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Firm money in the approach to shariah economic law

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pp. 47 - 54

ABSTRACT

The swift and unprecedented progress of scientific inquiry and technological innovation in the contemporary digital landscape has ushered in transformative and revolutionary shifts in the realm of financial transactions, whereby individuals no longer find it necessary to endure the tedious process of queuing in order to establish a savings account or to bide their time awaiting the issuance of an ATM card; instead, in this modern age, all that is required is the simple act of downloading an application and replenishing one's balance, which facilitates immediate transactional capabilities. The outcomes derived from the comprehensive analysis indicate that the four electronic money platforms, namely BCA Sakuku, Link Aja, OVO, and GoPay, serve as significant representatives of their growing presence within the Indonesian market, warranting not only heightened scrutiny from regulatory authorities but also necessitating an in-depth examination from the perspective of Islamic jurisprudence, especially considering that a substantial proportion of the users engaging with these electronic monetary systems identify as Muslim. The emergence and proliferation of electronic money is an undeniable phenomenon that cannot be dismissed or overlooked, as it is intrinsically linked to the rapid pace of technological advancement, compelling the legal framework to adapt and align itself with the exigencies of progress inherent in this millennial epoch characterized by digitalization, speed, and precision; it is conceivable that physical currency may, in certain contexts, be rendered obsolete.

Keywords: paper money, regulation, electronic money, digital, transactions

I. INTRODUCTION

Money serves as a legally recognized form of currency that is universally accepted for a multitude of transactions related to the processes of purchasing and selling, both in direct and indirect manners, thereby facilitating economic activities on various levels. The evolution of money has been remarkably swift, as evidenced by the continuous changes in the types and denominations of paper currency, alongside the diverse applications of money as alternatives tailored to specific uses or individual preferences based on situational requirements. The presence of money in an economic context offers a significantly more straightforward method of conducting transactions when compared to barter systems, which are often characterized by their complexity, inefficiency, and reduced appropriateness for application within modern economic frameworks, as they necessitate that individuals possess mutually desirable goods or services for exchange and also face challenges in assessing and agreeing upon the values of those items.

The money that circulates within the community is comprised of both paper currency and demand deposits, which together form the backbone of everyday financial transactions. Paper currency includes both the physical paper bills and coins that individuals possess, which are commonly referred to as cash, while demand deposits signify the balances held in current accounts or giro accounts by members of the community, which are maintained in banking institutions and have not yet been utilized by their owners for purchasing goods or services, nor have they been engaged in any financial transactions, allowing for the possibility of withdrawal at any given moment via the use of a check. The central bank plays a pivotal role in this monetary system, as it is the institution that possesses the legal authority to print currency and subsequently distribute this money to the general populace in order to facilitate economic activity. Typically, the forms of money that circulate within society encompass both paper currency in the shape of bills and coins as well as demand deposits that are represented through checks, thus ensuring a fluid and dynamic economic environment.

The paper currency that is currently in circulation among the populace is partially allocated for purposes such as savings within banking institutions or investments in various non-bank financial entities, which reflects the multifaceted nature of how individuals manage their financial resources. Banks serve a crucial function by accepting funds from members of the community and redistributing these financial resources to third parties who may require loans or other forms of financial assistance. The use of metal currency in Indonesia began its journey from 1951 to 1963, during which time denominations such as 5 cents, 10 cents, 25 cents, and 2.5 cents were introduced, marking an important phase in the evolution of monetary systems in the region. This form of currency has since undergone several transformations, leading to the diversified monetary landscape we observe today, which also includes the concept of bank money.

Bank money, often referred to as demand deposit money, is characterized by the savings deposits held by bank customers that can be accessed at any time, and these deposits can also be transferred to other individuals for payment purposes. The utility of checks and demand deposits, which are issued by various banking institutions, enables them to act as effective means of payment for both goods and services, thereby enhancing the efficiency of financial transactions. The prevalence of demand deposits has seen significant growth particularly in developed nations, where an increased awareness of banking practices and established banking traditions have fostered a more robust financial infrastructure.

The concept of paper money is also well-established, with the inaugural use of paper currency in Indonesia dating back to the period between 1783 and 1811. The contemporary form of paper money that we encounter today initially emerged as banknotes, which represent formal promises made by banks to pay the equivalent value in coins to the holders of these notes upon request. This acceptance of paper currency by the general public was bolstered by the backing of gold and silver, which lent credibility to this medium of exchange, thus facilitating its widespread adoption. The historical origins of paper money can be traced back to as early as 910 AD in China, where it was first introduced as a revolutionary form of currency that transformed economic interactions.

The phenomenon of currency, which is perpetually in a state of transformation, has its origins rooted in the intrinsic worth of various forms of money, such as gold dinars, which historically represented tangible value, and extends to the nominal or extrinsic value represented by contemporary currencies like the Indonesian rupiah. The prevalent belief that Islamic finance mandates that all forms of currency must be exclusively derived from precious metals like gold or silver is, in fact, a misconception that does not hold true in the multifaceted economic landscape of today. Unlike the historical context in which currency was primarily based on physical commodities, the current financial environment has undergone a substantial metamorphosis; rather than experiencing mere evolution, we are witnessing a profound revolution in the nature of currency, wherein traditional paper money is increasingly at risk of obsolescence, potentially being supplanted entirely by the burgeoning phenomenon of electronic money, commonly referred to as e-money.

E-money represents a groundbreaking development in the realm of financial transactions, as it facilitates monetary exchanges via the internet, utilizing electronic networks and encompassing a sophisticated digital price storage system that offers unprecedented convenience and efficiency. Within the framework of electronic money, there exists a mechanism for stored-value or prepaid value, which denotes a specific monetary amount that is securely stored within electronic media, whether that be on a chip or a server, thus allowing users to engage in transactions without the need for physical cash. The monetary assets encapsulated within electronic systems can be utilized for a diverse array of payments, which distinguishes them significantly from single-purpose instruments, such as prepaid telephone cards that are restricted to specific uses.

In this contemporary paradigm, consumers find themselves liberated from the burdensome procedural intricacies that characterized traditional banking; the necessity of enduring long queues at financial institutions has been greatly diminished, as such visits are now primarily relegated to fulfilling administrative requirements. Consequently, the need to endure the lengthy processes associated with the issuance of bank books and ATM cards has been rendered obsolete, as users can simply engage in a straightforward installation procedure via their smartphones, thereby activating the electronic money (e-money) service with remarkable ease and efficiency. This seamless transition from incoming mutations, which refer to the accumulation of balance storage, to outgoing mutations, encompassing various transactions, can now be conducted automatically without the intervention of manual processes.

Overall, the entire experience of managing financial transactions has been streamlined to the extent that it can be executed swiftly, effortlessly, and, notably, without incurring additional costs, thereby revolutionizing the way individuals interact with their finances in the modern world.

II. LITERATURE REVIEW

Money is a multifaceted concept that plays a crucial role in organizing economies, structuring social realities, and influencing power dynamics. It is not merely a medium of exchange but also a tool for inclusion and exclusion, a representation of social obligations, and a cultural symbol. Historically, money has been viewed as a tool for organizing economies and structuring social realities, acting as a form of inclusion and exclusion within societies (Хаустов, 2023). It is deeply embedded in power relationships, often backed by state institutions, and plays a central role in social practices and obligations (Galvin & Galvin, 2020). Modern money is largely created by commercial banks through loans, leading to increasing debt and power imbalances (Galvin & Galvin, 2020). The evolution of money from barter systems to fiat and digital currencies reflects its role in coordinating complex economic activities (Focardi, 2018). Culturally, money is a fundamental concept reflected in language and phraseology, with varying attitudes towards it in different cultures (Olena, 2019).

Metaphorical and phraseological expressions in languages like English and Ukrainian highlight both positive and negative societal attitudes towards money (Olena, 2019). Economically and politically, money's creation and circulation should be democratically controlled to ensure social good, challenging myths about its scarcity ("Money", 2019). The current financial system, influenced by green and feminist concerns, calls for radical changes to address social and environmental issues ("Money", 2019). While often seen as a neutral economic tool, money is deeply intertwined with social and political structures, and its creation and distribution can lead to significant power imbalances, affecting access to resources and services. Understanding money's multifaceted nature is crucial for addressing contemporary economic and social challenges.

Paper money, a widely used medium of exchange, has evolved significantly from its historical roots in gold and silver to its current form, which is primarily composed of cotton fibers. This transition has posed significant jurisprudential challenges, particularly in Islamic finance, where traditional Shariah provisions for precious metals do not seamlessly apply to paper currency. As a result, a reevaluation of these rulings is necessary to align them with contemporary economic realities and the objectives of Shariah, such as justice in wealth distribution (Bouchelaghem, 2022). Advances in technology have also brought innovations in authenticating paper money, with optical devices and fluorescence imaging being employed to detect counterfeit notes. These methods improve the accuracy and reliability of paper money recognition, addressing long-standing issues of counterfeiting (Hou, 2019; Bo, 2018).

The material composition of paper money plays a crucial role in its durability and functionality. With over 90% of paper currency made from natural cotton fibers, research has shown that incorporating nanofibrillated cellulose into cotton pulp enhances its physical and mechanical properties, such as tensile strength and resistance to wear. This innovation not only increases the longevity of currency but also affects its optical properties, including brightness and opacity (Fathi & Kasmani, 2019). Despite these advancements, the rise of virtual currencies presents a potential alternative to physical money. However, the shift to digital forms of currency introduces new challenges, such as cybersecurity and regulatory issues, which must be carefully addressed alongside the ongoing evolution of paper money.

Electronic money, or e-money, represents a transformative shift in financial transactions, offering a convenient, fast, and secure alternative to traditional cash payments. It has become an essential tool in the digital economy, facilitating micropayments and enhancing business operations. The benefits of e-money are substantial, including increased efficiency and reduced transaction costs, which make it appealing to businesses and consumers alike (Silalahi & Tangkudung, 2024). Additionally, its convenience and accessibility allow users to conduct transactions anytime and anywhere, fostering flexibility and ease of use (Madykhanova et al., 2024). E-money also drives business innovation by introducing novel solutions for digital transactions that can reshape operational strategies (Silalahi & Tangkudung, 2024).

Despite its advantages, e-money faces challenges that require careful attention. Concerns about security and privacy necessitate robust measures to protect user data (Silalahi & Tangkudung, 2024). The rapid development of e-money also raises regulatory issues, such as addressing risks posed by unregistered e-money (Pangestu, 2023). Cultural and social barriers, including traditional cash payment habits and limited merchant acceptance, further hinder its widespread adoption (Vinanti et al., 2024). From a regulatory perspective, e-money aligns with Islamic financial principles, adhering to contracts such as Qordh and Wadi'ah and the maqāṣid al-sharīʿah, ensuring it avoids elements like gambling and usury (Ismailiyya & Nourkholid, 2024; Pangestu, 2023). Additionally, its integration into national payment systems demands careful management of emerging technologies like blockchain and digital wallets (Madykhanova et al., 2024). Balancing the benefits of convenience with the need for security and effective regulation is crucial for the sustained growth and acceptance of e-money in the global economy.

III. METHODS

This scholarly investigation endeavors to conduct a comprehensive analysis and articulate a detailed description of the concept of paper currency through the lenses of both economic law and sharia economic law frameworks. The author employs a qualitative methodology in order to delve deeply into the complexities surrounding the examination of paper money as it pertains to the frameworks of economic law and sharia economic law, thereby illuminating the intricate relationships between these two legal paradigms. The methodological approach adopted in this study is predominantly descriptive, and as articulated by Zed in the work referenced by Rahayu in 2020, qualitative descriptive research can be elucidated as an extensive series of activities that are intricately related to the analysis of various events, phenomena, or social conditions that influence human behavior and interactions.

The research being conducted falls squarely within the domain of qualitative research, which is distinguished by its focus on the exploration and understanding of phenomena through non-numeric data; as indicated by Ibnu in the work cited by Arifudin in 2023, qualitative research is characterized as an investigation wherein the data is predominantly articulated in verbal form and is subjected to analysis that eschews the utilization of statistical techniques. Drawing upon multiple definitions of qualitative research as presented above, one can definitively conclude that this form of research is inherently qualitative, wherein the data is conveyed through descriptive language, intentionally avoiding numerical representation, and its analytical processes do not rely on statistical methodologies to derive conclusions or insights.

In the context of this particular study, the objects of research are delineated into two distinct categories, specifically referred to as formal objects and material objects, as noted by Tanjung in 2023. The formal object in this research endeavor is constituted by data that pertains specifically to a critical review concerning the examination of paper money within the frameworks of both economic law and sharia economic law, allowing for a thorough exploration of how these legal approaches intersect and diverge in their treatment of currency.

IV. RESULTS AND DISCUSSION

E-money, which stands for electronic money, should not be misconstrued as an entirely novel form of currency, as it has been around in various forms for some time now. Rather, it can be more accurately characterized as a sophisticated product designed to facilitate access to payment services, wherein users engage in transactions by following specific instructions laid out by the company that provides the product. These instructions may involve actions such as tapping a screen, swiping a card, or entering a secure login account along with a password, all in order to execute a transfer of funds from the account of the product owner directly to the merchant's account. Furthermore, the utilization of electronic money has the potential to substantially minimize the reliance on traditional forms of payment such as paper cash, checks, or even credit and debit cards, thereby streamlining the payment process. Additionally, electronic money can serve as a form of ownership asset, which may encompass deposits, bonds, or any other relevant financial instruments, as well as influence the volume of money that circulates within the economy, and, importantly, it may also play a significant role in the implementation of monetary policy practices within a given financial system.

In the Indonesian context, there exist several electronic money products that have gained notable popularity among the populace, and these include but are not limited to the following examples: 1. Sakuku BCA, which is an innovative e-wallet or electronic application created by the Bank Central Asia (BCA), is intended to facilitate a variety of digital and banking transactions without necessitating the physical handling of cash. By leveraging the capabilities of the Sakuku application, users are empowered to execute a wide array of transactions, which may include but are not limited to shopping payments, the topping up of credit, and engaging in other essential banking services.

Link Aja represents another prominent electronic money service that is fundamentally based on an application designed to simplify and enhance the experience of conducting various non-cash transactions in a manner that is both efficient and practical. This particular service operates similarly to other digital-based financial services, thereby ensuring that users can perform various financial transactions with remarkable ease and speed. It is noteworthy that Link Aja was originally known as the TCASH digital wallet service, but underwent a rebranding on February 21, 2019.

OVO, which is characterized as an intelligent application, offers a comprehensive suite of online payment and transaction services that cater to the diverse needs of its users. Moreover, individuals utilizing OVO have the opportunity to accumulate points with each payment transaction they conduct through the platform. In a general sense, OVO Cash is applicable for a multitude of payments across various merchants that have established partnerships with OVO, while OVO Points serve as loyalty rewards for transactions made using OVO Cash. These points can be redeemed for a range of attractive offers or utilized for transactions at OVO partner merchants.

GoPay is yet another electronic money service that is integrated within the Indonesian Gojek application, allowing users to conveniently pay for all Gojek services as well as for non-cash transactions at both offline and online business partners. The process of replenishing one's GoPay balance is relatively straightforward, as it can be accomplished through transfers facilitated by Gojek partners, as well as through various means such as ATMs, internet banking, and other available options. Importantly, GoPay employs state-of-the-art security technology, ensuring that all user data and transactions remain secure and protected at all times.

The aforementioned electronic money products exemplify their significant presence within the Indonesian financial landscape, thereby warranting careful scrutiny from regulatory bodies as well as consideration from the perspective of sharia studies, particularly given that a considerable proportion of their user base comprises individuals who adhere to the Islamic faith. The emergence of electronic money is an undeniable phenomenon, largely attributable to the rapid advancements in science and technology that we are witnessing in contemporary society. In this context, the legal framework governing financial transactions is compelled to evolve and adapt in order to keep pace with the demands of progress in this digital, fast-moving, and highly precise millennial era. It is conceivable that, under specific circumstances, the reliance on traditional paper money could potentially diminish as electronic payment methods become more entrenched in everyday financial practices.

V. CONCLUSION

Money, in its evolving forms from physical to digital, plays a pivotal role in shaping economic systems and societal norms. The transition from traditional paper money to electronic money reflects technological advancements and the changing dynamics of global finance. While paper money has innovated in terms of material durability and counterfeit prevention, e-money offers unmatched convenience, efficiency, and adaptability to modern economic demands. However, these developments come with challenges such as security, privacy, and regulatory oversight, particularly within the framework of Islamic finance and broader societal contexts. To harness the full potential of these monetary forms while addressing their limitations, a balanced approach that integrates technological innovation with robust regulatory measures is essential. This ensures both inclusivity and sustainability in the global financial landscape.

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