of respecting justice in all fields, both economic political and social. In this research, we will discuss the efficiency of income allocation by MSMEs of Pentol Bakar, whether it is efficient and fair or vice versa.

LITERATURE REVIEW

Allocation Efficiency

The aim of Islamic economics is to realize human welfare through the fair allocation and distribution of resources in accordance with Islamic teachings, while realizing sustainable macroeconomic and ecological balance, without unduly limiting individual freedom (Muljawan, 2018). Understanding the concept of allocative efficiency is no longer foreign to Islamic and conventional economics. However, there is a difference in understanding allocation efficiency in Islamic and conventional economics, namely that goods can be said to be efficient if no individual can increase their utility without reducing other uses. Thus, fair is defined as "equal feelings". This concept is different from the Islamic economic view, which should be fair, not tyrannical and not wronged, not equally equal (Adiwarman A.Karim., 2013).

Income Distribution

Islamic economics views distribution more broadly than other economic



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systems, namely that resources, goods or services are distributed fairly to individuals through market mechanisms, so that each individual can benefit from the products produced. In its discussion, Islam includes regulation of ownership of production factors and sources of wealth (Dadang Muljawan, Priyonggo Suseno et al., 2018). Distribution in Islam refers to the distribution of existing goods, both private and public, to those who are entitled to receive them. One of the goals to be achieved in spreading Islam is a social goal by meeting the needs of groups in need and promoting the principle of solidarity in Muslim society so that people can live in prosperity. In Islamic economics, distribution focuses on the distribution mechanism and not on the results of the distribution. Therefore, when a market collapse occurs, the currency slogan fastabiqul khairat directs market players to government policies regarding the income redistribution process (Bambang Iswanto, 2022).

RESEARCH METHOD

This research is descriptive qualitative research with data collection methods in the form of observation and interviews. This research is a written work that presents data with a written description of the results of the study that has been carried out. Data collection was obtained from various reading materials, both journals, and books as well as interviews with MSME actors of Pentol Bakar Pacet and observations at locations where Pentol Bakar Pacet was run and made. This research aims to determine the efficiency of income allocation and distribution of MSMEs of Pentol Bakar Pacet Mojokerto.

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RESULTS AND DISCUSSION

Allocation Efficiency in Islam

Efficiency is a system that helps individuals or businesses achieve maximum production levels using a minimum amount of expenditure. Allocation is determining the amount of goods supplied to a location (buyers and so on). In conventional economics, allocative efficiency is a comparison between input and output, where input is used in the most accurate and best way to obtain the best results. Efficiency in allocation explains that if all existing resources are allocated, an efficient allocation will be achieved. In Islamic economics, allocative efficiency is built from conventional efficiency theory, the difference lies in providing utility value by maximizing output with infaq and shodaqoh. The value of consumer justice is very much considered in Islamic teachings, whether the results are the same or different, the most important key is not to be unfair and tyrannical.

The aim of Islamic economics is to realize human welfare through the fair allocation and distribution of resources in accordance with Islamic teachings, while realizing sustainable macroeconomic and ecological balance, without unduly limiting individual freedom (Dadang Muljawan, Priyonggo Suseno et al., 2018). Understanding the concept of allocative efficiency is no longer foreign to Islamic and conventional economics. However, there is a difference in understanding allocation efficiency in Islamic and conventional economics, namely that goods can be said to be efficient if no individual can increase their utility without reducing other uses. Thus, fair is defined as "equal feelings". This concept is different from the Islamic economic view,

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which should be fair, not oppressive and not oppressed, not equal (Adiwarman A.Karim., 2013).

It is efficient in a perfectly competitive market if it can maximize comparable input and output. Efficient allocation conditions, when individuals can no longer increase their utility for an item (better-off) without harming the utility of other individuals (worse-off) (Mardiyah, 2016). In the book *Nahjul Balaghah*, the concept of allocation efficiency was first formulated by the words of Ali Ibn Abi Thalib as follows. "Let not the welfare of one of you increase, but at the same time the welfare of the others decreases". These words of *Khulafaur Rasyidin* can be used as a reference that Islamic economics does not allow personal welfare to increase by reducing the welfare of other individuals. Islamic economics prohibits economic actors from increasing their personal profits by reducing the profits of other economic actors (Qadir, 2021).

Justice is the main pillar of Islamic economics. Allah has sent down guidance to all mankind in the religion of Islam as a guide to life and emphasizes the importance of respecting justice in all fields, both economic, political and social. Justice is the main pillar of Islamic economics. Allah has revealed that Islam is a way of life for all mankind and emphasizes the importance of respecting justice in all fields, both economic, political and social (Dadang Muljawan, Priyonggo Suseno et al., 2018). People who can achieve happiness and prosperity in life in this world and the hereafter are those who are able to live life as they should, accompanied by fortitude, and uphold the principles of truth and justice in life. Basically, production activities that are based on fraudulent and false concepts are haram in Islam. Islam only

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recognizes and allows fair and balanced methods in every production activity (Bambang Iswanto, 2022).

Economic activities based on Islamic ethics and norms where distribution activities prioritize the principle of justice. The meaning implied in the principle of justice and equal distribution is that wealth is prohibited from being concentrated only in one group. However, this must be evenly distributed throughout society. National wealth as a result of production must be utilized fairly. There is a prohibition in the Islamic religious concept that a person has wealth that exceeds reasonable limits, and the way to obtain it is through principles that are prohibited by Islam (Bambang Iswanto, 2022).

Apart from efficiency and justice, the Islamic economic concept also encourages efforts to improve endowments (increasing the production possibility frontier) or in the same context, namely increasing the Edgeworth Box. Thus, the efforts that continue to be made to create a positive sum game, the difference lies in the value of infaq and shodaqoh providing utility value by maximizing production. This theory also pays attention to fair value to consumers, whether the endowment is equal or unequal, the most important thing is that the key is not to be unjust and tyrannical.

Islamic economics allows every human being to work in order to receive halal rewards or wages. Humans are allowed to be employers or bosses who have employees to earn money or humans are allowed to be wage earners or workers, both of which are equally noble in the sight of Allah. In the Qur'an Karim, it is found in Surah At-Taubah verse 105 which calls on humans to work and try. Allah really loves his servants who work and try, both employers and bosses, to be noble apart from working for themselves, also because it

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opens up jobs for other people, workers or employees as well as laborers. or employees who work because they have the business to work and are not unemployed, both are required to continue to improve the quality and be fair in carrying out their work (Hamka, 2015)

Based on the discussion above, efficiency in the Islamic economic concept does not only look at the aspect of comparison between input and output, but also includes the concept of justice which allows society to prosper without anyone being wronged, production activities that are built on fraudulent and false concepts are haram in Islam. Islam only recognizes and allows fair and balanced methods in every activity carried out by humans. What differentiates conventional concepts from Islamic economics lies in the value of infaq and shodaqoh.

Income Distribution in Islamic Concepts

Income distribution is equalization in an area with the aim of reducing the level of inequality between citizens. Income distribution is equality in an area which aims to reduce the level of inequality between residents. distribution means distribution, delivery and distribution, while income means business results, livelihood wages, and so on. In Islamic economics, income distribution is the process of distributing wealth from individuals to parties who are entitled to receive it, either through the trade distribution process or through processes that emphasize aspects of social balance, which has the aim of distributing assets fairly and evenly.

Islamic economics views distribution more broadly than other economic systems, namely that resources, goods or services are distributed fairly to individuals through market mechanisms, so that each individual can benefit

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from the products produced. In its discussion, Islam includes regulation of ownership of production factors and sources of wealth (Muljawan, 2018). Distribution in Islam refers to the distribution of existing goods, both private and public, to those who are entitled to receive them. One of the goals to be achieved in spreading Islam is a social goal by meeting the needs of groups in need and promoting the principle of solidarity in Muslim society so that people can live in prosperity. In Islam, distribution focuses on the distribution mechanism and not on the results of the distribution. Therefore, when a market collapse occurs, the currency slogan *fastabiqul khairat* directs market players to government policies regarding the income redistribution process (Bambang Iswanto, 2022).

In an Islamic economic perspective, distribution has a broad meaning, specifically covering aspects of ownership, production factors and sources of wealth. Therefore, distribution is understood as the main issue in Islamic economics because it is closely related to the level of social welfare. A prosperous economy can be seen and measured based on the principle of meeting the needs of every individual in society, not based on supply and demand, economic growth, foreign exchange reserves, and prices, currency values, and so on (Mannan, 2018). Meanwhile, income itself refers to money received by individuals, businesses, organizations and institutions in the form of salaries, wages, rent, interest, commissions, fees and profits. In economics, income is the maximum value that a person can consume during a period of time with conditions at the end of the period being the same as the initial conditions or considered as a return on capital (Toha & Supriyanto, 2023). Income is also defined as the business results obtained by each individual or

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household group in a month and used to meet living needs. Income is the amount of income received by members of a society during a certain period of time as compensation for their services (Shofiyati, 2022).

Income distribution plays an important role in determining welfare. The impact of income distribution is not only limited to economic aspects, but also political and social aspects. This is why Islam pays more attention to the distribution of income in society. Islam recognizes private property rights, but these private property rights must be distributed fairly. These personal assets are used to support the lives of oneself and one's family by investing productive capital so that one can provide employment opportunities to other people, by supporting others through zakat, infaq and shodaqoh. Thus, wealth does not only revolve around the rich, giving rise to disparities in social life (Imsar, 2019)

Basically, in Islamic economics there are two main distribution systems, namely commercial distribution which discusses wages. Rental costs, production costs, profits or profits for both financial parties running the business and parties carrying out transactions through certain contracts, such as *mudharobah* contracts and *musyarakah* contracts. Distribution is based on aspects of social justice in society. This distribution occurs through the flow of goods and services provided by one party to another party without requiring reciprocity from that party. The distribution is carried out by the State, not by one or two people. For example, the state provides empty land to homeless people, which in fiqh is known as *iqtha'*. The Islamic economic concept adheres very firmly and strictly to the priority scale. Economic inequality that occurs in society, especially in Indonesia, is currently a major concern and a widespread

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phenomenon. The cause of this phenomenon is injustice and imbalance in the distribution of income and wealth. Unequal distribution of income is a source of personal and social conflict, where poverty does not completely depend on production results but also depends on a reasonable distribution of income (Shofiyati, 2022).

According to the Islamic economic perspective, income distribution must take into account two main factors, namely the economic balance of society and the prohibition on the accumulation of wealth. Economic balance in society In Islamic economics, the balance of assets in society is a very urgent matter. In this case, the production of goods or services in society must be distributed evenly in society. The circulation of wealth in society does not only concern a group of people, while the Islamic economic prohibition against hoarding wealth prohibits individuals from hoarding excessive wealth, because excessive hoarding of wealth can result in the end of economic wealth. Wealth accumulation can be understood as the accumulation of wealth on a large scale, where one person will be able to benefit from others. In other words, the accumulation of wealth is not intended to meet the needs necessary to maintain life. But this is based on the absence of the need to collect. Therefore, excessive hoarding of wealth without the aim of meeting life's needs is an act of hoarding wealth which is condemned by Islam (Mannan, 2018).

Justice in distribution and equality is the second goal in the Islamic economic system. What this means is the continuity of fair and equitable distribution of economic resources, assets and income. Both are economic principles that are upheld in Islam, even in the hadith it is stated that it is prohibited to monopolize wealth whether by individuals or groups because it

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will hinder its circulation in society, therefore it is forbidden in Islam. As stated in QS Al-Hasyr verse 7, in Islamic teachings there is a prohibition on wealth circulating only among the rich. The circulation of wealth must reach the poor so that they can take advantage of its useful aspects. This is the primary objective of Islamic economics, which is to mediate between the rich and the poor through engineering the distribution of wealth or other economic resources for the common good (Bambang Iswanto, 2022).

Based on the discussion above, distribution in Islam places greater emphasis on fair and equitable distribution so that there is no rotation between the rich and the poor. In the distribution of income, one must pay attention to economic balance and the prohibition on hoarding wealth. One of the goals to be achieved by Islamic distribution is social goals by meeting the needs of groups in need and enlivening the principle of solidarity in society.

Allocation Efficiency of MSME Actors of Pentol Bakar Pacet Mojokerto

Pacet is famous for its natural beauty and tourist attractions, not only that, the Pacet sub-district also has an interesting culinary tourism base, namely Pentol Bakar, which is a culinary specialty of Pentol Bakar Pacet which is different from Gresik Pentol, as well as similar snacks from other areas. Here, the sellers will coat the pentol with peanut sauce and soy sauce when grilled, similar to satay dishes. The peanut sauce itself is savory, slightly spicy and slightly sweet. Every day, sellers with motorized carts continuously serve buyers on weekends or holidays. The number of buyers of Pentol Bakar Pacet increases many times over. Dozens of Pentol Bakar Pacet sellers make their living selling Pentol Bakar, located along the road near the Pacet police station. What is unique about the Pentol Bakar Pacet, apart from its delicious taste, is

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that they sell in the same location with the same merchandise, namely burnt pentol without any obvious competition. They believe that their fortune will not be exchanged. The difference is that they have each or every champion or boss. The owners have different groups, some have employee systems and some have made their own.

The price of Pentol Bakar for each is IDR 500 with variants of pentol (meatball), tofu, mushrooms, and intestines. The most widely used system is the employee wage system, which is an agreement at the beginning with the average reward given being IDR 35,000 for workers who have sold burnt pentol for IDR 100,000 and in multiples. Workers selling Pentol Bakar on average in one day from morning to night get a profit or salary according to what they sell. Based on the results of an interview with one of the traders selling Pentol Bakar using a worker or employee system in one day on a normal day they get an average of IDR 200,000 with the compensation received being IDR 70,000 starting from selling from 08.30 to 16.30 or 9 working hours (Fery Irawan, 2023). This is certainly something that must be improved in terms of sales, where employees or traders with this system have worked for 9 working hours, if calculated per hour, one hour only produces around IDR 8000 only with capital to sell other people's property. However, on weekends employees can get a turnover of up to IDR 800,000 in exchange for IDR 280,000 in one month if you count 8 weekends and 22 normal days, employees get wages of up to IDR 3,780,000, this is if the seller or employee doesn't have a holiday and the weather conditions are good and it doesn't rain.

Based on information obtained from the champion or boss of the Pentol Bakar, the capital of 400 sticks of Pentol Bakar costs IDR 75,000, including raw

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materials, seasonings, sticks, charcoal. This, if totaled and seen from the net profit for every 400 sticks of Pentol Bakar, produces IDR 200,000, then what the boss gets is IDR 45,000 without having to work for more than 9 hours, only around 2 hours to 3 hours. If you look at the income, of course there are more employees, but if you look at the work, the employees also have more work than the boss. On weekends, some bosses also give bonuses. to employees with additional wages worth IDR 25,000 to IDR 35,000 for each owner who has 2 to 3 employees. The above income is the average income from selling Pentol Bakar, sometimes it can increase, sometimes it can decrease regarding the cost of renting a place because it is on the side of the road. You only pay IDR 5,000 every week for cleaning. The bosses also add a little extra by counting per skewer if the employee brings 400 skewers in which the boss gives a bonus of 20 to 30 skewers (Mustakim, 2023).

Islamic economics prohibits increasing individual welfare by reducing the happiness of others. Islamic economics prohibits economic actors from increasing their personal profits by reducing the profits of other economic actors (Qadir, 2021). In the sales of Pentol Bakar Pacet, it can be seen that there is no effort to improve personal welfare, but the bosses provide relatively sufficient wages for the capital spent by the skipper, where the income of the skipper is less than that of employees, even though the employee's work is harder. With this system, Pentol Bakar Pacet is able to survive in the midst of culinary competition. What is interesting is that the managers still pay attention to the welfare of employees with sufficient wages. Based on the data findings, conditions in Pentol Bakar can be said to be efficient because of the theory that in a perfectly competitive market, comparable input and output can be



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maximized. Efficient allocation conditions, when individuals can no longer increase their utility for an item (better-off) without harming the utility of other individuals (worse-off). In Pentol Bakar Pacet, no one is harmed, the employees only have time and energy to earn wages, as do the bosses who prepare the raw materials for sale.

The Islamic concept of justice only recognizes and allows fair and balanced methods in every production activity (Bambang Iswanto, 2022). Based on the data available, for MSMEs, it can be said to be fair in all respects because the existing production concept is very much in favor of both parties. In the opinion distribution of Pentol Bakar Pacet, according to distribution in Islam, it leads to the distribution of existing assets, whether private or public, to person who is entitled to receive it. The bosses provide opportunities for workers or employees to develop and be productive. The employees are entitled to receive wages for working selling burnt pentol with conditions agreed upon by the bosses. They are also able to give bonuses to employees in the form of excess deposit calculations and also income bonuses. This is also included in the category alms in Islamic economics.

CONCLUSION

Islamic economics allows every human being to work in order to receive halal rewards or wages. Humans are allowed to be employers or bosses who have employees to earn money or humans are allowed to be wage earners or workers, both of which are equally noble in the sight of Allah. MSMEs of business actors of Pentol Bakar Pacet can be said to be efficient because the allocation of income received from both employees and bosses without anyone

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being harmed, the bosses and employees are not wronged. Other people above other people's suffering because the income received by the employee is greater than what the employee earns. There is also an aspect of justice because in this case no one is harmed by this system, it's just that employees must continue to optimize their work in order to earn more income.

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