

Using Credit Cards in Islamic Perspective

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ARTICLE INFO

Keywords:

Credit Card
Fuqaha
Islamic Perspective

Article history:

Received 2022-11-25
Revised 2022-11-27
Accepted 2022-11-27

ABSTRACT

The number of parties involved in credit card transactions raises a lot of differences of opinion about the permissibility of using credit cards in Islamic teachings. As a result, the fuqaha still have different opinions in determining the type and number of contracts that can be used in credit card transactions. According to most opinions, the use of credit cards is allowed provided that the contract used does not conflict with Islamic law. This paper aims to elaborate opinions regarding the use of credit cards from an Islamic perspective.

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1. INTRODUCTION

In the current era of digitalization, a fast and practical process has become a necessity for the wider community, even covering financial transactions that are deemed necessary as efficiently as possible. The public's need for easy and efficient financial transactions is a challenge for the banking industry to compete to provide facilities or convenience for the public to conduct financial transactions, especially in buying and selling transactions. Islamic banking, which is still a newcomer to the banking industry, already has a sharia credit card product, the goal is to make it easier for customers to transact at merchants that provide payment receipts using sharia credit cards. This is supported by the issuance of the MUI DSN fatwa regarding the permissibility of sharia credit cards. The basis used in the issuance of sharia credit cards is DSN No. 54/DSN-MUI/X/2006 regarding sharia cards. In the fatwa what is meant by sharia card is a card that functions as a credit card

whose legal relationship between the parties is based on sharia principles as stipulated in the fatwa. However, in practice, various problems arise which are feared to deviate from sharia principles and sharia provisions. The birth of plastic cards replaces the function of money as a means of payment. The use of credit cards, which are considered safer and more practical, with an increasing number of functions, has made this new payment instrument growing rapidly. especially in urban areas where there are many public places and public services such as shopping places, hotels, restaurants, entertainment and other public services. As a modern means of payment, it is enough to simply 'swipe' the card to debit the desired transaction value. With the rapid dynamics of the development of financial institutions and the rapid development, the ease of transactions is a basic and important need to support human activities. As a result, the circulation of credit cards is increasingly widespread and even has various functions and conveniences in obtaining and using them. The development of credit cards in society is due to one of the factors of the situation and conditions in society which are heading towards a less cash society entertainment and other public services. As a modern means of payment, it is enough to simply 'swipe' the card to debit the desired transaction value. With the rapid dynamics of the development of financial institutions and the rapid development, the ease of transactions is a basic and important need to support human activities. As a result, the circulation of credit cards is increasingly widespread and even has various functions and conveniences in obtaining and using them. The development of credit cards in society is due to one of the factors of the situation and conditions in society which are heading towards a less cash society entertainment and other public services. As a modern means of payment, it is enough to simply 'swipe' the card to debit the desired transaction value. With the rapid dynamics of the development of financial institutions and the rapid development, the ease of transactions is a basic and important need to support human activities. As a result, the circulation of credit cards is increasingly widespread and even has various functions and conveniences in obtaining and using them. The development of credit cards in society is due to one of the factors of the situation and conditions in society which are heading towards a less cash society Therefore, ease of transaction is a basic and important need to support human activities. As a result, the circulation of credit cards is increasingly widespread and even has various functions and conveniences in obtaining and using them. The development of credit cards in society is due to one of the factors of the situation and conditions in society which are heading towards a less cash society Therefore, ease of transaction is a basic and important need to support human activities. As a result, the circulation of credit cards is increasingly

widespread and even has various functions and conveniences in obtaining and using them. The development of credit cards in society is due to one of the factors of the situation and conditions in society which are heading towards a less cash society (Khairani, 2020).

The era of globalization as it is today, where technology has been advantageous to make transactions as quickly as possible, so that the banking world is also required to do this for its customers. Therefore, the emergence of credit cards will be very much needed in providing convenience for transactions carried out and also as an answer to questions that doubt the existence of banking in modern financial and economic activities. Credit cards have become a separate phenomenon for the world of finance and the Indonesian economy (Masyhudi, 2018). Last February 2011, there were 13.8 million credit cards circulating in the community with the transaction value of swipe cards reaching 163.21 trillion rupiah from 21 issuing banks. Since 2007, there has been an increase in the value of transactions by 90.6 trillion. This figure is fantastic considering that credit cards are not the only payment facility for consumers. The Indonesian Credit Card Association (AKKI) has data, almost 70% of card users pay in installments. This is an extraordinary profit for the card issuing bank because the interest income is so great (Sharia & Aceh, 2014). This phenomenon has a negative and positive impact on trade in Indonesia, people tend to be consumptive by way of debt but thus trade increases. The convenience offered to credit card holders is increasingly stimulating its users. The wider market has finally begun to penetrate the Islamic banking industry in line with the development of the Islamic finance industry. As part of a professional and open financial industry, sharia credit card products have begun to be in the spotlight of various parties, especially among Muslims who are still looking for various 'forms' and 'products' of sharia banking services.

2. METHODS

Understanding Credit Cards (Bithaqah Al I'timan) The usual terminology used by economists and banking practitioners regarding credit cards is bithoqah al I'timaniyah which is a translation from Arabic and in English credit cards. The etymological definition of credit cards is taken from the word bithaqah (card) is linguistically used for small pieces of paper or from other materials, on top of which an explanation related to the piece of paper is written. Meanwhile, the word i'timan literally means a condition of security and mutual trust. The word

cards has several meanings, including the well-known meanings, namely credit cards, small plastic cards issued by a banking or building society, allowing the holder to make purchases on credit. (Cards made of hard paper, or plastic issued by a bank or other party accompanied by a special explanation to the holder). When viewed from the credit side, this card is issued to obtain cash or loan facilities(Pujiyono, 2005).

Terminologically, a credit card is a type of payment instrument as a substitute for cash, which can be exchanged at any time for whatever we want, wherever there is a branch that can accept credit cards from banks, or the company that issued them. Another, more detailed definition of this credit card is plastic money issued by an institution that allows cardholders to obtain credit for the transactions they carry out and payments can be made in installments by paying a certain amount of interest (finance charge) or all at once at a predetermined time.(Ibrahim et al., 2010).

It is stated in another source that the definition of a credit card is a card issued by a bank and the like that can be used by the bearer to buy all the necessities of certain goods and services on a debt basis. From the above definition, both etymologically and terminologically, it can be concluded that a credit card is a type of card that is used as a means of payment issued by banks and the like and can be used by the bearer to buy all necessities and certain goods and services on a debt basis.(Nurzakka, 2021).

Types of Credit Cards Credit cards are part of several forms of financial cooperation cards. This credit card is divided into two(Ottoman, 2020):

- a. Non-Renewable Loan Credit Card (Charge Card). This type of credit card is a card that is required by the cardholder to cover the total withdrawn funds in full within a certain time allowed, or part of the funds. Usually the time allowed is no more than thirty days, but

sometimes it can be up to two months. If the card carrier is late in paying it within the allotted time, it will be subject to a late fee. And if he refuses to pay, his membership is revoked, his card is withdrawn and the matter is brought to court.

- b. Revolving Credit Card (Revolving Credit Card). This type of card is one of the most popular in developed countries. The owner of this card is given the choice of how to cover all his bills in full within the tolerable period or part of the billing amount and the rest is given by deferring, and can be included in the next bill. If he delays payment, he will be charged two kinds of interest: First late interest, second interest from the remaining funds that have not been covered. If he manages to cover the funds within the allotted time, he will only be charged with one kind of interest, namely interest on delay payments. The funds withdrawn will not be limited if the owner continues to pay off the bill and credit card interest simultaneously.

The parties involved in the Akad Credit Card agreement in transaction cards usually involve several parties, namely:(Abd Haling et al., 2019):

- a. Issuer bank, in credit cards is called muqaridh (creditor), namely the party authorized by law to issue cards to its customers, he becomes the representative of the card holder in paying the value of purchases made to the merchant.
- b. Card Holder is a credit card user called muqtaridh (borrower), namely the person whose name is included on the card, or the person who is authorized to use it and he is obliged to pay off all obligations arising from the use of the card to the bank issuer.
- c. Merchants are parties that provide goods and services (suppliers), namely parties who are tied to the issuer of the bank by providing

goods and services to the card holder in accordance with their agreement.

- d. Acquirer is the manager, namely the party who represents the interests of the issuer to distribute credit cards, make billing to credit card holders and make payments to merchants or sellers.

The basic concept of credit card issuance A credit card is a card that is generally made of plastic material, with the identity of the holder and issuer affixed, which gives the right to whom the credit card is issued to sign a sign of payment of payment for the price of services or goods purchased in certain places, such as shops, hotels, restaurants, sales of transportation tickets, and others. In its use, credit cards go through several issuance mechanisms or procedures, namely:(Cards, 2021):

- a. The cardholder enters into an agreement with the credit card issuer, and based on this agreement the issuer issues a credit card on behalf of the cardholder. With this, cardholders can shop at shops or other services that are willing to serve, where previously the merchant (merchant) has also entered into an agreement with the issuer.
- b. The credit card holder enters into a sale and purchase agreement with the merchant (merchant).
- c. Furthermore, the merchant (merchant) collects payment from the credit card issuer and the card issuer makes an advance payment for the credit card holder's debt (in this case the credit card issuing company gets a commission from the merchant).
- d. At the specified time, the credit card issuing company collects the credit card holder.

3. FINDINGS AND DISCUSSION

Contracts contained in sharia credit cards The increasingly widespread use of credit cards raises several problems when viewed from the point of view of Islamic fiqh. Problems arise because there are many parties involved in credit card transactions so that the fuqaha find it difficult to determine the type and amount of the right contract to use. Some scholars argue that credit card transactions only use one contract, some others say it

involves six contracts, namely kafalah, wakalah, hawalah, murabahah, qardh and ijarah). The law of credit cards is as an object or medium for kafalah (collateral) services accompanied by payment bailouts (qardh) and ijarah services for ease of transactions. Banking companies, in this case, are issuers who issue credit cards (proof of kafalah) as guarantors (kafil) for card holders in various transactions. Thus, according to DSN - MUI there are three contracts used in credit card transactions, namely: kafalah, qardh and ijarah. Furthermore, the DSN – MUI stated that the ulama allowed the kafalah system and practice in muamalah based on the arguments of the Qur'an, Sunnah and Ijma' which were based on the word of Allah: "...and whoever can return it will get food (weight) camel's burden, and I guarantee against it." (Surah Yusuf: 72). The word "za'im" at the end of the verse according to Ibn Abbas is "kafil" as the Prophet SAW said: "az-Za'im Gharim" means: a person who guarantees means owes (because of the guarantee). (Narrated by Abu Dawud Turmudzi, Ibn Hibban) Kafalah is basically a tabarru' (voluntary / voluntary) contract which has the value of worship for the guarantor because it includes cooperation in virtue (ta'awun 'alal birri), and the guarantor has the right to ask for compensation back to the debtor, he should not ask for wages for his services, to be safe/away from doubts. However, it is okay if it is owed to the person who gave it as a gift or a gift as an expression of gratitude. However, if the guarantor himself requires the basic fee (such as credit card administration fees and so on) and does not want to guarantee it voluntarily, then it is permissible for the user of the guarantee service to fulfill the demand if necessary, such as the usual needs in study trips, business transactions, social activities, personal affairs and so on. According to the Indonesian Bankers Institute, the kafalah contract referred to here is a guarantee contract given by the guarantor (kafil) to a third party in order to fulfill the obligations borne if the default is borne. However, Rafiq Yunus al-Misry does not agree if the credit card issuer is considered a kafil (guarantor) to the cardholder. Such an assumption will make this contract a kafalah bi ujr (guarantee with payment) through membership fees (which are paid in the form of annual fees. Such payments are not allowed in Islam because kafalah is the same as debt with the principle of tabarru' (please help). Misry concludes that this kind of contract is included in the type of hawalah (transfer of debt). Meanwhile, scholars who say that credit card contracts include wakalah contracts argue that the card holder is a representative of the card issuer in order to pay his debts to merchants or anyone (merchants) who provide services or it may also be said

that the merchant represents the card issuer to collect debts from the buyer of goods. in this case the cardholder. For some other scholars, credit card contracts use murabaha between the card issuer and the card holder. Card holder as a buyer buys goods or services from a merchant as a representative of the issuer(Russetyowati, 2018). The goods or services are then resold to the card holder by the card issuer in installments. Other jurists who argue that credit card transactions are qardh argue that in this case the issuer is the lender (muqridh) to the card holder (muqtaridh) through cash withdrawals from the bank or the issuer's bank ATM. Meanwhile, those who consider it an ijarah agreement say that the issuer is a payment system service provider and services to card holders(Rahmadianto, 2013; YULIANTO, nd). On this basis, the card holder is subject to a membership fee. Transactions with credit cards are a relatively new way of doing muamalah, so it is rather difficult to determine the right type of contract when viewed from the opinions of previous scholars. All of the above opinions do not have guidelines that are really precise with the types of contracts that have been determined by the previous fuqaha. Analysis of late fees on sharia credit cards In the issuance of charge cards, there is an agreement that the card holder is obliged to pay a late charge if he is late in making payments equal to the transaction amount stated in the voucher. This late charge is identical to the meaning of riba al nasi'ah what is forbidden by syari'ah. The original law is haram and null and void because of the terms of interest (late charge) for late payments. This statement is reinforced by the decision of the fiqh seminar held in Bahrain (November 1998): in issuing charge cards, the card holder is not required to have an account at the bank concerned, but he is obliged to pay the transaction value stated in the voucher within the given time limit. . If he makes a late payment, the card's validity will not be recognized, and his membership will expire. The law of issuing this card is allowed, provided that there is no interest (late charge) for late payments. Based on the results of the 12th Al-Barakah seminar, Contemporary scholars allow a late charge requirement when the card holder is late in making payments as compensation for the injustice committed (late payment), however the late charge may not be owned by the issuer, but is recognized as a social fund. In the credit card mechanism, if the card holder is late in making payments within the specified time limit, then he has two options; pay in full a certain amount of transaction value or pay the minimum amount subject to a penalty in the form of late interest. Originally this is a condition for usury that is vanity and is prohibited by syara' if the card holder is late in making

payments within the specified time limit, then he has two options; pay in full a certain amount of transaction value or pay the minimum amount subject to a penalty in the form of late interest. Originally this is a condition for usury that is vanity and is prohibited by syara' if the card holder is late in making payments within the specified time limit, then he has two options; pay in full a certain amount of transaction value or pay the minimum amount subject to a penalty in the form of late interest. Originally this is a condition for usury that is vanity and is prohibited by syari'ah, should not be used because it justifies something that is forbidden. If a customer is in an emergency and urgently needs a credit card (international standard, Visa or Master Card) then he is allowed to use it, provided that he remains careful and does not comply with the specified conditions (late interest, as much as possible paid in full so that it does not intersect with late interest). Regarding the permissibility of using sharia credit cards, Daud Bakar, a professor at IIUM Malaysia, argues that credit cards are not known in Islam, therefore the most appropriate term to use is debit card. Daud Bakar's opinion doubts the shariah of credit cards because it is based on the analogy that credit cards are the same as encouraging people to owe. Yet in Islam, debt is one thing that is not recommended. However, there are limitations that the credit card user should not violate, namely:(Ulul Azmi Mustofa, 2015): (a) Does not cause usury, (b) Not used for transactions that are not in accordance with sharia, (c) Does not encourage excessive spending (israf), by among others setting a maximum spending limit, (d) Primary card holders must have financial ability to pay off on time, (e) Do not provide facilities that are contrary to sharia.

4. CONCLUSION

In general, according to most of the opinions of leading scholars that credit card transactions can be included in the kafalah, wakalah, hawalah, qardh, and ijarah contracts. These contracts are legally permissible and their use is adjusted to the transactions that occur. However, the authors evaluate that the application of fines for payments that cause usury nasi'ah cannot be ignored, because it will pose a greater danger than improving the existing working mechanism on Islamic credit cards. Therefore, according to the author, a step is needed to make technicians using Sayriah credit cards completely clean from the practice of usury which is clearly condemned in the Qur'an, a little or a lot.

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