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COMPARATIVE STUDY OF ISLAMIC CREDIT CARDS TO BE ACCEPTED: MUSLIM CONSUMERS' PERCEPTIONS

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ABSTRACT

The use of standard credit cards, which incorporate the practice of riba in the case that a late payment is made, has resulted in a conflict with the perspectives of Muslim clients, which is to be addressed in choosing the best alternative available cards. The primary purpose of this research is to analyze the many existing models of Islamic credit cards to determine which one is most in line with Sharia law. The kind of study that has been done is descriptive, which employed rigorous literature studies and investigated the existing theories. The holy Quran is the source of the fundamental laws that govern what is and is not allowed in terms of credit and debt. After then, the attributes of the cards that are being presented are analyzed in light of those principles to ensure that they adhere to Sharia, which is a religious law. The Muslim community has access to a wide range of credit card options to pick from. Charge cards, Qard Al-Hasan cards, Bai Al-Inah cards, Mushraka Mutanqisa cards, Tawarruq cards, and Murabahah cards are all included in the bundles. Also had are Tawarruq cards and Murabahah cards. Critiques raised voices against Islamic credit cards. Consequently, there is a need for a payment method that may function like a credit card. However, they are still obligated to maintain complete conformity with Islamic principles. This article takes a closer look at the packages mentioned above to understand better the degree to which the various options are accepted. The study explored the crucial features of the existing Islamic credit cards and evaluated the shariah compliance of those concepts. According to the findings and conclusions of the study, the authors concluded that the 'Mushraka Mutanqisa' is the most Shara-compliant and hence most likely to be approved by Muslim customers.

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INTRODUCTION

The introduction of credit cards was a game-changer for banking and commercial procedures in the contemporary age. Credit cards are still widely used today. Both technological advances and rising levels of consumer purchasing power were essential to accomplishing this goal, which was ultimately successful. People can transact business without needing to carry cash with them and can also transact business online. However, using standard credit cards, which incorporate the practice of riba in the case that a late payment is made, has conflicted with Muslim clients' perspectives. Credit Cards may be used to buy almost anything, from groceries to electronics and even certain services. Amin (2012) states that credit cards may be considered "plastic money." It accomplishes this goal by leveraging a wide variety of different intermediaries to simplify spot transactions for customers of financial institutions that are part of its network of sponsors. To make spot transactions easier for its consumers, which financial institutions often sponsor, the company works with several different intermediaries, including banks. This is because of many factors, including the simplicity of use, portability, relief from the troublesome nature of carrying cash, protection of identification, the convenience of electronic commerce and online transaction, and so on. These factors all contribute to this phenomenon. In 1992, the Organization of Islamic Cooperation (OIC) Fiqh Academy published Resolution No. 63/1/7, which described a credit card as a document that its issuer hands to a mutual person based on a contract between them. Because this document includes the issuer's commitment to pay for the goods or services, it allows the joint person to purchase goods or services from a vendor willing to accept the document without having to pay

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the total price at the time of purchase. This topic is selected as credit cards has become an essential part of life, but Muslim consumer cannot rush for conventional ones.

Keeping in mind the Muslim consumer's needs, the study aimed to find the best alternative. At least three of the criteria that have been defined as standards by Islamic principles can be met by a payment method in order for it to be considered an Islamic credit card. To begin, the Sharia standards that regulate lending must be met for the credit card to be acceptable. These requirements may be different depending on where you live in the world. The three fundamental restrictions that are stipulated by Islamic money are known as riba, gharar, and may. Avoidance of these three primary constraints, specified in Islamic finance, is necessary on a general basis. Riba is a type of interest paid to the lender at a rate more significant than the market rate when the loan originated (p.b.u.h.). Because of this, it is against the guidelines for an Islamic credit card to add any interest costs to the cardholder's balance, which is the case regardless of whether or not the cardholder is late with their payments. When using an Islamic credit card to make purchases, it is essential to avoid any scenarios that include gharar, synonymous with ambiguity. One way this may be done is to eliminate a billing plan in which the monthly payback or service costs are changeable and dependent on various situations. Another way this may be accomplished is by reducing the number of considered variables. It is forbidden to engage in may, which is more commonly known as gambling. The bearer of an Islamic card is barred from accessing specific websites, such as those that make it possible to gamble online.

The study was based on case studies and analyzing different concepts on credit cards, both Islamic and interest-based. A descriptive approach was followed. Comparatively; few studies have looked into how Sharia conformity affects people's attitudes toward international criminal courts. Multiple studies have shown that the majority of credit card users have little awareness of the product structure of ICC and an understanding of Sharia compliance, which may explain why ICC has not been as successful as CCC within the Muslim population solely. This is because ICC has yet to be as well-liked as CCC. Riba nasi'ah is a legal classification for fees that are added to the outstanding balance.

This study first evaluated the principles of the Quran and Hadith regarding riba and debt. Secondly, the available concepts are discussed, and finally, the arguments for the best alternative are highlighted. However, Islamic bankers and Shara scholars have concluded that offering an option to the traditional credit card is necessary to appease their "Islamic" clients and be more competitive in the market. This is done to increase market share. One of the most recent developments in Islamic financial engineering is the introduction of credit cards by Islamic law. The idea of an Islamic credit card has garnered much interest from Shara scholars. These individuals have formed opinions regarding the Islamic credit card's inherent nature and characteristics and the factors that make its returns permissible from a Shara perspective.

LITERATURE REVIEW

Researchers from Malaysia conducted studies in 2017 to investigate developing trends in using Islamic Banking as the basis for Islamic credit card products. In 2020, Ahmed M. Alkhan, M. Kabir Hassan, and Rashedul Hasan took the initiative to research the implementation of an Islamic credit card (also known as a Mushraka card), which would be founded on the Islamic principles of Mushraka Mutanqisa.A qualitative approach was used for this (Alkhan et al., 2020). Furthermore, Monzer Kahf and Amiirah Nabee Mohomed detailed the results of an optional interest provision in a 2016 article discussing the most recent issues with credit cards from the viewpoints of economics and Shara. Researchers found that Islamic banks are trying to acquire a suitable approach to guarantee a lucrative and functional Islamic credit card facility by examining the numerous market practices regarding Islamic credit cards. The investigation was carried out by Kahf and Mohomed (2016). Ferdian et al. (2008) did research that elucidated, from an economic and a Shara point of view, the usage of Islamic credit cards by Bank Danamon Indonesia and Bank Islam Malaysia. Their findings were published in papers. According to reports, the contracts utilized in the production of the Malaysian BI Card are only somewhat less stringent than those utilized in the production of the Indonesian Dirham Card. According to the findings of a certain team of investigators (Dali & Yousafzai, 2012). The findings of a study by Tanzina Hossain and Zinnatun Nesa in 2013 and published in the same year suggest that customers who pay their bills in whole and on time may profit from utilizing charge cards rather than other kinds of plastic credit money.After seeing credit cards' potential in the Bangladesh market, they arrived at this conclusion (Hossain & Nesa, 2013). As early as 2005, Abubakar salihoukante depicted the evolution of credit cards and their pros and cons. Also clarified in this study are the many contractual parties engaged in credit card transactions, how they relate to one another, and their respective roles and obligations while using credit cards (Kante, 2005). On the other hand, in 2011, Abdul Kadar Muhammad Masum, Md. CholemUllah, and Md. Abul Kalam Azad did research that points the path toward modeling the IT user concepts that illustrate the right approaches to address such issues. The updated IT user rules are based on Islamic ethical principles, where the bulk of the article is focused. Muhammad Sheraz, Muhammad Irfan Khadim, Saif Ullah, and Atta Ullah probed about the innovation behind the rise of sharia-compliant credit cards in 2021. They discussed two new concepts for Sharia-compliant credit cards in their talk: the Musharka credit card and the Murabaha credit card. Efforts were undertaken to clarify the principles of Sharia regarding credit cards and correct the shortcomings present in the already available Islamic credit cards. According to a group of researchers (Sheraz et al., 2021). Hafsa, Z. ORHAN ASTROM began his investigation of Islamic banks in Turkey in 2015, and his work thus far has been comparing the lending practices of these institutions to established theoretical models. In 2017, Bukhari M. S. Sillah suggested that Islamic banks packaged their cards by certain Islamic "transaction rules" to avoid paying riba. In order to avoid paying taxes, they did this. In addition to the standard charge and Qard Al-Hasan cards, each set includes Bay Al-Inah and Tawarruq cards and Murabahah cards for financing purchases. The courts scrutinized several of these packages. He concluded that these packages either lack sufficient Shari'ah compliance or are overpriced after reviewing the available data. He then proposed an alternate plan that might reduce court objections and boost competition. It has been proven as of this year (Sillah, 2017). Sharia compliance is an essential factor that causes Malaysians to choose Islamic credit cards, according to a study performed in 2020 under the guidance of Fahd Al-Shaghdari and Adewale Abideen Adeyemi. It also stressed the significance of Islamic credit card knowledge in proving the legitimacy of these financial instruments among Malaysian banking consumers. The study's findings were clear in this regard. They utilized structural equation modeling to examine responses from a survey given to a representative sample of 220 cardholders with Islamic financial institutions. Tanzina Hossain also looked at the use of Islamic credit cards in Bangladesh, focusing on the practices of EXIM bank and Standard Chartered Bank. According to this article, Islamic banks in Bangladesh may expand their banking activities by working together to issue Islamic Sharia-based credit cards to meet their customers' varying financial needs. Evidence for this conclusion comes from contemplating the future of Islamic credit cards (Hossain & Nesa, 2013). However, studies conducted in 2014 by Seyed Ebrahim Hosseini, Abdol Latif Ahmadi Ramchahi, and Raja Jamilah Raja Yusuf concluded that information technology plays a crucial role in disseminating Islamic literature over the world and increasing its accessibility to a wider audience. It also dispels misconceptions about Islam among non-Muslims (Emery, 1964). Along with this, Sheikh Muhamad Hizam raised another issue. In 2021, scholars Sheikh Khairudin and Mohammad Amin Mohammad conducted studies that shed light on the profound impact that the Internet and other forms of modern information technology have had on the Muslim world in the wake of increasing globalization and Islamic fundamentalism. The importance of the Internet to the global propagation of Islamic literature is emphasized extensively in this essay. Finally, it offers a few things governments and NGOs should do to increase the use of ICT among Muslims worldwide, increasing the likelihood that this change will be for the better. According to Sheikh Khairudin and Mohammad (2021), researchers Sainul Abdeen, Fathima Sajna, and Mohamed Haniffa Mohamed Nairoos looked at the feasibility of introducing Islamic credit cards in Sri Lanka to meet the country's growing need for convenient and secure consumer financing. Islamic credit card models from Malaysia and Indonesia have been considered to assess contract validity and establish a framework appropriate for Sri Lanka. Primary data was gathered through in-depth interviews and conversations. In contrast, secondary data was compiled from various resources, including the Internet, library databases, academic journals, trade publications, and newspapers. The results were published in 2018. In addition, an Islamic metric for customer satisfaction and an integrated model was established by Nuradli Ridzwan and Shah Bin Mohd Dali in 2014. This study focuses on the impact of faith on the happiness of the progenitors of present-day people who use Islamic credit cards. The empirical data is presented generally in a mixed-methods fashion. Semi-structured interviews with seven individuals and an online survey with 560 credit card-using Malaysians were used to collect qualitative and quantitative data. The survey findings were analyzed using both confirmatory and structural equation modeling. Most of the study's findings align with the theoretical model's suggested expected relationships. Several researchers came to this conclusion. However, in 2015, Ahmad Abdur-Raheem Sabree and Younes Soualhi thoroughly explained the technology behind credit cards, particularly emphasizing the Islamic framework in which its many components might be comprehended. That was done to clarify the usage of credit cards by Islamic law. They went out to prove that the core ideas behind how credit card technology works can be found in the Quran, and they did it. Several factors, including "financial suggestion," "understanding of Islamic credit card," "age (young)," "marriage status," "religion," and "education level," were shown to significantly influence the desire to use an Islamic credit card in a study done by Hanudin Amin in 2012. Furthermore, the "attitude toward Islamic credit cards" did not appear to have a role in determining the primary function of Islamic credit cards. This study proposes a theoretical framework to investigate the factors that establish the motivation for using an Islamic credit card. TRA, or the theory of reasoned action, served as the theoretical underpinning for this paradigm. A questionnaire was emailed to 354 people to collect the data (Amin, 2012). It was shown that people's propensity to choose ICC was significantly influenced by their employment industry; curiously, public servants were more likely to go with ICC than private sector workers. The work field was shown to be the most influential factor among the seven demographic variables. Researchers found that respondents preferred ICC for online transactions since it was cheaper and safer than alternatives. Researchers found similarities between CCCs and ICCs and recommended that Islamic financial institutions make ICCs Shara compliant while recommending that CCCs not try to incorporate Islamic principles into existing CCCs. This was because analysts assumed ICCs were identical to CCCs. It may be argued that credit card purchases done online are safe, CCCs and ICCs or no CCCs and ICCs, unless the sites in issue are not encrypted and hence vulnerable to hacking by criminal organizations engaged in money laundering. One may make the case that using a credit card via the Internet compromises security. Likely, the safety of any online purchases you make at this time may be jeopardized. It is safe to say that the CCCs and ICCs could not be more dissimilar, with the CCCs' contracts and conditions being drastically different from those of the ICCs. CCCs were very different from ICCs. Sixty-five people were surveyed using component analysis for questions on their demographics, whether or not they use Islamic credit cards, and how often they use them. The investigation's results were published. According to the results, most respondents' decisions to use ICC were heavily influenced by their peers. The sales promoters and their kin (Dali et al., 2007).

Researchers urged looking at other motivations for using Islamic credit cards. Interest-free and Sharia-compliant, with credit and control, bulk purchase and status, emergencies and travel, an easy payment plan, knowledge and Sharia-compliance status, and ultimately, quick access are just a few of these advantages. These considerations could play a role in an eventual study of how Muslims use Islamic credit cards. It is interesting to think that friends, not family members, are the most likely to persuade you to use a credit card. Friends are more trustworthy than family members because they genuinely care about one another. Among the essential characteristics of ICC that the investigation uncovered is that the bank's maximum profit charge from the ICC sales and buy agreement is passed on to the client. This is a significant new finding about ICC that the research uncovered. This aspect was highlighted during the inquiry because of its significance. Another study looked into the advantages of pre-existing credit cards to see if they add anything to the economy or society.

The study concluded that the existing money lending system via credit cards is incompatible with Islamic teaching due to the enforced high-interest rate. However, unlike conventional credit cards, Islamic ones have unique characteristics, such as a predetermined and clearly stated interest rate on profits and customer service costs. Among the many characteristics that set Islamic credit cards apart is this. The author argues in a later chapter that people should adjust their savings and credit card habits based on how much money they have set aside; this means that as savings grow, so does the length of time a person may borrow from a bank interest-free. In reality, it was impossible to design the ideal card because debt is the backbone of Malaysia's banking system, and ICCs are financing mechanisms. This made it impossible to make the planned card. Shara's ideas of Maqasid are being used in Islamic banking and finance in a more optimistic development.

This is why Islamic banking and finance promotes equality and equity in all spheres of life. This article delves into why fewer Muslims have adopted Islamic credit cards than traditional ones. Previous research has exposed ICCs to the problem of non-Shara compliance. It has maintained that ICCs are fictional transactions and activities that round out and supplement the process in a way analogous to that of CCCs. While most of those surveyed identified as Muslims, only 75.6% and 30% of respondents were familiar with ICC contracts and structures. Even though most respondents identified as Muslims, this was nonetheless the case. The fantastic phenomena were further corroborated by the findings, which demonstrated that just 34.64% of Malaysians had had an Islamic bank account, despite Islamic banking's more than thirty-year history in the country. Despite Islamic banking's long history (almost thirty years), just 34.64 percent of Malaysians have used an Islamic bank account. According to the survey, 100% of participants were familiar with Islamic banking, and approximately 50% held accounts at Islamic banks.

Nonetheless, the results of his investigation were unexpected. This shows that despite the financial sector's fast growth, there is still a long way to go before the general public trusts and understands it. Although most Muslims worldwide, especially in South Africa, are aware of Islamic banking, only a tiny fraction use it. This is especially true when compared to the utilization rates of conventional banking. Another Turkish research found that the licensing (or palatalization) process slowed the growth of Islamic financial centres (ICCs) and had no influence on the local economy.

MATERIALS AND METHODS

The case study method has evolved over the past few years and developed into a valuable research method. As the name suggests, it is used for explaining an organization or an entity. The study is done in a case study and descriptive, which employs rigorous literature studies and investigates the existing theories. The holy Quran is the source of the fundamental laws that govern what is and is not allowed in terms of credit and debt. After then, the attributes of the cards that are being presented are analyzed in light of those principles in order to ensure that they adhere to Sharia, which is a religious law. The study explored the crucial features of the existing Islamic credit cards and evaluated the shariah compliance of those concepts. After that, it concluded the permissibility of the card from an Islamic shariah perspective.

RESULTS AND DISCUSSIONS

Islamic Credit Cards

The Islamic credit card, which was established in line with the rules and principles of Shara to enable the use of credit card services that are available to customers of Islamic banks, centres on the idea of "purchase now, pay later," which is at the core of the Islamic credit card. Credit card services can now be provided in a way that is compliant with the tenants of Islam to customers of Islamic financial institutions, so they can use these services without compromising their beliefs. In December 2001, the Arab Malaysian Banking Group, now known as Am Bank of Malaysia, became the first financial institution in Malaysia to offer an Islamic credit card. The card has the al-Taslif brand name and was issued by Am Bank of Malaysia. Islamic credit cards are commonly accepted since they are functionally equivalent to traditional credit cards in every other respect.

Notwithstanding this, a significant number of the very first Islamic credit cards ever distributed were based on bay al-nah, and some are still in use today. The bay al-nah design was used for many of the first Islamic credit cards. We will review each card's positives and negatives while keeping an eye out for the fundamental characteristics that differentiate them from one another. Numerous sectors use a diverse range of "Islamic credit cards," each of which is a unique product.

Credit cards that demand the whole balance be paid upon the expiration of the grace period

Once the grace period expires, the cardholder is fully liable for any charges using the card. That remains true even if the amount was paid in full during the grace period. Once the grace period has ended, the cardholder will no longer be eligible for any new credit or be charged any late penalties, regardless of when they submitted their credit request. This sort of credit card cannot be used the same way as a charge card due to the restrictions of the agreement that comes with the card. Additional fees might be applied to the type of credit card in question. Islamic banks in Qatar follow a nationwide approach when issuing credit cards. This regard is the same between different types of financial institutions. This standard method can be used anywhere you go in the United States. With this regulation in place, Islamic financial institutions must be extra cautious when issuing credit cards. Cardholders must demonstrate their ability to repay the debt by either transferring funds from another account or depositing cash.

Furthermore, Islamic banks have stricter regulations protecting their client's personal and financial data. In addition, Islamic banks will not extend credit to consumers with a history of loan default. The deposit is used to back the credit card and the allotted credit limit, and the unpaid debt is paid automatically, generally within fifteen days following the billing date, from the available balance on the holder's account. As a rule, this happens within 15 days following the billing date. Usually, this happens by 15 days after the measure was initially introduced. Typically, a bill's payment due date is no later than 15 days following the bill's issuance date. When it comes to this deadline, we are serious. This happens when the deposit covers the costs of maintaining the credit card and its associated credit limit. This is only possible once the first investment has been used. At this point in the process, the money is being sent. Since these measures guarantee that cards have sufficient payment capacity and that payments are made during the grace period, cardholders need not worry about incurring interest charges. These precautions guarantee that payment cards have all the necessary features.

Globally renowned Islamic scholar Mufti Taqi Usmani has stated that credit cards are now a requirement, as they make it next to impossible to execute many types of transactions. This is because consumers may use credit cards to buy goods and services from a wide range of stores. This is because credit cards simplify the process of gaining access to numerous forms of financial aid. Credit card use is thus permitted, but only with the understanding that interest charges will be avoided if payments are made before their due dates. By taking this measure, we intend to prevent the cardholder from incurring any more debt. In line with Islamic law, using a credit card is permissible if the entire transaction is paid for using the card and no cash is withdrawn from the account. Since every action is motivated by a purpose, and since that objective is always to restore a zero balance, this argument carries much weight. The fact that every action is motivated by an intention makes this argument even more persuasive. A substantial number of people consider that a contract of this sort is not legitimate even if it is feasible to save interest by making payments on time; therefore, scholars' position has been countered with various counterarguments. In their view, a person who enters into such a contract is committing to something forbidden by Islam regardless of whether or not he pays the whole amount due on time, including the interest. For them, joining it would constitute a public declaration of support for an activity forbidden by Islam. This misconception stems from the widespread belief that joining entails automatically endorsing all banned behaviours in Islam. This idea served as the inspiration for this conviction. This is because they believe that by participating, one is promising to engage in conduct forbidden by Islam. Even though everyone subscribes to this view and is obligated to conduct in a manner forbidden by Islam's teachings, a sizable portion of modern society still holds to this view.

Wakalah-fee-charging credit cards for cash withdrawals

Islamic banks issuing Islamic credit cards in line with the Wakalah idea are required to pay for purchase transactions to merchants and to charge the cardholder fees (umrah) by the Wakalah concept. Furthermore, Wakalah-based Islamic banks that provide Islamic debit cards must themselves practice Wakalah. Based on the Wakalah principle, if an Islamic bank were to issue an Islamic debit card, the bank would not reimburse the merchant for any purchases made using the card. Customers incur an additional fee, known as a cash withdrawal charge, whenever they use their card's cash withdrawal feature. Any time a card user makes a cash withdrawal, they will be subject to this fee. The calculations behind these prices may be trusted. The fees imposed by the organization might be stated either as a flat rate per transaction or as a percentage of the value of each transaction. Clients can select whichever option interests them. No interest or other fees are charged for using the card, but the cardholder may be subject to paying other expenses related to maintaining card membership and making purchases. However, there are still costs connected with using the card, such as interest and other fees. Despite the absence of interest or other fees from the card, there are still costs associated with using it. These fees may comprise any combination of the following: an issuance charge, a yearly service fee, a renewal fee, the cost of a replacement card, and a currency conversion fee. For instance, Jordan Islamic Bank users with credit cards issued by the bank are not allowed to use those cards to withdraw cash from the bank's ATMs. However, this restriction must be implemented when Jordan Islamic Bank customers use ATMs belonging to other banking organizations.

Thus, the bank might claim that the customer has agreed to pay the amount owing to the other financial institutions from which funds were withdrawn by using the card. The bank might claim that the card's use amounts to an agreement. The bank can now levy Wakalah fees to clients who withdraw cash. The feasibility of issuing Islamic credit cards within a framework of kafala and Wakalah has been debated since the Central Bank of Malaysia issued a fatwa on the subject (CBM). The CB M's fatwa confirms this interpretation. Under the provisions of this form of Islamic credit card, the Islamic bank acts as a kafl (guarantor) for the purchasing transactions of its cardholders, both in terms of payment to credit card networks and payment for goods or services acquired by the cardholder from the merchant. If a cardholder incurs debt, the Islamic bank will foot the bill.

This means the Islamic bank is responsible for covering any charges from using the card. To rephrase, all purchases made with a customer's Islamic bank card are backed by the bank's payment guarantee, no matter how unusual the purchase may be. The Islamic bank must cover the cost of every transaction, including a purchase, using the card. The credit limit for the cardholder's account comes from the Islamic bank, which is also responsible for delivering that amount. Based on the Wakalah principle, the Islamic bank would charge the cardholder ujrah (fees) equal to a predetermined proportion of the credit line in exchange for acting as an intermediary in the cardholder's payment transactions. That would happen since the bank offers agency services to settle the cardholder's payment obligations. These fees would be included in the overall cost of the transaction based on a predetermined proportion of the available credit. This debt would be called "Wakalah ujrah" if it were ever collected. Once that period had passed, the kafl might demand the ujrah fees in addition to the returned principal (determined as a specific percentage of the credit limit).

Tawarruq-settled credit cards

Previously, when the bay al-nah framework still constrained Islamic banks, they would sell a product to a customer based on a deferred payment and then repurchase the thing from the consumer for cash at a price discounted from the commodity's actual worth. This method was widely used when the bay al-nah framework still constrained Islamic banks. Because of this, the banks could profit from the difference in price between when they sold the asset and when they repurchased it after having previously sold it. There was a fluctuation in value between when they sold the item and when they repurchased it. If a client's credit card balance is paid in full with cash, the consumer can receive the total amount of cash used to settle the debt. This protection extends to cases when someone other than you is responsible for making the payment. This is done on the final day of the grace period granted at the beginning of the process. When a customer of an Islamic bank makes a transaction using their card, the Islamic bank transfers the funds to the merchant rather than the customer. The balances on the card must be paid in full by the cardholder. To achieve this, a new no balance will be created and repaid on a new maturity date. It will result in the full settlement of the cardholder's account amount. Every month, this practice is carried out as usual.

Furthermore, credit cards in Malaysia have a highly unusual bay al-nah structure that incorporates the provisions of two different contracts, bay al-nah and wadah. The end effect has a one-of-a-kind visual quality. This produces an odd appearance on the outside. This has given the bay al-nah building a look that distinguishes it from its surroundings. When dealing with a customer, an Islamic bank may propose a sale of an asset in return for deferred payment, with the bank later offering to repurchase the asset from the customer for cash at a price lower than the initial selling price.

Since there is no actual buy-and-sell mechanism, the operation of these cards is not in any way governed by market forces. The asset's hypothetical purchasers and sellers both exist only in the mind. That is a false dichotomy on both sides. This allows for legitimate business transactions, which starkly contrasts Islamic teachings. As a direct result, it will be harmed by this.

Ijārah credit card

People who use this form of credit card are a smaller subset of the population than those who use other varieties. Its principal function is to facilitate the cardholder's ability to make lease-based purchases of fungible assets from many vendors. The cardholder is extended the option to acquire while the issuer foots the bill. After that, the cardholder must pay a specific monthly rent for the agreed-upon duration.

The Ujrah paradigm also came under fire from those who disagreed with it. Scholars from each of the four schools of FiqhFiqh agree that bank fees benefit a loan because of how they are structured. Because riba prohibits the lender from benefiting from the loans, the lender cannot profit from them.

Key Features of a new concept *Mushāraka Mutanāqisa*

While a Mudaraka Mutanaqisa is one type of Islamic financial product, Islamic banks can also provide a wide variety of other products. Focusing on many core features of a Mushraka Mutanqisa based on the Shara Standards of the Accounting and Auditing Organization for Islamic Financial Institutions is necessary for building an Islamic credit card compliant with Sharia law (AAOIFI). A Mushraka Mutanqisa is required to build an Islamic credit card (AAOIFI). Thus, it will be possible to envision an Islamic credit card that mimics the Musharaka Mutanaqisa. This is due to AAOIFI's prominence as an Islamic financial infrastructure standards-setting body, which has led to widespread acceptance of its guidelines across the international Islamic banking sector. The American Association of Independent Financial Institutions (AAOIFI) describes a Mushraka Mutanqisa as a partnership in which one partner agrees to buy out the other's stake in the business at a predetermined price over time. The term "Mushraka Mutanqisa" describes this particular sort of collaboration. This kind of collaboration is called a Mushraka Mutanqisa. Mushraka Mutanqisa is the Swahili phrase for this form of cooperation. However, AAOIFI makes it clear that neither the commitment nor the actual acquisition need has been part of the original partnership arrangement. Accordingly, the contract regulating the acquisition of the other partner's shares must be drafted independently of the other partner. That is because that follows from that; thus, it makes sense.

A further limitation emphasized by AAOIFI is that no partner in a Mushraka Mutanqisa agreement can be offered the option to withdraw their shares or that such a clause can be included in the contract. This is because doing so is illegal. As one of the rules mentioned in the AAOIFI paper, this one is as follows:

However, as a Mushraka Mutanqisa is considered a partnership mode (as opposed to a sale or lease mode, for example), both parties are compelled to provide a financial commitment. Contributions can be made in cash or other assets used in running the business or later sold for a profit. Intangible assets that may be monetized are still another avenue for contribution. A piece of land is one example of such an asset.

First, the Islamic bank and the customer engage in a cooperation agreement. Then the Islamic bank uses a Wakalah to provide agency to the consumer in the suggested Mushrika Mutanisa credit card scenario. This would initiate the procedure. Unlike conventional credit card accounts, the capital for an Islamic credit card account is funded by the cardholder and the Islamic financial institution. When customers buy an asset for themselves (and the Islamic bank), they commit to buying more of the bank's shares in the future according to a prearranged schedule of payments. The customer's shares in the Islamic bank will be gradually transferred to them after the completion of each periodic payment. In the case of both profits and losses, the former will be distributed to the partners at a specified ratio. At the same time, the latter will be allocated to and borne by each partner by the amount of money they initially invested. AAOIFI further mandates that account holders and issuers pay all fees associated with managing an Islamic credit card account. Because an Islamic credit card account is a joint account, this is the case. Payment for these charges can be made instantly from the Islamic credit card's linked bank account.

It is possible to avoid interest costs by making timely payments. However, credit cards that require full payment after the grace period have been criticised by many who say that a contract of this sort is not legal. These people argue that the contract is illegal because it does not comply with consumer protection regulations. Some Muslims view entering into such a contract as a promise to engage in behaviour forbidden by Islam, even if the debt is paid in full and on time. Why? Because participating in it is seen as a public declaration of intent to engage in behaviour Islam forbids. They have this opinion because they believe that by joining the group, one is promising to engage in activities explicitly banned by Islam. Because they see participation as an agreement to engage in ways that go against Islamic principles, they condemn it. Those who hold this view are committing themselves to act in a way that is contrary to Islamic beliefs, but they nonetheless have widespread support. Since riba is forbidden in Islam, Muslims may not be allowed to have some types of credit cards, such as those that levy extra costs for cash withdrawals (also known as Wakalah fees), since they incorporate the element of riba. To rephrase, a buy-and-sell mechanism does not meaningfully govern the operation of Tawarruq-based cards.

The asset's hypothetical purchasers and sellers both exist only in mind. That is a false dichotomy on both sides. This allows for legitimate business transactions, which starkly contrasts Islamic teachings. As a direct result, it will be harmed by this. Scholars from all four schools of FiqhFiqh oppose the Ujrah paradigm because bank fees appear to benefit a loan. Since Riba forbids the lender from obtaining any advantage from the loans, the lender cannot profit from them. This is a significant criticism leveled against the Ujrah paradigm. The Mudaraka Mutanaqisa paradigm seems more by Sharia law based on what has been presented thus far.

CONCLUSIONS

Some people believe that interest must be paid on all balances carried over from month to month when using a typical credit card. Some adherents of this school of thought argue that credit card use by customers of Islamic banks is permissible. One school of thought holds that customers of Islamic banks are not permitted to use credit cards because doing so constitutes a form of advance payment subject to interest. In light of this understanding, the Islamic Fiqh Academy of India has issued a fatwa declaring that possessing a credit card is forbidden by Islam. Knowledge about *Shariah* is necessary for the study to be explored ideally. So, further research into Islamic credit cards is needed to find the best option for practising Muslims.

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