Electronic money (e-money) in *maqashid al-sharia* perspective

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**Abstract**

Electronic money emerges as micro payment instrument in which it enables faster, easier, safer and more efficient payment process. Even though it offers many advantages, its appropriateness to *maqasid al-sharia* needs to be further disucssed. Thus, it is very imporant to judge whether e-money has been in line with Islamic values or not. The method used in this research was qualitative method in which literature studies were performed. The result generally suggested that e-money had not violated *maqasid al-sharia.* This congruity was taken as it did not contravene the principles of wealth management and usefulness in Islam. However, unregistered e-money was judged not in line with *maqasid al-sharia* because it might create disadvantages when it was stolen or lost. It was due to the fact that unregistered e-money was not equipped with password. Thus, the use of unregistered e-money should be better avoided.

**Keywords**: *e-money, micro payment, maqasid sharia*

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# Introduction

Islam is a perfect religion for life both personally and generally. It covers all aspect of life such as thought, soul, character and even economy, social, cultures and politics. Economy is part of Islam which is dynamic and essential. However, it is not the core value of Islam nor is its main teaching. It is also not the main purpose of its teaching, character and the final goal of it (Maulan, 2017).

Economy in Islam however is the neccesity of its members as the main avenue to survive and work in order to achive the good thing here and after. Islam has regulated economic activity very specifically. This regulation is in fact very essential so that people would not jump out of the line or contravene the regulation that Allah SWT has made. Therefore, people’s activity in regards to economic life must be in accordance with Islamic sharia. Islamic sharia is a regulation for people’s life whose function is as manual that can be accepted by everyone. It is there for the good sake of all mankind (Wibowo, 2012). In terms of *ushul fiqh,* this purpose is called *maqasid sharia* which means the aim and the purpose of Islamic sharia itself. There are various transactions regulated in Islam such as trade *(ba’i)*, pre-order *(salam),* pawning *(ar-rahn)*, trading company *(al-syirkah)*, debt displacement *(al-hiwalah)*, collateral debt *(Kafalah)*, deposit *(al-wadi’ah)*, loan *(al-‘arriyah)*, land processing (*al-muzara’ah al-mutlaqah*) and many others (Muslich, 2013, pp. 3–20).

Long before people have invented money to trade, barter is used for transaction in which they exchange goods to fulfill their needs. This system was known long before seventh century AC (before the perioed of Rasulullah). It was well known that livestock was dominantly used for exchange even if there were a lot of problems because it was not durable and too big (Nasution, Setyanto, Huda, Mufraini, & Utama, 2007, pp. 239–240). To solve this problem, Allah created *dinar* and *dirham* as modes of exchange and as measurement of a certain goods. Then, money was later known in the world as a payment instrument.

With the advancement of technology, people keep innovating with various ways in order to ease their life. E-money appears as a new innovation to fulfill people’s need of faster, more efficient and safer micro payment instrument. Even though it has many advantages in comparion to others mode of transaction, the researchers are curious to know whether e-money contravenes maqasid sharia’ or not because it is essential to measure the appropriateness of e-money with Islamic sharia. Therefore, the researchers want to examine some problems such as the mechanism of transaction with e-money and how it is seen from maqasid sharia perspective.

# Research Method

This research belongs to literature study. It is a kind of research whose findings are taken from various literatures and references related to the topic (Nazir, 2003, p. 193).

The method used in this research is qualitative method because the findings are not taken from statistical procedure or other mathematical calculation (Gunawan, 2015, p. 80). Qualitative research, according to Flick (2009, p. 12) is a “specific relevance to the study of social reletions, owing to the fact of the pluralization of life worlds”. Similar definition is stated by (Gunawan, 2015, p. 81).

The approach used in this research is qualitative normative where the researchers examine carefully the existing literatures (Soekanto & Mamudji, 2009, pp. 13–14). The sources of data are primary and secondary data. The primary data is taken from Indonesian central bank regulation number 16/8/PBI/2014 and 11/12/PBI/2009 and several books about *maqashid sharia* and e-money. The secondary data is taken from thesis, journals, and websites which specifically discuss *maqashid sharia* and e-money.

Data collecting technique becomes the most strategic part in a research because the main purpose of a research is to collect the data themselves (Sugiyono, 2013, p. 224). The researchers collect the data by examining many literatures like books, journal, magazines and expert statement carefully to find relevant concept about the topic. The literatures referred to the regulation of sharia economy, *maqashid sharia* and Indonesian central bank regulation about e-money. Those literatures are compared based on *maqasid sharia* after which descriptive analysis is performed. Descriptive analysis is an analysis which explains the collected data systematically (Rahmat, 1997, p. 134).

# The Basic Concept of E-money

According to Bank for International Settlement (BIS) in its publication in 1996 defined e-money as “*stored value or prepaid products in which a record of the funds or value available to a costumer is stored on an electronic device in the costumer’s possession*” (Bank for Internatinal Settlement, 1996). Whereas according to Indonesian Central Bank, *e-money is a payment instrument which has fulfilled some elements; it is issued according to the stored amount to the issuer, the value of money is saved electronically in a server or chip, used as payment of instrument to the trader who is not the issuer of it, and the value of e-money managed by the issuer is not deposit as it is written in banking regulation* (Bank Indonesia, 2014).

From the above definitions, the researchers conclude that e-money is an electronic payment instrument whose value is equal to the stored amount to the issuer or agents which is then inserted to the electronic devices like chip or media server.

### *Kinds of E-money*

Based on its media, e-money is divided into two : e-money whose value is recorded in media managed by the issuer and the owner (Hidayati, Nuryanti, Firmansyah, Fadly, & Darmawan, 2006, p. 7), and e-money whose value is only recorded by the issuer (Bank Indonesia, 2009a, p. 2). Based on its validity, it is also divided into two: reloadable is one that can be topped up while disposable cannot be topped up (Bank Indonesia, 2009b, p. 27). In terms of its range, e-money is divided into single purpose and multi purpose. Single purpose means that it can only be used for one type of transaction only. Whereas multipurpose means that it can be used for any kind of transaction (Rivai, Veithzal, & Idroes, 2001, pp. 1367–1368). Based on ownership status, e-money falls into registered and unregistered criteria. Registered is one that has owner’s identity while unregistered means that the holder’s identity is not known. The maximum value limit of unregistered e-money is one million rupiah (Bank Indonesia, 2009b, pp. 27–28).

### *Kinds of E-money Transaction*

There are many kinds of transactions which can be done by using e-money. The first one is issuing and topping up. Before the issuer issues e-money, they will top it up into a electronic media. When it is running out, the owner can reload or top up.

The second one, payment transaction with e-money is principally done with value exchange between the money and the goods or service and between the owner and the trader with certain protocol set beforehand (Hidayati et al., 2006, pp. 10–11).

Third, money transfer using e-money is a facility that the owner can have to send and receive money via terminals equipped with special tools by the issuer (Hidayati et al., 2006, p. 10).

Fourth, cash withdrawal is a facility to withdraw cash from the stored amount at any time the owner wants to (Bank Indonesia, 2014).

Fifth, fund/redeem is the value exhange to the issuer. It can be done when e-money is no longer used by the owner and there is still some money left inside it. The amount can also be refunded when e-money is no longer valid (Bank Indonesia, 2009a). The trader can also claim the amount they get from transaction with their customer (Hidayati et al., 2006, p. 11).

# The Basic Principle of Maqasid Sharia

Literally, *maqasid sharia* is formed from two words *maqashid* and *sharia.* Maqashid is the plural form of maqshud which means intention or purpose and sharia is a noun form of syara’a which means way to the water source as the source of life. In terms of terminology, *maqashid* sharia is the goal of Islamic teaching or can be understood as the purposes of Allah’s sharia which gives Islamic teaching (Rahmawati, 2013).

According to Al-Syatibi “*sharia aims to achieve usefulness among people in the world and in the afterlife”.* In another quote, Al-Syatibi stated that law and regulation are made for the good sake of people (Bakri, 1996, p. 62).

When it is examined further, it can be said that *maqashid sharia* or the purpose of law is for the prosperity of all mankind. None of Allah’s regulation has no purposes according to Al-Syatibi (Bakri, 1996, p. 63).

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### The Division of Maqasid Sharia’

The true intention of *maqashid sharia*’ in terms of its subtance is usefulness. Usefulness in god’s order can be in two forms. Firstly, in true form it means as direct advantages in causality meaning. Second, in conotative meaning, it means as the cause of usefulness.

Usefulness according to Al-Syatibi can be seen from two perspectives. They are *Maqashid al-syari’* (god’s purpose) and *maqashid al-mukallaf (*people’s purpose).

Usefulness can be achieved when five main elements can be well actualized and maintained. The five main elements are maintaining religion (حفظ الدين), maintaining soul حفظ النفس, thought حفظ العقل, descent حفظ النسل and wealth حفظ المال (Syarifuddin, 2008, pp. 233–238).

In actualizing and maintaing these five elements, A-Syaitibi divides three level of *maqashid.* They are *maqashid* Al*-Ḍarūriyyah*, *Al-Ḥâjiyyah*, and *Al-Taḥsīniyyah.* Al*-Ḍarūriyyah* is intended to maintain five main elements in human’s life. *Al-Ḥâjiyyah* aimed to remove difficulties and help maintaining these five elements even better. *Maqaṣid Al-Taḥsīniyyah* isfor human to be able to do the best in life and completes the maintenance of the five elements.

Al-Syaitibi in *Maqaṣid Daruriyyat*, *Ḥâjiyyah*, dan *Taḥsīniyyah* showed how important it is to maintain these five main elements in human’s life. Considering that the limitation of maqasid is usefulness, it can be said that he also divides maqasid or the purpose of the law into two contents of orientation. The first one is *Al-Masalah Al-Dunyâwiyyah* or the usefulness in the world and *Al-Masalah Al-Ukhrâwiyyah* or the usefulness in the afterlife. The division of maqshid by Al-Syaitibi in this case does not intend to separate two imporant aspects of Islam (life in the world and afterlife) because these two things principally inseparable in Islamic view (Bakri, 1996, pp. 73–74).

### *Maqasid Sharia in Islamic Economy*

Islamic economy is the major foundation in business activity or act to fulfill human’s basic neccesities. All of this economic activity is reffered to as usefulness. In this case, this activity is closely related to maqashid sharia. It proves that in Islamic view people’s motivation in economic activity is to fulfill their basic needs and usefulness in the world and in the afterlife.

Human as the subject of economy as well as the *khilafah* (leader) on earth is given rules and blessings by Allah SWT. The rule is meant to guarantee the usefulness in life and to get happiness in dealing with religion, soul, thought, descent or even wealth. This regulation is needes to manage all facilities that Allah has given to mankind. This is where all human’s needs are charaterized as *maqasid iqtisadiyah* which is identical to *maqasid sharia* (Rahmawati, 2013). .

Humans cannot fulfill their own necessities independently because they would need someone else. In terms of economic activity for instance, people would do barter or transaction with other people so that they can fulfill their basic needs (Nasution et al., 2007, pp. 239–240).

Barter was firstly used for transaction although it created many problems and disadvantages. It can be seen when people find difficulties to measure the quantity of a goods to another due to which Allah created money as a payment instrument which can make transaction even more beneficial. Therefore, money is a form of usefulness for mankind in which it is closely related to *maqasid sharia.*

Money is very close to wealth because money is the wealth itself. حفظ المال is an important element in *maqashid sharia* which is related to usefulness in wealth management*.* Thus, to know how far e-money is in line with *maqashid sharia*, the researchers need to examine it with حفظ المال .

According to Ahmad Al-Mursi Husain Jauhar, there are three important conditions to consider keeping and maintaining wealth حفظ المال. Firstly, wealth must be *halal* and earned from legitimate ways. It must not be earnerd from stealing, deceiving or other illegitimate actions. Secondly, it must be spent in a legitimate way too. Thirdly, there must be some amount of money paid on behalf of Allah and those in need. After these three conditions are fulfilled, someone can enjoy their wealth peacefully and freely. However, it must be spent wisely without being extravagant as it will contradict حفظ المال (Jauhar, 2009, p. 167).

# Discussion

### *The Mechanism of Transaction with E-money*

The conduct of e-money is regulated specifically in Indonesian central bank regulation number 16/8/PBI/2016 with the changes made from regulation number 11/12PBI/2009 about e-money, its mechanism and transaction flow. The mechanism and flow of transaction in e-money generally consist of three types. They are single issuer, multi issuer single operator and multi issuer multi operator. The last two are similar in many ways. They are issued by many issuer but the difference is in their operating system (Hidayati et al., 2006, p. 52).

Transaction mechanism of e-money in single issuer is conducted by one issuer only. The holder and merchant interact and communcate directly with them. Whereas in multi issuer single operator and multi user multi operator are managed by more than one issuers (Hidayati et al., 2006, pp. 52–54).

Generally, transaction starts when the holder deposits some cash to the issuer of e-money. Then, issuer will give e-money as much as the amount deposited by the holder. Holder can start using it when they want to do some transaction with merchant. The amount of e-money will be automatically decreased after every transaction. Merchant will then exchange the e-money to the issuers.

### *E-money in Maqasih Sharia’ Perspective*

**The principles of Maintaining Wealth** (حفظ المال**)**

The possession of e-money is closely related to wealth because it is one of important goods owned by humans. It has become primary and inseparable needs in human’s life. Allah SWT stated in QS. Al-Kahf (18): 46 that: wealth and children are (but) adornment of the worldly life. But the enduring good deeds are better to your Lord for reward and better for (one’s) hope.

Keeping wealth is one important element in Maqshid sharia along with its usefulness. Thus, to know how far e-money is in line with maqasid sharia, the researcher needs to analyze e-money with حفظ المال. Ahmad Al-Mursi Husain Jauhar stated that in keeping and maintaing wealth, one must meet three conditions. Firstly, wealth must be *halal* and earned from legitimate ways. It must not be earnerd from stealing, deceiving or other illegitimate actions. Secondly, it must be spent in a legitimate way too. Thirdly, there must be some amount of money paid on behalf of Allah and those in need. After these three conditions are fulfilled, someone can enjoy their wealth peacefully and freely. However, it must be spent wisely without being extravagant as it will contradict حفظ المال (Jauhar, 2009, p. 167). The congruity of e-money with the principles of maqasid sharia can be proven with the following explanations.

*First,* in terms of security, e-money is safe because it is protected with complete security system. For instance, registered money will be protected with password or fingerprint. It will automatically protect it from any dangerous things such as theft and loss. However, it is important to note that unregistered e-money is generally not equipped with any security system like password or fingerprint (Giovanni, 2017).

*Second,* the legality of e-money is guaranteed. It can be proven that e-money is free from illegitimate act such as usury (transaction in e-money basically is atrading. It trades cash with e-money. The amount exchanged exactly the same. If it is not the same, it can be categorized as usury or *riba al-fadl* which means addition in amount which is taken from one or two exchanged equal goods. So, to avoid usury, the amoung exchanged must be exactly the same. It is in line with Indonesian Central Bank Regulation number 16/8/PBI/2014 with changes made from regulation number 11/12/PBI/2009 about e-money, article 13 subsection 1 which stated : issuer is strictly prohibited to issue e-money with the amount bigger or smaller than the amount deposited to the issuer (Bank Indonesia, 2014).

This regulation has therefore worked to aviod usury or *riba al-fadl*. Besides, the exchange of cash and e-money must be done in cash in order to avoid *riba al-nasiah*. For example, when the holder redeems the amount stored in e-money to the issuer, then the issuer must fulfill charging rights in the due date without suspension or postponment (Mumtaz, 2015). In addition, e-money is also free from *Masyir* because the conduct of it is based on the emerging neccesities of faster and safer payment instrument not based on transaction which contains *Masyir.* It will also help users avoiding fraud and counterfeit. Furthermore, its transaction is done with good cooperation among issuer, holder and merchant so that there is a good tranparancy in management. It proves that e-money is safe from any fraud beacuse it does not create harms for any parties (Bank Indonesia, 2014).

The legality of e-money is also supported with clear contract and agreement (*akad)*. There is no compulsion for holder and it is done with the appropriate procedures in Islam. In addition, it does not contain usury at all. Similary, e-money is very much similar to the concept of money in Islam (Nasution et al., 2007, p. 248). It can be seen that e-money is used for trading of products and services and it is not the medium to hoard wealth. It can be more clearly seen from the limitation in e-money as it is not used to store up the wealth. Thus, it is not guaranteed by Deposit Insurance Agency (Bank Indonesia, 2009b).

E-money is not a comodity too even if it is taken from cash exchange or deposit (Muhammad, 2005, p. 46). From this statement, it can be seen that the function of e-money has been in accordance with the function of money in Islam in general. It is used as the measurement of the quantity of certain goods and as the payment instrument. As goods measurement, e-money can be proven with the decrease of its amount after every transaction with which the quantity of certain goods can be known. In addition, the function of money as payment isntrument can be seen from the definition of e-money accoding to Indonesian central bank regulation number 16/8/PBI/2014 with changes made from regulation number 11/12/PBI/2009 about e-money in article 1 subsection 3. In conclusion, e-money does not contravene Islamic values.

*Third*, e-money would not cause over speding. It can be proven from the maximum limit of amount. The limit is maximum of five million Rupiah for regitered e-money and one million rupiah for unregistered one (Bank Indonesia, 2009b, p. 28). With this limitation, people would not be extravagant or being too consumtive. It can also minimize loss.

**Usefulness in E-money**

Accordig to Al-Syaitibi cited from his quote: sharia basically aims to achieve usefulness for human both in the world and in the afterlife. In another statamenet, he stated that all regulation are meant for usefulness (Bank Indonesia, 2009b, p. 28). It can be inffered that maqasid sharia is a regulation which aims to achieve usefulness for mankind because none of Allah regulations has no purpose (Bakri, 1996, p. 63). Thus, it is clear that usefulness is the end goal of *Maqasid sharia.*

In Indonenesian central bank regulation number 10/16/PBI/2008 with the changes made from regulation number 9/19/PBI/2007 about the principles of sharia in money saving and sharia banking services stated that usefulness has to fulfill three criteria. They are legality, benefit, and no harms (Bank Indonesia, 2009a, p. 2). Usefulness in e-money however can be seen from the advantages below:

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*First,* it allows faster transaction because transaction can be done without inputing password and signature as it is done off-line (Hidayati et al., 2006, p. 5).

*Second,* transaction with e-money is relatively easier than other types of instrument. It is possible because there is integration between agent, card, application and websites which can be accessed online. Thus, it will ease the users.

*Third,* efficiency, transaction with e-money can be faster and more comfortable because the holders do not need to carry big cash, and they do not have to provide certain amount of money. The holder would not need to save coins or money return. Besides, miscalculation in return would not happen (Hidayati et al., 2006, p. 5). It then will minize loss or harms.

The above definitions have proven that e-money will create usefulness with various advantages it offers. Thus, any loss or hamrs such as a long queque in highway or shopping center can be well avioded. With e-money, transaction is made faster and easier.

# Conslusion

The researchers conclude: *first,* the mechanism of transaction in e-money is regulated in Indonesian central bank regulation number 16/8/PBI/2016 with changes made from regulation number 11/12PBI/2009 about e-money, its mechanism and flow of transaction. In general, the flows of transaction is categorized into three: single issuer, multi issuer single operator and multi issuer multi operator.

*Second,* in general, e-money has been in accordance with maqasid sharia because it is protected with security system like password which can prevent harms, loss and abuse when it is stolen or lost. Besides, it would not cause over spending. The legality of e-money has been well fulfilled because it does not contravene Islamic sharia. With clear agreement and contract, e-money is consired in line with Islamic values. In addition, it has also fulfilled the principles of money in Islam. It is supported with the value of usefulness it gives because the users will get faster, safer, more comfortable and efficient transaction. However, not all e-money has fulfilled these criteria. For instance, unregistered e-money which is not equipped with security system should be better avoided in order to prevent financial harms and loss.

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