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Sharia Entrepreneurial Ethics in Social Commerce: A Critical Analysis of Predatory Pricing on UMKM Sustainability

Ahmad Rokhim[1], Rizqi Egy Gumilang[2], Muhammad Aminul Wahid[3]

Program Pascasarjana Ekonomi Syariah, Universitas KH. Mukhtar Syafaat, Indonesia
*Correspondence e-mail: rokhimahmad@gmail.com, egyrizqi@gmail.com, aminulwahid@iaida.ac.id

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Abstract

The development of social commerce has transformed the structure of digital trade in Indonesia by integrating social interaction, content promotion, and commercial transactions within a single ecosystem. While this transformation creates substantial opportunities for MSMEs to expand their market reach, it simultaneously poses serious challenges, including predatory pricing, platform dominance, and market access disparities that disadvantage small business actors. This article aims to analyze predatory pricing practices in social commerce through the lens of Sharia entrepreneurial ethics and assess their implications for the sustainability of local MSMEs. Applying a qualitative-normative approach, this study employs a critical literature review of Islamic economic literature, official regulations, and relevant national and international journals. The findings indicate that predatory pricing in social commerce is not merely a low-pricing strategy, but a market elimination instrument that erodes turnover, diminishes competitiveness, and fosters MSME dependency on major digital platforms. From a Sharia perspective, such practices contradict the principles of justice, the prohibition of harm (la darar wa la dirar), transparency, and public interest (maslahah). This article emphasizes that strengthening regulations, algorithmic transparency, MSME protection, and the development of Islamic business ethics in the digital sphere are urgent necessities to preserve local economic sustainability.

Keywords Social commerce, Sharia Economic, MSMEs, Predatory Pricing

INTRODUCTION

The development of digital technology in the last decade has significantly changed the patterns of production, distribution, and consumption in economic activities. One prominent form of transformation is the emergence of social commerce, a trading model that integrates social media, user interaction, digital content, and buying and selling transactions into a single, interconnected ecosystem.

Unlike conventional e-commerce, which relies on product showcases and direct search mechanisms, social commerce shapes purchasing decisions through social recommendations, user reviews, influencer marketing, live streaming, and algorithms that regulate content visibility. In this context, social commerce functions not only as a marketing channel but also as a new market infrastructure that influences consumer preferences and the structure of business competition.

In Indonesia, social commerce is growing rapidly, driven by high internet penetration, increased social media usage, and shifts in consumer shopping behavior toward the digital space. Several studies have shown that this commerce model offers significant opportunities for micro, small, and medium enterprises (MSMEs) to expand market reach, increase consumer interaction, and capitalize on relatively lower promotional costs compared to conventional marketing. However, these opportunities do not always translate into healthy competition. In practice, social commerce also creates new inequalities, as product visibility is heavily influenced by platform algorithms, promotional capabilities, and the capital strength of entrepreneurs.

In these conditions, one of the increasingly prominent issues is the practice of predatory pricing, namely setting prices very low, even below fair costs or production costs, with the aim of controlling the market, eliminating competitors, and strengthening the dominance of large businesses. In the social commerce ecosystem, predatory pricing does not always appear explicitly as a traditional price war, but can also appear through price subsidies, aggressive flash sales, product bundling, cross-promotions, and algorithmic support for certain products. Recent studies have shown that such practices have put serious pressure on MSMEs, especially when products supported by large capital or platform subsidies appear much cheaper and more dominant than local products sold at fair prices.

This phenomenon is significant because its impacts are not only short-term economic but also affect the long-term sustainability of small businesses. When MSMEs are forced to compete within an unbalanced pricing structure, profit margins narrow, production capacity weakens, innovation capabilities decline, and business resilience becomes fragile. Several studies have linked predatory pricing on digital platforms like TikTok Shop to decreased MSME competitiveness, increased reliance on platform promotions, and a shift in consumer behavior toward the lowest prices without considering the quality or sustainability of local producers.

The Indonesian government has responded to these dynamics through Minister of Trade Regulation No. 31 of 2023 concerning Business Licensing, Advertising, Development, and Supervision of Business Actors in Electronic Commerce. This regulation is part of a restructuring of digital commerce governance, particularly following criticism of the social commerce model that combines social media and direct commerce transactions. Historically, this regulation can also be understood as a continuation of the previous policy, Minister of Trade Regulation No. 50 of 2020, which was subsequently revised to provide stricter boundaries for social commerce functions. One key point of this new regulation is the separation of promotional and transaction functions, so that social commerce platforms no longer act as direct transaction channels.

This policy demonstrates that the government views social commerce as more than just a matter of technological innovation, but also a matter of protecting business competition, digital market sovereignty, and the sustainability of MSMEs. However, regulations alone are insufficient without effective oversight of price subsidies, algorithmic dominance, and new forms of market manipulation that can disguise predatory pricing. Therefore, analysis of social commerce needs to go beyond technical-economic readings and enter the normative realm, questioning the fairness and welfare of digital business activities.

From the perspective of sharia entrepreneurial ethics, business is not merely understood as a means of making a profit, but rather as an activity that must be subject to the principles of justice, honesty, social responsibility and public benefit. In Islamic economics, muamalah activities are basically permitted, but must be free from elements of injustice, fraud, exploitation and actions that cause losses to other parties. The principle of la darar wa la dirar emphasizes the prohibition of causing harm to oneself or others, while maqasid al-shariah places the protection of property, economic life and public benefit as the main goal of economic activity. Thus, pricing practices that deliberately aim to kill local competitors cannot be understood simply as a marketing strategy, but need to be assessed as an ethical and normative issue.

Based on this background, this study believes that the study of predatory pricing in social commerce needs to be placed within a more comprehensive framework, namely linking digital market dynamics, MSME protection, trade regulations, and Islamic entrepreneurial ethics. Most previous research still focuses on the benefits of social commerce for MSME marketing, consumer behavior, or general aspects of competition law. Meanwhile, studies specifically integrating social commerce, predatory pricing, and Islamic perspectives are still relatively limited. Therefore, this study aims to fill this gap by analyzing the characteristics of predatory pricing in social commerce, its impact on the sustainability of local MSMEs, and its relevance within the framework of Islamic entrepreneurial ethics.

This study aims to explain the characteristics of predatory pricing practices in the social commerce ecosystem, analyze their impact on the sustainability of local MSMEs, assess these practices from the perspective of Islamic entrepreneurial ethics, and formulate normative implications for strengthening MSME protection and public policy in the digital space.

METHODS

This research employs a normative qualitative approach. This approach was chosen because the object of study is a socioeconomic phenomenon that requires in-depth interpretation of the context, practices, and meaning behind digital commerce. Meanwhile, a normative approach was used because the analysis of this research aims not only to describe the phenomenon but also to assess its compliance with Islamic legal and ethical principles. Thus, this research positions social commerce and predatory pricing not simply as market phenomena but as issues that require conceptual, ethical, and normative examination.

The method used is a critical literature review. This method involves searching, reading, comparing, and synthesizing various sources relevant to the research topic, both primary and secondary. Primary sources include the Quran, hadith, and classical and modern Islamic jurisprudence and economics. Secondary sources include scientific journals, academic books, and regulatory documents related to social commerce, predatory pricing, MSMEs, and digital market protection. This approach allows researchers to construct arguments that are not only descriptive, but also analytical and evaluative.

The data in this study were obtained from four groups of sources. First, normative Islamic sources, namely the Qur'an, hadith, and Islamic jurisprudence literature on transactions related to the principles of justice, the prohibition of harming others, and transaction ethics. Second, modern Islamic economic literature discussing business morality, distributive justice, and the objectives of sharia in economic activity. Third, official government regulations, particularly Minister of Trade Regulation No. 31 of 2023, which regulates trade through electronic systems and serves as an important basis for historical reading of social commerce regulations in Indonesia. Fourth, national and international journal articles reviewing social commerce, predatory pricing, and their impact on MSMEs.

Data analysis was conducted in three stages. The first stage was the identification of the concept and characteristics of predatory pricing in the social commerce ecosystem. In this stage, researchers mapped the forms of practices such as extreme discounts, price subsidies, flash sales, product bundling, and algorithmic dominance. The second stage was impact interpretation, which examined the influence of these practices on the sustainability of local MSMEs in terms of turnover, competitiveness, production capacity, and business resilience. The third stage was a normative evaluation, which assessed these practices using the principles of la darar wa la dirar, justice ('adl), maslahah, and maqasid al-shariah. Through these stages, the research sought to produce a comprehensive analysis, not only describing the phenomenon but also offering ethical assessments and policy directions.

To ensure analytical accuracy, this study adopted a source triangulation technique by comparing perspectives from Islamic economics literature, formal regulations, and previous research findings. This approach ensures that the argument is not based on a single perspective, but rather on the interconnectedness of normative texts, state policies, and academic findings. This strategy is crucial because the issue of predatory pricing in social commerce is multidimensional, encompassing economic, legal, and ethical aspects.

RESULTS AND DISCUSSION

Characteristics of Predatory Pricing in Social Commerce

The study's findings indicate that predatory pricing practices in social commerce manifest not simply as a price war, but as a structured market strategy supported by the platform's ecosystem. In the context of TikTok Shop and similar platforms, predatory pricing occurs through a combination of below-market pricing, significant discounts, flash sales, vouchers, cashback, product bundling, and recurring promotions that encourage consumers to focus on the lowest price. Several studies have shown that these strategies often do not reflect true production costs but are instead supported by price subsidies and capital support from major players to aggressively expand market share.

Another important characteristic is the role of platform algorithms. In social commerce, products that achieve high engagement, high click-through rates, and fast transactions tend to gain greater visibility than local products sold at reasonable prices. This creates algorithmic favoritism, the tendency of digital systems to favor certain products through recommendation mechanisms and content placement. As a result, competition no longer relies solely on product quality, but also on capital, promotion, and access to the digital ecosystem.

Furthermore, predatory pricing in social commerce is often associated with the dominance of cheap imported goods sold at low prices to attract market share. Recent studies have shown that this practice has the potential to create barriers to entry for new players and, in the long term, increase the risk of market monopolization. In such situations, social commerce transforms from a means of expanding market access into an instrument for the concentration of economic power in the hands of a handful of businesses or large platforms.

A concrete example is the rise in sales of imported fashion, skincare, and accessory products at very low prices on social commerce platforms. Many similar products sold by local MSMEs are unable to compete because imported goods appear more frequently on users' homepages, are supported by aggressive promotions, and have lower final prices after subsidies. This situation demonstrates that competition in social commerce is determined not only by product quality but also by the strength of the platform's capital and system support.

Impact on the Sustainability of Local MSMEs

The most direct impact of predatory pricing is a decline in the turnover of local MSMEs. When consumers are accustomed to comparing products based on the lowest price, small businesses selling at reasonable prices will lose out to competitors, even those with good product quality. A case study on TikTok Shop shows that many MSMEs are forced to change their marketing strategies, increase promotional intensity, and still struggle to match the prices of subsidized or aggressively marketed imported products.

In the medium term, this decline in turnover will result in narrowing profit margins. MSMEs that were previously able to maintain stable cash flow will face pressure to reduce production volumes, delay raw material purchases, reduce workforces, or even halt business expansion. These findings indicate that predatory pricing is not only a matter of price competition but also a matter of the economic resilience of small businesses. The next impact is a weakening of innovation capacity. When most resources are spent on surviving price wars, MSMEs find it difficult to invest in packaging improvements, product development, or market diversification. Studies on social commerce and MSMEs show that digital platforms do open up broader market access, but without adequate protection, this access can turn into a structural dependence on platform traffic and promotional subsidies. In other words, MSMEs gain visibility but lose independence.

At a broader socio-economic level, predatory pricing can also exacerbate digital market inequality. When large players are able to maintain low prices for extended periods, while MSMEs lack sufficient capital reserves, the market structure shifts toward a concentration of economic power. In the long term, this situation actually harms consumers because, once competitors are eliminated, dominant players have the potential to raise prices again. Thus, low prices that initially appear profitable can actually become a transition mechanism toward a less competitive market. A real-life example is seen in local fashion MSMEs selling hijabs, Muslim clothing, and handmade accessories. When similar products from major retailers or cheap imports are flooded with promotions on TikTok Shop, many MSMEs report declining sales as consumers shift to cheaper products. In situations like this, MSMEs not only lose market share but also lose the opportunity to grow and innovate. If continued, predatory pricing can weaken the resilience of small businesses and encourage market concentration in the hands of a few large players.

Ethical Assessment of Sharia Entrepreneurship

From the perspective of Islamic entrepreneurial ethics, trade is essentially permissible as long as it is conducted with honesty, fairness, and does not involve any element of harm to others. The principle of "la darar wa la dirar" (the right to harm) asserts that every economic activity must avoid harm and damage, both to oneself and to others. Therefore, price-fixing practices intentionally aimed at eliminating local competitors are morally unacceptable, even if they may formally appear to be a legitimate business strategy. Within the framework of the maqasid al-shariah (Islamic principles), predatory pricing practices contradict the goal of wealth protection (hifz al-mal) because they undermine the business continuity of the weak and create disproportionate economic losses. Furthermore, these practices also contradict the principle of distributive justice because market profits are not distributed fairly, but rather concentrated among actors with greater capital and platform access. Recent research from a sharia economic perspective confirms that predatory pricing can be understood as a form of ighraq, or market suppression, a practice that contains elements of harm, dishonesty, and monopolistic tendencies.

Islamic business ethics also rejects strategies that rely solely on manipulating consumer perceptions. If low prices are used as a short-term tool to dominate the market and then raise prices after competitors are eliminated, such behavior contains elements of exploitation. According to Sharia law, business success is measured not only by the ability to generate profits, but also by the ability to create benefits, maintain the sustainability of others, and establish a fair market. Therefore, price competition in Islam must be within the framework of maslahah (beneficial benefit), not within the logic of elimination. A clear example of this ethical violation can be seen when a product is marketed at a very low price to attract the market, then, after small competitors are eliminated, the price is raised again. In the context of Sharia, this strategy is considered exploitative because profits are obtained by weakening others. Therefore, while seemingly profitable from a business perspective, this practice is morally unacceptable in Islamic entrepreneurship.

Market Regulation and Protection

Historically, the regulation of e-commerce in Indonesia has undergone quite dynamic development. Prior to the introduction of policies specifically restricting social commerce, the government issued Minister of Trade Regulation No. 50 of 2020 as the basis for regulating e-commerce. However, the emergence of social commerce, characterized by its integration of content, social interaction, and direct transactions, has created regulatory gaps that were not fully addressed by previous regulations.

In response, the government issued Minister of Trade Regulation No. 31 of 2023, which revised and strengthened digital trade regulations. This regulation emphasizes the separation of promotional and transaction functions and prohibits social commerce platforms from facilitating direct payments. This policy demonstrates that the government no longer views social commerce as merely a social media platform with buying and selling features, but as an economic entity with the potential to create market inequality if not strictly monitored.

However, the effectiveness of regulations still depends heavily on implementation. Several studies confirm that predatory pricing practices can persist through other forms, such as indirect subsidies, cross-promotions, loyalty programs, and data and logistics integration that reinforce platform dominance. Therefore, protecting MSMEs cannot simply rely on legal texts; it also requires active oversight by competition authorities, adaptive regulatory updates, and consistent enforcement mechanisms. A concrete example of this policy's implementation is limiting the role of social commerce platforms, preventing them from serving as venues for direct transactions. This step demonstrates the government's recognition of the risks of market dominance, which can harm small businesses. However, the effectiveness of regulation still depends heavily on oversight and law enforcement. Without consistent oversight, price subsidies and market manipulation can still emerge in other forms.

Synthesis of Modern and Sharia Economics

From a modern economic perspective, predatory pricing is often understood as an aggressive competitive strategy that benefits consumers in the short term through low prices. However, this approach tends to narrowly assess markets, focusing solely on price efficiency, without considering the impact on small business structures and local economic sustainability. Recent studies have shown that when dominant players successfully displace competitors through low prices, markets can shift toward a concentration of power that ultimately harms consumers.

In contrast, Islamic economics places business activities within the framework of the public good. Low prices are not automatically considered good if they are obtained through practices that damage the market and stifle the businesses of others. Therefore, the synthesis of modern economic and sharia perspectives demonstrates that economic efficiency must be tempered by distributive justice and the protection of small businesses. A healthy market is not the cheapest market, but rather one that maintains fair competition, provides a living space for various actors, and supports the economic sustainability of the community.

A concrete example can be seen in the aggressive marketing of cheap imported products to capture the local MSME market. While consumers benefit in the short term, the market structure becomes unhealthy in the long run, as small businesses are marginalized. From a sharia perspective, this situation is unacceptable, as a healthy market is not simply one that is cheap but one that is fair, balanced, and provides a viable environment for all business actors.

The following are the results of the discussion in table form,

Sub-chapter	Key Findings	Real Example	Implications
Characteristics of Predatory Pricing in Social Commerce	Low prices, promotional subsidies, flash sales, and algorithms reinforce the dominance of large players.	Imported fashion, skincare, and accessory products are sold at very low prices on TikTok Shop.	Competition shifts from quality to price wars.
Impact on the Sustainability of Local MSMEs	Turnover is declining, margins are narrowing, and innovation capabilities are weakening.	Hijab and accessories MSMEs are unable to compete with cheap products from large sellers.	Small businesses struggle to survive in the long term.
Ethical Perspective of Sharia Entrepreneurship	Practices that harm competitors are contrary to justice and maslahah.	Prices are pushed very low to knock out competitors and then raised again.	Unethical practices according to sharia.
Regulation and Policy History	The state is limiting the role of social commerce	Minister of Trade Regulation 31 of 2023	Protection of MSMEs requires

	through new regulations.	separates promotions and transactions.	active supervision.
Synthesis of Modern and Sharia Economics	Price efficiency must be constrained by market fairness.	Cheap imported products dominate the local market in the short term.	A healthy market must be competitive and sustainable.

CONCLUSION

The study reveals that predatory pricing in social commerce constitutes a structural digital commerce governance issue rather than a mere marketing strategy, as algorithm-driven, capital-backed subsidized pricing fundamentally reshapes market structures, threatens MSME sustainability, and undermines economic justice by systematically enabling market dominance and the exclusion of small businesses. From an Islamic entrepreneurial ethics perspective, this practice violates the core principles of la darar wa la dirar (no harm), justice, welfare, and wealth protection emphasized in maqasid al-shariah, contradicting Islam's permission of trade while firmly rejecting injustice, market manipulation, and exploitation of vulnerable economic actors. In policy terms, Minister of Trade Regulation No. 31 of 2023 and the revision to Regulation No. 50 of 2020 reflect governmental recognition of rapidly evolving digital trade patterns, mandating the separation of promotional and transactional functions while limiting social commerce's direct sales role; however, meaningful regulatory effectiveness ultimately depends on consistent oversight, firm enforcement, and continuous policy adaptation to emerging forms of digital market dominance. Consequently, strengthening MSME protection requires not only formal legal frameworks but also enhanced digital business literacy, greater algorithmic transparency, and the deep internalization of Islamic business ethics within entrepreneurial practices, while future research should adopt rigorous empirical approaches to concretely measure MSME economic losses, business actor response patterns, and the overall effectiveness of regulations in curbing predatory pricing across digital marketplaces.

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