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An Analysis of the Use of Electronic Money as a Transaction Instrument from the Perspective of Islamic Economics

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ABSTRACT

The rapid development of digital technology has driven a transformation in payment systems, moving from cash-based transactions to more efficient non-cash payment instruments, including electronic money. The emergence of electronic money addresses the growing public demand for practical, fast, and secure micro-transaction instruments, while raising questions about its compliance with Islamic economic principles. This study aims to analyze the use of electronic money as a transaction instrument from an Islamic economic perspective. The research employs a qualitative method with a literature review approach, utilizing secondary data obtained from academic journals, books, regulations, and fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). The findings indicate that electronic money is a payment instrument that stores monetary value electronically on a specific medium and is used for transactions with merchants affiliated with the issuer. From the perspective of Islamic economics, the use of electronic money is fundamentally permissible (mubah), provided that it complies with Sharia provisions and does not contain elements of maysir, gharar, riba, encourage israf (excessive consumption), or facilitate transactions involving prohibited objects. Therefore, electronic money can be accepted as a legitimate transaction instrument in Islamic economics, provided its implementation and management adhere to Sharia principles and applicable regulations.

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1. INTRODUCTION

The rapid development of the digital era requires society to adapt and take advantage of technological conveniences and efficiencies across various activities, including economic interactions. Continuous digital innovations across multiple sectors indicate that society actively participates in the ongoing process of modernization (Nengsih, 2019). One sector experiencing significant growth is digital finance, as reflected in the expansion of financial technology (fintech) businesses and startups offering technology-based financial services. One of the prominent products of this development is electronic money (e-money) (Rahayu & Nugroho, 2020).

Advancements in payment system technology have shifted the role of cash as the primary means of payment toward non-cash instruments that are considered more efficient, economical, and practical (Anam & EI, 2018). Electronic money has emerged as a response to public demand for micro-payment instruments that facilitate faster, safer, and lower-cost transactions. However, not all electronic money products currently circulating fully comply with Sharia principles. Technological progress has also significantly influenced changes in consumer behavior and transaction habits, leading to increased demand for payment systems that are fast, simple, and efficient. Consequently, electronic-based payment systems have become increasingly relevant and widely adopted in the era of globalization (Firdaus, 2018; Tazkiyyaturrohmah, 2018).

Electronic money offers advantages in terms of transaction speed and convenience, particularly for low-value transactions (micro payments). Through electronic money, transactions can be conducted more easily with enhanced security and efficiency, benefiting both consumers and merchants (Usman, 2017). The growth of electronic money usage is driven primarily by advances in information and communication technology that influence market behavior, rather than solely by central bank policy. Currently, electronic money is widely used for various transactions, such as toll payments, transportation ticket purchases, and payments at merchants integrated with electronic payment systems (Hasanah, 2018).

Despite its efficiency and numerous benefits, the adoption of electronic money in Indonesia remains uneven. Cash transactions continue to dominate daily economic activities, even though one of Bank Indonesia's primary objectives in promoting electronic money is to reduce cash circulation. Users of electronic funds are still concentrated mainly among middle- to upper-income groups and individuals with higher levels of technological literacy (Heridiansyah, 2014). This condition indicates that the equitable distribution of electronic money usage in Indonesia remains a challenge. The government's less-cash society initiative is part of Indonesia's broader preparation for global economic competition, particularly within the framework of the ASEAN Economic Community (AEC). Reducing cash usage is expected to help maintain currency stability and support overall economic stability (Hidayati et al., 2006).

Indonesia's participation in various global economic forums has also influenced national economic policies, including those related to payment systems. In general, Indonesia's payment system still relies heavily on cash, even though excessive cash circulation may increase inflationary pressures (Utomo, 2020). In contrast, several countries, such as Japan, Singapore, the United Kingdom, and the United States, have long implemented non-cash payment systems through the extensive use of electronic money. Given this background, an in-depth examination of electronic money use is essential, particularly from an Islamic economics perspective. Therefore, this study aims to analyze the use of electronic money as a transaction instrument from an Islamic economic perspective and to assess its compliance with Sharia principles (Adiyanti & Pudjihardjo, 2014).

2. METHODS

This study employs a qualitative research method with a library research approach. The qualitative method is chosen because the study aims to obtain an in-depth understanding and analysis of the phenomenon based on conceptual and normative perspectives. According to Moleong (2004), qualitative research is a scientific approach that seeks to understand social phenomena holistically within their natural context by emphasizing processes, meanings, and interpretations of the data, which are subsequently presented in descriptive form.

The data used in this study are secondary. Secondary data are obtained by collecting and reviewing relevant written sources, including national and international academic journals, books, regulations, official documents, and credible online sources related to the topic under study. The use of secondary data is appropriate, as this research does not involve direct field data collection but instead focuses on an in-depth analysis of existing literature.

Data collection is conducted through a systematic literature review, involving the reading, recording, and critical examination of various sources on the use of electronic money as a transaction instrument from an Islamic economics perspective. The collected data are then analyzed using descriptive qualitative analysis to provide a comprehensive understanding of the concepts, practices, and Sharia compliance of electronic money.

3. FINDINGS AND DISCUSSION

Electronic Money

Electronic money is a non-cash payment instrument in which monetary value is stored in a specific electronic medium. The Bank for International Settlements (BIS) defines electronic money as a stored-value or prepaid product, namely funds stored electronically on a device owned by the user, whether in the form of a prepaid card or a network-based application such as the internet (Ramadani, 2016). This definition includes both chip-based prepaid cards and prepaid software products used in electronic transactions.

Conceptually, electronic money is a derivative of physical currency (banknotes and coins), with the main difference lying in its electronic storage medium. The nominal value of electronic money is not issued directly by the central bank but by licensed issuing institutions under the supervision of the monetary authority (Abiba & Indrarini, 2021).

Electronic money is used as a payment instrument at various merchants or service providers that have cooperated with the issuer. Transactions are conducted using chip-based cards or digital applications, corresponding to the amount of value previously deposited by the user with the issuer. Thus, the use of electronic money encourages a shift from cash-based to non-cash transaction systems (Abdulfattah & Kurniawan, 2018).

The main benefits of electronic money include faster and more convenient transactions without the need to carry cash, reduced necessity for merchants to prepare change, and increased efficiency in mass and repetitive payments such as toll fees, public transportation, parking, and food purchases (Abidin, 2015; Yogananda & Dirgantara, 2017). Therefore, electronic money is considered highly effective for small-value (micro-payment) transactions.

Compared to cash, electronic money offers greater convenience since users do not need to carry a specific amount of physical currency. Furthermore, electronic money has the potential to expand financial inclusion and reduce barriers to accessing financial services (Situmorang, 2021). The growing use of electronic funds also contributes to lowering cash circulation and supporting the creation of a cashless society, characterized by an increasing number of commercial centers and companies accepting non-cash payments. Currently, various types of electronic money have developed in Indonesia, including ShopeePay, LinkAja, iSaku, OVO, GoPay, Dana, Flazz, and JakOne (Febriansyah, 2018).

DSN-MUI Fatwa No. 116 of 2017 on Sharia Electronic Money

The Indonesian Council of Ulama (Majelis Ulama Indonesia), through the National Sharia Council (DSN-MUI), issued Fatwa No. 116/DSN-MUI/IX/2017 on Sharia Electronic Money as a guideline for the public on the use of electronic money in accordance with Islamic principles. The fatwa states that the use of electronic cash is permissible provided it complies with Sharia provisions. Furthermore, if Sharia-based electronic money is available, the use of conventional electronic cash is no longer permitted.

The DSN-MUI fatwa stipulates several key requirements for Sharia electronic money, including:

a. Service fees must reflect actual costs and be transparently disclosed to cardholders in accordance with the principles of ta'widh or ijarah;
b. Transactions must be free from elements of riba, gharar, maysir, risywah, israf, and unlawful objects;
c. Electronic money funds must be placed with Islamic banks.
d. Contracts between issuers and parties involved in electronic money operations must use ijarah, ju'alah, or wakalah bi al-ujrah contracts;
e. Contracts between issuers and electronic money holders must be based on wadiah or qardh.
f. Contracts between issuers and digital financial service agents must use ijarah, ju'alah, or wakalah bi al-ujrah contracts; and
g. If the electronic money medium is lost, the nominal value of the holder's funds must not be forfeited (Musfirotin, 2019).

In addition, Fatwa DSN-MUI No. 116 of 2017 explains that electronic money must meet the following criteria: it is issued based on funds deposited in advance, its nominal value is stored electronically on a registered medium, it does not constitute a bank deposit, and it is used as a payment instrument to merchants other than the issuer (Ulfi, 2020).

The requirement for registered media indicates that electronic money is a derivative of physical currency with a fixed nominal value denominated in the official currency of a country. All issuers and payment system operators are subject to supervision by financial authorities. This differs from Bank Indonesia's classification of electronic money, which distinguishes between registered and unregistered electronic money based on user identity records (Hendarsyah, 2016).

Islamic Economic Perspective on Electronic Money as a Transaction Instrument

From the perspective of Islamic economics, electronic money as a product of social and technological innovation is considered permissible (mubah). This view is based on the fundamental principle of muamalah, which states that all forms of transactions are acceptable unless they contradict sharia principles and applicable regulations (Sari et al., 2020). Electronic money represents the continuation of money's evolving functions in response to technological advancement.

Islam does not prohibit earning profits from electronic money services, as such profits are derived from the provision of transaction facilitation services rather than from trading money for money, which would involve riba. Issuers earn compensation for the services provided, while users benefit from convenience and transaction efficiency (Rahayu & Nugroho, 2020).

To comply with sharia principles, the use of electronic money must adhere to several key requirements. First, electronic money must be free from maysir, as transactions are conducted for legitimate payment purposes rather than speculative activities. Second, the use of electronic money should not encourage israf (excessive consumption), which can be mitigated through balance limits and transaction caps. Third, electronic money must not be used for transactions involving unlawful goods or activities prohibited under Islamic law. By adhering to these principles, electronic money can serve as a lawful transaction instrument aligned with the values of Islamic economics (Aulia, 2021).

Electronic Money in the Perspective of Islamic Economics: Opportunities and Implementation Challenges

The development of electronic money reflects a significant transformation in payment systems, driven by digital technology, that has shifted public transaction behavior from cash to non-cash mechanisms. From the perspective of Islamic economics, this transformation should not be viewed merely as a technical innovation but rather as part of the evolving framework of modern muamalah, which must remain grounded in Sharia principles.

Based on the fundamental rule of muamalah, electronic money is considered permissible (mubah) as long as it does not contradict Sharia provisions. DSN-MUI Fatwa No. 116/DSN-MUI/IX/2017 affirms that electronic money is lawful provided that it is implemented through valid contracts, free from elements of riba, gharar, and maysir, and used for halal transactions. This demonstrates the normative flexibility of Islamic law in responding to technological developments in finance to achieve public welfare (maslahah), particularly in safeguarding wealth (hifz al-mal).

Nevertheless, the implementation of Sharia-compliant electronic money in Indonesia continues to face several challenges. The dominance of conventional electronic money platforms indicates that a well-developed ecosystem, sufficient institutional backing, and adequate public literacy in Islamic finance have not fully supported normative Sharia compliance. In addition, the management of float funds remains a critical issue, as improper placement of these funds in non-Sharia-compliant financial institutions may lead to discrepancies between regulatory standards and actual practice.

Furthermore, the convenience of electronic money may encourage excessive consumption (israf) if not accompanied by appropriate control mechanisms and ethical awareness. Therefore, strengthening regulatory oversight, enhancing Islamic financial literacy, and reinforcing the commitment of electronic money providers are essential to ensure consistent Sharia compliance in practice. Ultimately, Sharia-compliant electronic money should not merely serve as a technical alternative to conventional payment systems, but also function as a digital financial instrument that promotes justice, transparency, and ethical values in accordance with Islamic economic principles.

4. CONCLUSION

This study concludes that electronic money is a permissible (mubāḥ) transaction instrument within the framework of Islamic economics, provided that its implementation adheres to shariʿah principles. Specifically, electronic money must be free from elements of maysir, must not encourage israf, and must not be used for transactions involving unlawful (ḥarām) objects. In line with DSN-MUI Fatwa No. 116, electronic money is classified as a derivative of fiat currency, with its nominal value stored electronically in a registered medium and issued by authorized institutions under the supervision of the financial authority. The findings also indicate that technological advancement has significantly transformed payment systems, making electronic money an efficient and practical alternative to cash. Its benefits include transaction speed, user convenience, merchant operational efficiency, and suitability for frequent micro-transactions. Therefore, electronic money can function effectively within the Islamic economic system, not merely as a technical innovation, but as a lawful financial instrument that supports efficiency and public welfare (maṣlaḥah), provided that its operational practices consistently comply with established sharīʿah guidelines.

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