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Islamic Economic Perspectives on Cost-Plus Pricing in the Wood Industry

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Abstract:
This study is motivated by the critical role of pricing in sustaining business operations, particularly in the wood industry, which is characterized by relatively homogeneous production costs yet faces intense market competition. The primary objective is to examine the mechanism of determining the selling price of wood using the cost-plus pricing method at Bangsal Kayu Bumin Jaya and to assess its compliance with Islamic economic principles. Employing a qualitative descriptive approach with a case study strategy, the research gathered primary data through interviews, observations, and documentation, while secondary data were obtained from financial records, sales reports, and relevant academic literature. The findings reveal that price determination is conducted by calculating all production and operational costs, followed by the addition of a profit margin adjusted to product quality, market conditions, and consumer purchasing power. This practice aligns with Islamic economic principles, as it embodies fairness, transparency, and mutual consent, while avoiding exploitative practices such as hoarding and uncertainty. The contribution of this study lies in enriching the literature on the integration of cost-plus pricing with Islamic values, while also offering practical guidance for wood industry entrepreneurs to establish competitive, sustainable, and ethically compliant pricing strategies.

Keywords:
Pricing Strategy, Cost-Plus Pricing, Islamic Economics, Wood Industry.

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INTRODUCTION

Pricing is a fundamental aspect of economic activity at both global and national levels, serving as a central instrument in the exchange of goods and services while shaping business competitiveness. Within the context of small and medium enterprises (SMEs), particularly those operating in resource-based industries such as wood, pricing strategies are critical for sustainability. Recent studies highlight that cost-plus pricing remains widely adopted due to its simplicity in covering production costs and ensuring reasonable profit margins, although challenges such as incomplete cost recording and market fluctuations often undermine its accuracy (Masip Vilà & Crespo Sánchez, 2025). From the perspective of Islamic economics, pricing is not merely a monetary value but a reflection of justice, transparency, and market equilibrium (Almanwari et al., 2024).

Despite its practicality, cost-plus pricing reveals academic and practical gaps that warrant further exploration. Prior research indicates that many SMEs fail to account for all cost components, resulting in underpricing or overpricing that threatens business continuity (Timilsina & Sebsibie,

2026). Moreover, literature integrating cost-plus pricing with Islamic principles remains limited, especially in the wood sector where homogeneous production costs intersect with competitive market dynamics. This underscores the urgency of developing pricing models that are financially accurate and aligned with Islamic values, including prohibitions against exploitation, gharar, and ihtikar (Abdulkareem-Alsultan et al., 2025).

The relevance of this topic to Islamic economic theory is evident in the concept of murabaha, a cost-plus transaction emphasizing transparency in costs and mutually agreed profit margins (Su et al., 2026). As a key instrument in fiqh muamalah, murabaha stipulates that profit is legitimate only when based on actual ownership and risk, thereby excluding elements of riba and manipulation. Within this framework, cost-plus pricing is compatible with Islamic principles provided that profit margins are set fairly and transparently. This aligns with studies emphasizing justice (‘adl), openness (shafāfiyyah), and trust (amanah) in Islamic market structures (Tsiboe et al., 2026).

The study aims to examine the mechanism of cost-plus pricing in determining wood prices at Bangsal Kayu Bumin Jaya and to evaluate its application from an Islamic economic perspective. The research questions address two core issues: the operational mechanism of cost-plus pricing and its compliance with Islamic principles. These inquiries are designed to meet the practical needs of entrepreneurs seeking competitive yet ethically sound pricing strategies that resonate with Islamic values.

The scholarly contribution of this research lies in its novelty of integrating cost-plus pricing with Islamic economics in the wood industry, a sector rarely explored in prior literature. While earlier studies focused on food and manufacturing industries (Ghafoor et al., 2024; Aguado-González et al., 2025), this study identifies a research gap in empirical analyses of cost-plus pricing within resource-based SMEs. By addressing this gap, the article enriches academic discourse and offers practical guidance for wood entrepreneurs to adopt sustainable and Sharia-compliant pricing strategies, reinforcing fairness, transparency, and collective welfare (Abdulkareem-Alsultan et al., 2025; Almanwari et al., 2024).

METHOD

This study employed a qualitative research design using a descriptive approach and a case study strategy, focusing on the Bumin Jaya Lumber Yard in Geragai Subdistrict. This approach was chosen because it provides an in-depth understanding of the phenomenon of timber pricing using the cost-plus method and its alignment with the principles of Islamic economics. The research data consisted of primary and secondary data. Primary data was obtained through in-depth interviews with business owners, employees, and consumers, as well as direct observation of the pricing process and production activities. Secondary data was obtained from internal business documents (financial records, sales reports) and relevant academic literature, such as journals, books, and regulations regarding pricing from a Sharia perspective. Data collection techniques included participatory observation, semi-structured interviews, and documentation, which allowed for triangulation of sources to enhance the validity of the findings (Akcakaya et al., 2026; Stovall, 2026). Inclusion criteria encompass data relevant to pricing mechanisms and Islamic economic principles, while

exclusion criteria apply to data that has no direct relevance to the research focus or is unverifiable. The units of analysis in this study are business owners, workers, and consumers involved in timber trading activities, thereby providing a comprehensive perspective from both the producer and consumer sides.

Data analysis was conducted through the stages of data reduction, data display, and verification/drawing of conclusions, in accordance with the interactive analysis model proposed by Ahmad et al. (2026). The analysis was conducted thematically to identify patterns in pricing mechanisms and their alignment with the principles of Islamic economics. Data obtained from interviews and observations were coded using NVivo software to facilitate the categorization and thematic analysis process (Solbakken & Magnussen, 2026). Data validity was strengthened through source and method triangulation by comparing the results of interviews, observations, and documentation to ensure the consistency of findings (Yu et al., 2026). In addition, this study also utilized academic literature as a benchmark to assess the alignment of cost-plus pricing practices with Sharia principles, thereby yielding a more accurate and scientifically accountable analysis (Biglieri & Mandalaki, 2026; Bechthold et al., 2026; van der Giessen et al., 2026). Thus, this research method is designed to provide a systematic, in-depth, and valid overview of the application of cost-plus pricing in the timber industry and its review from an Islamic economics perspective.

RESULTS AND DISCUSSION

Results

The results of this study were obtained through a descriptive qualitative approach using a case study strategy at the Kayu Bumin Jaya Ward. Data analysis was conducted through a process of reduction, display, and verification, resulting in a number of key findings that reflect the pricing mechanism using the cost-plus pricing method and its alignment with the principles of Islamic economics. The first finding was the structure of production and operational costs. Field data showed that the main cost components consisted of timber purchases, transportation, loading and unloading, labor, storage, and additional operational costs. The average production cost per cubic meter of timber ranged from Rp1,500,000 to Rp2,200,000, with variations influenced by the type of wood and the quality of the raw material. The profit margin added by business operators ranges from 15–25%, resulting in a selling price for timber set between Rp2,000,000 and Rp3,000,000 per cubic meter. These findings are consistent with research by Saiyed et al. (2024), which confirms that MSMEs tend to use a simple markup in pricing to maintain business stability.

The second finding concerns transparency in pricing. Interviews with consumers revealed that most buyers felt the prices were clear and commensurate with product quality. Businesses openly explain cost components and profit margins to consumers, thereby increasing customer trust and loyalty. This is consistent with the principle of murabaha in fiqh muamalah, which emphasizes transparency regarding costs and profit margins (Noor et al., 2024).

The third finding concerns compliance with the principles of Islamic economics. The data indicate that business operators avoid hoarding (ihtikar), price manipulation, and uncertainty (gharar). Pricing is based on a mutual agreement (ridha) between the parties, in accordance with the

principle of an-tarāḍin in Surah An-Nisa: 29. Consumers stated that the prices set were not exploitative but rather reflected fairness and balance. This finding supports the results of a study by Athief et al. (2025), which emphasized the importance of fairness and public interest in Islamic pricing structures.

The fourth finding is the difference in pricing strategies among timber businesses. Bangsal Kayu Bumin Jaya sets relatively uniform prices with moderate profit margins, while its main competitors set higher prices, with a difference of Rp50,000–Rp150,000 per cubic meter. This difference is influenced by production capacity, business reputation, and a broader distribution network. Consumers acknowledge that, despite the higher prices, quality and trust in competitors are decisive factors. This is consistent with research by Jezzini et al. (2025), which highlights the influence of reputation and quality on the pricing strategies of MSMEs.

The fifth finding concerns consumer perceptions of price and satisfaction. Interview results indicate that consumers feel the prices set by Bangsal Kayu Bumin Jaya are in line with their purchasing power and the quality of the products. Most consumers expressed satisfaction with the transparency of prices and the quality of the wood, which encouraged repeat purchases. This finding supports the research by Yunita et al. (2024), which emphasizes that consumer satisfaction in the context of Islamic economics is influenced by price fairness and transparency of information.

The sixth finding concerns the implications for business sustainability. Using the cost-plus pricing method allows Bangsal Kayu Bumin Jaya to maintain operational stability, meet market demand, and remain competitive. This strategy also supports business sustainability by increasing customer satisfaction and market loyalty. This is consistent with research by Jokhio & Jaffer (2024), which confirms that cost-plus pricing can be a sustainable strategy for MSMEs when linked to the values of fairness and transparency.

Discussion

The results of this study confirm that the mechanism for setting timber selling prices at Bangsal Kayu Bumin Jaya employs the cost-plus pricing method, which involves calculating all production and operational cost components and then adding a reasonable profit margin. These findings align with the study's objective, which is to identify the pricing mechanism and assess its compliance with the principles of Islamic economics. The pricing practice has proven capable of ensuring business sustainability while upholding the principles of fairness and transparency in transactions, as confirmed by previous studies on cost-based pricing practices in MSMEs (Saiyed et al., 2024; Jokhio & Jaffer, 2024).

An interpretation of the findings suggests that the application of cost-plus pricing at Bangsal Kayu Bumin Jaya is consistent with the murabaha theoretical framework in fiqh muamalah, which emphasizes transparency regarding costs and mutually agreed-upon profit margins. Transparency in pricing enhances consumer trust and strengthens market loyalty, in accordance with Sharia principles that emphasize justice (‘adl) and transparency (shafāfiyyah) (Noor et al., 2024; Yunita et al., 2024). Thus, this practice not only fulfills the technical aspects of pricing but is also aligned with normative Islamic values.

When compared to previous studies, the results of this research are consistent with the findings of Athief et al. (2025), who emphasized the importance of fairness in Islamic pricing structures, as well as Jezzini et al. (2025), who highlighted the influence of reputation and quality on MSME pricing strategies. However, this study differs from the research by Subedi et al. (2025), which found that some business owners still set prices without accounting for all cost components, leading to price imbalances. This difference indicates that Bangsal Kayu Bumin Jaya has implemented the cost-plus pricing method more systematically and in accordance with Sharia principles.

The scientific contribution of this article lies in the integration of the cost-plus pricing method with the principles of Islamic economics in the context of the timber industry, a topic that has not been extensively studied in the existing literature. This study enriches the theory of cost-based pricing strategies by adding an Islamic normative dimension, thereby producing a more comprehensive pricing model. Its practical contribution is to provide guidance for timber business operators in setting prices that are both competitive and consistent with the values of fairness and transparency (Al-Khateeb et al., 2026; Dewi et al., 2026).

CONCLUSION

This study conclusively confirms that the mechanism for setting timber selling prices at Bangsal Kayu Bumin Jaya is based on the cost-plus pricing method, which involves calculating all production and operational costs and then adding a reasonable profit margin. This practice has proven capable of ensuring business sustainability while fulfilling the principles of fairness, transparency, and voluntary agreement as stipulated in Islamic economics. Thus, the research objectives of understanding the pricing mechanism and assessing its compliance with Sharia principles have been achieved, and the research questions posed have been comprehensively answered.

The theoretical contribution of this study is to enrich the literature on the integration of cost-based pricing methods with the principles of Islamic economics, particularly in the context of the timber industry, which has been relatively under-researched. In practical terms, this study provides guidance for business operators to set prices that are not only competitive but also in accordance with Sharia values, thereby enhancing consumer confidence and strengthening business competitiveness. Its conceptual contribution is to affirm the relevance of cost-plus pricing to the concept of murabaha in fiqh muamalah, which emphasizes transparency in costs and mutually agreed-upon profit margins. The implications of this study open up opportunities for more in-depth follow-up research, both through quantitative approaches to measure the relationship between price transparency and consumer satisfaction, and through systematic literature reviews to map methodological trends in Sharia-based pricing research. For practitioners, this study recommends the implementation of more systematic, Sharia-based pricing methods, while for policymakers, the findings can serve as a basis for formulating fair and sustainable pricing regulations in the natural resources sector.

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