

Analysis of the Role of Input Markets and Output Markets in Increasing Productivity, Competitiveness, and Economic Welfare: Perspectives of Conventional Economics and Islamic Economics.

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Abstract

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*The input market and the output market are two fundamental elements in the economic system that play an important role in determining the level of productivity, competitiveness, and economic welfare. The input market provides various factors of production, such as labor, capital, land, and entrepreneurship needed in the production process, while the output market is a means of distributing goods and services to consumers. In the conventional economy, market efficiency is the main factor in optimizing the allocation of resources to achieve economic growth and community welfare. Meanwhile, Islamic economics not only emphasizes efficiency, but also prioritizes the principles of justice, balance, benefit, and the achievement of *falah* as the ultimate goal of economic activity. This research aims to analyze the role of input markets and output markets in increasing productivity, competitiveness, and economic welfare through the perspective of conventional economics and Islamic economics. The method used is library research with a descriptive-comparative approach through the analysis of various literatures, scientific journals, books, and relevant research results. The results of the study show that the input market and the output market have a significant contribution in encouraging productivity through optimizing the use of production factors and increasing the efficiency of production distribution. In the perspective of conventional economics, productivity and competitiveness are influenced by price mechanisms, market competition, and resource allocation efficiency. As for the perspective of Islamic economics, productivity and competitiveness are not only measured in terms of economic profits, but also by the extent to which market activities are able to create distribution justice, avoid exploitative practices, and provide benefits to society at large. Therefore, the integration of conventional economic efficiency values with *sharia* principles can be an alternative in realizing a productive, competitive, and welfare-oriented market system..*

INTRODUCTION

The increasingly dynamic development of the global economy due to globalization, digitalization, international trade integration, and technological transformation has driven major changes in production, distribution, and consumption systems in various countries, including Indonesia (Zajidah et al., 2025). In these conditions, productivity and economic competitiveness are important factors that determine a country's ability to maintain economic growth and improve people's welfare in a sustainable manner. The input market and the output market are two main components in the economic system that are interrelated and determine the success of the production, distribution, and consumption processes of goods and services (Aiko et al., 2024). The input market functions as a meeting place for demand and supply of factors of production such as labor, capital, land, technology, and entrepreneurship needed in the production process, while the output market becomes a means of distributing goods and services to end consumers. Effective

interaction between the two markets is able to create efficiency in resource allocation so that it can encourage increased economic productivity and sustainable growth (Ariyani et al., 2024).

The input market and the output market are two main components in the economic system that are closely related in determining the efficiency of production, distribution, and economic growth of a country. The input market provides various factors of production such as labor, capital, technology, and natural resources needed in the production process, while the output market is a means of distributing goods and services to consumers to meet the needs of society (Khan et al., 2024). The development of globalization, the advancement of digital technology, and industrial transformation have significantly changed the market structure so as to increase the importance of efficient management of input and output markets in creating competitive advantages at the national and international levels. This condition requires economic actors to improve the quality of production factors, strengthen innovation, and develop production capacity to be able to compete in an increasingly dynamic business environment.

Productivity is one of the important indicators in measuring the success of input market management because the improvement of labor quality, capital use efficiency, and the proper use of technology is able to produce greater output at lower costs ((Khan et al., 2024). High productivity not only increases the company's profits, but also promotes economic growth, job creation, and increases in people's income at large. In addition to productivity, competitiveness is also greatly influenced by the quality of the input market owned by a country. The availability of competent human resources, access to adequate financing, and the adoption of innovative technology will improve the company's ability to produce high-quality, value-added products (Aiko et al., 2024). Therefore, strengthening the input market is one of the main strategies in improving a country's position in global economic competition.

On the other hand, the output market acts as a mechanism that connects producers with consumers through the process of exchange of goods and services. The output market signals to producers regarding people's preferences, needs, and purchasing power so that companies can determine the amount of production, pricing strategies, and product innovations that are in accordance with market demand (Zajidah et al., 2025). The existence of a competitive output market encourages companies to improve product efficiency and quality to maintain market share and increase business profits (Samuelson & Nordhaus, 2023). A harmonious relationship between the input market and the output market will create a productive economic cycle, where an improvement in the quality of the factors of production will result in more competitive output, while an increase in the demand for output will drive the need for greater factors of production (Aiko et al., 2024). Thus, the two markets have a strategic contribution in creating sustainable economic growth and improving the welfare of the Community.

In the perspective of conventional economics, the input market and the output market work based on the demand and supply mechanism that aims to achieve the efficiency of resource allocation and maximize profits for economic actors. The price of the factor of production and the price of goods and services are determined by the interaction between producers and consumers in a competitive market. The efficiency generated through market mechanisms is believed to be able to increase productivity, economic growth, and community welfare (Zajidah et al., 2025). However, conventional market systems often face various problems such as income distribution inequality, market monopoly, labor exploitation, and wealth concentration in certain groups that can reduce the benefits of economic growth for the wider community. This

phenomenon shows that economic efficiency is not always in line with the creation of social justice and equitable distribution of welfare.

In contrast to conventional economics, Islamic economics views the market as an economic instrument that must operate on the principle of justice (*Al-'ADL*), balance (*Tawazun*), benefits (*Maslahah*), and brotherhood (*Ukhuwah*). Islam recognizes the freedom of the market in determining prices through the mechanism of demand and supply, but still provides moral and ethical limits so that economic activities do not cause losses to individuals and society). In the input market, Islamic economics emphasizes the importance of fair wages, protection of workers' rights, usury-free use of capital, and responsible management of resources to achieve common prosperity. Meanwhile, in the output market, Islam prohibits the practice of monopolies (*Conclusion*), hoarding, price manipulation, fraud (*Gharar*), and various forms of transactions that contain elements of injustice (Bawafie et al., 2024).

The ultimate goal of economic activities in Islam is not only oriented towards increasing profits and economic growth, but also on creating a more equitable distribution of income, reducing poverty, and improving community welfare through instruments of zakat, infaq, alms, and productive waqf. Thus, economic productivity and competitiveness from an Islamic perspective must go hand in hand with the values of ethics, justice, and social sustainability. Based on this description, it is important to analyze the role of the input market and the output market in increasing productivity, competitiveness, and economic welfare. This study not only provides an understanding of the functions of the two markets from a conventional economic perspective, but also explains how Islamic economic values can be the foundation for realizing a more efficient, fair, and sustainable market system in the midst of increasingly complex global economic challenges.

METHODS

This study uses a descriptive qualitative approach with a library research method to analyze the role of the input market and the output market in increasing productivity, competitiveness, and economic welfare based on the perspective of conventional economics and Islamic economics. Research data is sourced from various relevant scientific literature, including articles from reputable international and national journals, academic books, scientific proceedings, reports of economic institutions, and policy documents related to research topics. Data collection was carried out through searching, identifying, and selecting literature in accordance with the focus of the research. Furthermore, the data is analyzed using content analysis techniques to identify concepts, theories, and empirical findings related to the market mechanism of production factors and the product market. The results of the analysis are then interpreted comprehensively through a comparative approach to compare the views of conventional economics and Islamic economics in explaining the function and contribution of the input market and the output market to economic activity. The analysis stages include data reduction, grouping information based on themes, data presentation, interpretation, and drawing conclusions. To increase the validity and credibility of research results, triangulation of sources is carried out by comparing various references from different academic sources so that an objective, systematic, and scientifically accountable synthesis is obtained. Through this approach, this research is expected to be able to produce a deep understanding of the relationship between input market efficiency, output market performance, productivity increase, competitiveness strengthening, and the achievement of sustainable economic welfare.

DISCUSSION

The Role of the Input Market in Increasing Economic Productivity

The input market is a market that brings together the owners of production factors with producers who need resources to produce goods and services. These production factors include

labor, capital, land, natural resources, and entrepreneurship which are the main foundations in the production process. The existence of an efficient input market allows for optimal resource allocation so that it can increase the productivity of the company and the economy as a whole (Pane & Tutu, 2023). The availability of qualified labor, access to adequate capital, and the proper use of technology have been proven to increase production efficiency and produce greater output at lower costs.

In the perspective of conventional economics, productivity is influenced by a company's ability to efficiently combine factors of production. The more competitive the input market, the greater the chances of a company acquiring resources at a lower cost and better quality. These conditions encourage increased output, innovation, and production efficiency which ultimately contributes to economic growth. Meanwhile, from the perspective of Islamic economics, the input market is not only oriented towards economic efficiency but must also meet the principles of fairness, transparency, and benefit. Islam emphasizes the importance of providing fair wages to workers, prohibiting the exploitation of resources, and the free use of capital from the elements of *riba*, *gharar*, and *maysir*. Thus, the increase in productivity is not only measured by the amount of output produced, but also by the blessings and benefits given to the community (Steinbrunner, 2023).

The Role of the Output Market in Increasing Competitiveness

The output market is a market where the products of production in the form of goods and services are traded to consumers. The main function of the output market is to be a means of product distribution as well as a mechanism for price formation through the interaction between demand and supply. A competitive output market encourages manufacturers to continuously improve product quality, cost efficiency, and innovation in order to be able to win the competition (Ciriani & Jeanjean, 2020).

In the conventional economy, a company's competitiveness is largely determined by its ability to meet consumer needs with competitive prices and superior quality. Competition in the output market encourages companies to innovate products, adopt technology, and improve the quality of human resources. As a result, companies that are able to adapt to market changes will gain a sustained competitive advantage.

In the Islamic economy, competition in the output market is allowed as long as it is carried out in a healthy manner and does not harm other parties. The practice of monopoly, hoarding of goods, price manipulation, and fraud in transactions is prohibited because it can damage market mechanisms and cause injustice. Therefore, competitiveness in the Islamic economy is determined not only by efficiency and profit, but also by the integrity, honesty, and social responsibility of business actors (Muhammad Rizqi & Hartini, 2022).

The Relationship between Input Markets and Output Markets in Economic Systems

The input market and the output market are two fundamental components that form the mechanism of economic activity in a country. The two are interconnected and create a system that is integrated in the process of production, distribution, and consumption. The input market serves as a meeting place for the owners of production factors with companies or producers who need resources to produce goods and services. The production factors traded include labor, capital, land or natural resources, technology, information, and entrepreneurial skills. On the other hand, the output market is a meeting place for producers and consumers to conduct transactions of goods and services resulting from the production process. The existence of these two markets is the main requirement for the running of economic activities because the production process can only take place if production factors are available, while production products only have economic value if they can be absorbed by the output market through people's consumption activities (Cover, 2026). The relationship between the input market and the output market is reciprocal and affects each other on an ongoing basis. The efficiency and quality of the production factors available in the input market will determine the production capacity, product quality, production costs, and the company's ability to meet consumer needs in the output market. When the input market is able to

provide productive labor, adequate technology, and sufficient capital, then companies can improve production efficiency and produce goods and services with better quality and competitive prices. This condition will increase the company's competitiveness and expand market share in the output market. On the other hand, if there is a shortage of production factors, low quality of human resources, or an increase in the price of raw materials and capital, production costs will increase, resulting in an increase in product prices and a decrease in consumer purchasing power (Bombarde & Krause, 2023).

The relationship between the two markets is also seen through the concept of derived demand. The demand for the factor of production is basically determined by the consumer demand for the goods and services produced by the company. The higher the public demand for a product, the greater the company's need for labor, raw materials, technology, and capital to increase production capacity. Thus, the growth of the output market will encourage the expansion of the input market. On the other hand, when there is a decline in consumer demand due to an economic slowdown or changes in market preferences, companies will reduce the use of production factors so that economic activity in the input market also decreases. This phenomenon shows that demand dynamics in the output market have a direct influence on the rate of labor absorption, investment, and the use of other economic resources. Furthermore, the relationship between the input market and the output market has significant implications for the distribution of income in the economy. The income received by households through the input market in the form of wages, interest, rent, and profits is the result of their contribution in providing factors of production. The income is then spent to buy goods and services in the output market. Therefore, the level of activity in the output market will affect the amount of income received by the public through the input market. If the output market develops well and is able to create an increase in production, the need for production factors also increases so that people's income tends to rise. Conversely, the contraction of the output market can reduce employment opportunities and reduce people's incomes, resulting in a decrease in consumption and overall economic growth (Hermawan & Ahmad Anas, Ferida Rahmawati, 2019).

From the perspective of economic development, the relationship between the input market and the output market plays an important role in increasing national productivity. Investments in education, workforce training, technological innovation, and infrastructure development will improve the quality of production factors available in the input market. This quality improvement allows companies to produce products that are more innovative, efficient, and have high added value so that they are able to compete in the domestic and international markets. In other words, strengthening the input market is an important prerequisite for improving output market performance and long-term economic growth. Countries that manage to improve the quality of human and technological resources generally have higher productivity and are able to create a sustainable competitive advantage. The relationship between the input market and the output market also has a strategic role in creating macroeconomic stability. An imbalance in one market can have a systemic impact on the economy. For example, an increase in the price of energy or raw materials as a production input can lead to cost-push inflation that increases the price of goods and services in the output market. Conversely, a decline in people's purchasing power that leads to weakening aggregate demand in the output market can reduce production activity and increase unemployment in the input market. Therefore, the government needs to maintain a balance between the two markets through fiscal, monetary, investment, and human resource development policies so that economic growth can take place in a stable and sustainable manner (Abd et al., 2022).

In the perspective of Islamic economics, the relationship between the input market and the output market is not only oriented towards economic efficiency and profit maximization, but is also geared towards achieving social justice, community welfare, and sustainable development. Production factors are seen as a mandate from Allah SWT that must be used productively and responsibly. The use of labor must prioritize the principles of wage justice, respect for workers'

rights, and the prohibition of exploitation. Similarly, the production and distribution process in the output market must produce goods and services that are halal, useful, and not detrimental to society or the environment. A harmonious relationship between the input market and the output market in the Islamic economy is expected to be able to create a balance between economic growth and equitable distribution of welfare so that the final goal of *falah* (welfare of the world and the hereafter) can be realized in a sustainable manner (Ariani, 2024).

Contribution of Input Markets and Output Markets to Economic Welfare

Economic welfare is a condition when people are able to meet their living needs in a decent and sustainable manner. Input markets and output markets contribute to prosperity through job creation, income increase, equitable distribution of economic opportunities, and the provision of goods and services needed by the community. A well-functioning input market can increase employment opportunities and provide income to the owners of the production factor. On the other hand, a competitive output market is able to provide a wide range of products at more affordable prices and better quality for consumers. The combination of the two markets will improve economic efficiency and expand people's access to economic resources (Queirós, 2024).

In the perspective of Islamic economics, well-being is not only measured through material indicators such as income and consumption, but also includes spiritual, moral, and social aspects. Therefore, the input market and the output market must operate on the principles of fairness, balance, responsibility, and mutual benefit. With the application of these values, economic activities not only generate economic growth, but also realize sustainable welfare (*falah*) for the entire community.

Comparative Analysis of Conventional Economic Perspectives and Islamic Economics

In general, conventional economics and Islamic economics both recognize the importance of the input market and the output market as the main instruments in allocating resources and driving economic growth. Both place efficiency, productivity, and competitiveness as important factors in economic development. The difference lies in the value base used. Conventional economics tends to focus on market efficiency and profit maximization as the main goal of economic activity. In contrast, Islamic economics places economic efficiency within the framework of sharia values that prioritize justice, balance, social responsibility, and common welfare. Thus, the success of the market in the Islamic economy is not only measured by the growth of output and profits, but also by its ability to create a fair distribution of income, reduce economic disparities, and realize benefits for society (Trinh et al., 2024).

Based on this analysis, it can be understood that the input market and the output market have a strategic role in increasing productivity, strengthening competitiveness, and realizing economic welfare. The integration between economic efficiency and ethical values is an important factor to create a market system that is not only productive and competitive, but also fair and sustainable.

CONCLUSION

The input market and the output market are two main components that are integrated with each other in supporting economic activities, increasing productivity, strengthening competitiveness, and achieving community welfare. The input market plays a role in providing the production factors necessary to produce goods and services efficiently, while the output market functions as a means of distributing production products as well as a mechanism for price formation through the interaction of demand and supply. The results of the study show that the efficiency of the input market contributes to improving the quality and production capacity, which ultimately strengthens the position of business actors in an increasingly competitive output market. From a conventional economic perspective, the success of both markets is measured by the ability to create resource allocation efficiency, productivity, and economic growth. Meanwhile, Islamic economics views that market effectiveness is not only determined by efficiency aspects, but also by the application of the principles of justice, transparency, social responsibility, and mutual benefit. Therefore, strengthening the input market and output market needs to be carried out in

an integrated manner through improving the quality of human resources, access to capital and technology, developing innovation, and implementing sound and ethical market governance. Thus, the integration of economic efficiency and the values of justice is an important factor in realizing inclusive economic growth, sustainable competitiveness, and more equitable public welfare, so that the market not only functions as an economic instrument, but also as a means to achieve sustainable development and oriented towards social benefits.

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