

ILLEGAL CURRENCY TRADING SCHEME: AN EMPIRICAL STUDY FROM ISLAMIC PERSPECTIVE

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ABSTRACT

Illegal currency trading schemes are illegal trading schemes that are prohibited in Islam because there are elements that violate Islamic Sharia such as *riba*, *gharar*, *maysir* elements that prevent Muslims from engaging in illegal currency trading such as Forex, Bitcoin etc. This study was carried out in an effort to educate the community, particularly Muslims, about the dangers of illegal currency trade and to encourage them to exercise greater caution when engaging in any activity that involves trading. This research has been done through qualitative analysis which is interview through face-to-face interviews. The researchers have used transcription and content analysis methods to quantify and analyse the existence, meanings, and linkages of certain words, themes, or concepts of the topic. The results of the study have answered the research questions about the concept of illegal currencies trading schemes in islamic perspective, the factors that influence Malaysians and Muslims to involve in illegal currencies, and the last question is about how to prevent the illegal currency traders. The conclusion is various factors that cause people in Malaysia to be affected by these schemes.

Keywords: illegal currency trading schemes, cyber crimes, forex, bitcoin, muamalat

1.0 INTRODUCTION

Modern technology puts the evolution of the era at your fingertips. Simply moving the finger across the keyboard's or phone's screen surface will reveal all the information required. The issue presently is that a lot of people engage in currency trading improperly, meaning that the activity includes characteristics that are prohibited by Sharia law, such as *riba*, *gharar*, which is uncertainty, and *maysir*. This is due to the widespread dissemination of the benefits of trading, including how simple it is to obtain funds for trading activities, generate profits, and acquire consumers. People who read it, particularly those in Malaysia who are readily swayed by matters of profit, continue to engage without first reading it. The Movement Control Order (MCO) opens a new dimension in life. Many take advantage of daily activities using online facilities. In addition to marketing, purchasing, selling, ordering and banking, the activity that is getting more and more attention is online trading. Online trading involving foreign currencies, stock index values, derivative commodities and cryptocurrencies do not actually conform to the characteristics of Islamic sales contracts, in fact there are elements that are not required by Shariah. Even more confusing, there are some agents of brokerage companies citing religious views that require it in the campaign to recruit new account holders.

This confusion exists due to a mistake in distinguishing between foreign currency exchange (foreign currency exchange) and foreign currency trading (forex trading). Foreign currency exchange through a licensed money changer is required on the condition that delivery is made at the same time (referred to as *lani*). This exchange is clearly not against Sharia and is even required because the foreign currency exchanged is handed over and used in the relevant country. While foreign currency trading has no other purpose except to make a profit from price changes in the market. Although this transaction is a normal international transaction, it violates the sale and purchase contract permitted by Shariah, and has elements prohibited by religion. Since the coronavirus disease (COVID-19) struck our nation, the government has taken preventative measures to stop the spread of COVID-19 by enforcing a Malaysian movement control order (MCO), which has led to an increase in trading activities among Malaysians to diversify their sources of income and to continue surviving since many had to be laid off and forced to work from home at the time. Additionally, the economy at the time also crashed, forcing industries to close their doors and fire their employees because they could no longer afford to pay their salaries. It takes a high level of understanding to trade. Nowadays, a lot of people are knowledgeable about trading, but there are still a lot of individuals who are ignorant of Islamic law, including what is *halal* and what is *haram*, as well as the errors that traders commit when practising Islam. This study focuses on 3 objectives which; a) to identify the concept of illegal currency trading; b) to explain the factors that influence Malaysian and Muslim to involve in illegal currency trading schemes from Islamic perspective; c) to analyse the solution on prevention of illegal currency trading.

2.0 METHOD

This is a qualitative study that was conducted by interviewing three professionals in the field. Data were collected in an unstructured interview and has been interpreted using thematic analysis.

3.0 FINDINGS AND ARGUMENTS

3.1 Demographic Profile

Table 1: Respondent`s Background

Respondent	Gender	Age	Occupation
Respondent 1	Male	28	Senior Lecturer
Respondent 2	Male	34	Senior Lecturer
Respondent 3	Male	65	Senior Lecturer

Table 1 shows 3 respondents who were interviewed to explain and help understand more deeply about Illegal currency trading schemes to achieve the objectives of this study. The three respondents are made up of teaching staff who are lecturers from the Faculty Academy Contemporary Islamic Studies, UiTM Terengganu Dungun branch. The respondents are 28 years old, 34 years old and 65 years old, all of whom are experts in their respective fields. One of the respondents, respondent 1, has experience as a bank officer in an international bank for several years.

3.2 The Concept of Illegal Currency Trading Schemes in Islamic Perspective

Shariah sets specific rules for exchanging money based on the concept of Al-*ṣarf*. The meaning of al-*ṣarf* according to the majority of scholars from the schools of Shafi'i, Hanafi and Hanbali is buying and selling currency with currency either of the same type or of different types. Examples of buying and selling are the same types such as the exchange of gold for gold and the exchange of silver for silver. While buying and selling is of different types such as the exchange of gold and silver. Al-*ṣarf* is included in the buying and selling category and is subject to the selling principle buy set. Aqad al-*ṣarf* that does not fulfil the rules is fasid or null and void on the side of Sharia. The buying and selling pillar consists of three pillars which are sighth (pronunciation during the contract), aqidan (seller and buyer) and mauqud alaih (eyes money exchanged).

According to the collected information about the concept of illegal currency trading is adalah mengikut garis panduan yang ditetapkan dalam syarat-syarat Al-*ṣarf* . Respondent 1 and 3 , they stated that:

"Currency and digital assets are different things. If viewed from the point of view of currency trading, it is under al-ṣarf, that is, it is included under the sale and purchase of ribawi goods, so it applies the law of ribawi to it. Therefore, currency exchange is with currency and it must be exchanged at the same time which is not delayed like exchanging on different days and the item must be present in the sale

and purchase ceremony. If you exchange a different currency, it will be according to the agreement between the two parties, not necessarily according to the market price."

Respondent 3;

"We need to know that Al-sarf is currency trading and currency trading is included in ribawi items. So if the condition that is Al-sarf is not sufficient, then the trade is not shariah compliance. Due to not following shariah guidelines it has made it haram. First of all, we need to know what Al-sarf is, which is currency trading that involves the exchange between different types of money from different countries. According to Islam it is something sensitive and it takes into account the time factor, when the day changes the value will change, so this trade needs to be done in cash. If it does not happen in cash, debt and deferred involving time changes then it is included in the illegal currency trading scheme. Haram because it invites usury because it involves a difference in value. Among the factors that make it haram are changes in time, different values, there are elements of gharar which is uncertainty such as not being sure how much it is worth"

According to Ahmad & Sobri, 2022, a contract of exchange called al-sarf involves exchanging money for money. These contracts need to be properly watched since they can be readily exploited to generate loans with interest, which is against Islamic law. These contracts are a foreign exchange mechanism that include converting one currency unit into another. The normal terms of sale and buy also apply to the al-sarf contract since it is a sale and purchase agreement.

3.3 Factors that Influence Malaysian and Muslim to Involve in Illegal Currency Trading Schemes from Islamic Perspective

There are actually various factors that influence Malaysians and Muslims to get involved in illegal currency trading schemes. Factors can be found from various aspects such as self, family, society or environment. It is possible that the factors that influence it are from themselves who are greedy with worldly wealth as there is no other way that is halal in Islam that they can find to find some sort of income. In addition, easy and quick returns are one of the factors that cause many people in the community to get involved in trading schemes. Next, the environment also has a very big impact in influencing other people to be influenced by just seeing the beauty and pleasure obtained but otherwise it is just marketing only to attract other people's interest. According to respondent 1, he mentioned of the influence Malaysians and Muslims to be involved in illegal currency trading schemes from an Islamic perspective are because of the spread of inauthentic things about trading by proclaiming the benefits and profits of joining the trading and spreading that the real trading It is not halal from an Islamic point of view, it is said to be permissible by religious people who cause the community to believe it. In addition, the community lacks knowledge and awareness about trading that is not halal in Islam because most

of what is spread on social media is all about profit when joining the trading. Because of that, the community completely believes what is spread because they cannot judge whether it is right or wrong.

Next, with the age where everything is just at the fingertips, the public is influenced by what they see in social media, for example the advertisements that appear on every social media platform, most of which promote illegal trading such as forex are from Muslims themselves. Forex trading strategy has just undergone intense promotion, and given that influencers and celebrities have already begun to promote it, it appears to be growing like mushrooms. This is due to the fact that they have shared photographs and videos of their lavish lifestyles, including their income in USD, their opulent residences, and their opulent cars, on social media. Their extravagant lifestyles are funded by the money earned from Forex instruments. Because of this, it is inevitable that many of their social media followers who are unaware of this transaction would get captivated and swarm to engage in it (Ahmad & Sukri, 2022).

"One of the factors that cause Malaysians to be influenced is due to religious groups such as ustaz who spread unauthentic facts and things that are not based on the Qur'an and Sunnah. In addition, the public lacks knowledge about trading and also the public lacks awareness about the prohibition of illegal currency trading. Next, now if you look at the income factor, many people desperately need money quickly and easily to support their daily life. So to meet the urgent needs of today, by doing trading they can get returns quickly and easily. Move over, social media is also one of the biggest factors in today's times." (Respondent 1)

Based on respondent 2, the factor that influences Malaysians and Muslims to get involved in illegal currency trading schemes is because the community only thinks about profit so much that they ignore what God has decreed. In addition, the community chooses an easy way to obtain pleasure and money but the community should find trading schemes that follow the guidelines set in Islam.

"Factors that influence Malaysians and Muslims to involve in illegal currency trading schemes from an Islamic perspective are a society that is not well versed in religious teachings that only thinks of profit and greed in the world and disregards all the prohibitions of God. In addition, they choose an easy step to get wealth while there are only schemes that are allowed in syariah but they choose to join illegal schemes." (Respondent 2)

Respondent 3 is of the same opinion as respondents 1 and 2 that the factors that influence Malaysians and Muslims to get involved in illegal currency trading schemes are due to the community taking the easy way to get money because trading is a platform that is already known to be easy and quick to make a profit. Therefore, Covid-19 also affects the lives of people in Malaysia which causes them to join trading but in the wrong way. So due to their desperate needs, they don't think much about joining illegal trading schemes to get profits quickly and easily. Some members of the community are now anxiously looking for different sources of

income due to the economic slump. Additionally, the Covid-19 pandemic has resulted in job losses for several members of the community, which also results in a loss of monthly income. (Ahmad & Sukri,2022) Next, the lack of knowledge about illegal trading schemes is not very widespread and is not discussed in more depth.

"One of the factors that influence Malaysians and Muslims to get involved in illegal currency trading schemes from an Islamic perspective. First of all it is the eagerness to make easy profit that causes it to get stuck in the wrong way. Therefore, we as Muslims should avoid being influenced by seeking profit in an easy way but in a wrong way, we must understand the concept of currency trading that is allowed in Islam. So here we can see that the people who do this do not delve into the law of islam that has been established by God and they think that the act that they do is not against the law that has been established by God. For them it is just a job to increase their income. The assumption of sin for them is like stealing, taking other people's rights and so on. The third is the knowledge factor where the tradition of our society does not like to explore knowledge especially in new fields because of currency trading. Next is the debt factor that causes them to want to find money in an easy and fast way. Furthermore, now is the age where people are easily influenced by things related to money and get-rich-quick schemes as well as the influence of others such as on social media promoting these things." (Respondent 3)

Among the factors found is because of the public's thinking that trading is the easiest way to get high income and returns without the need for hard work. The second factor is the lack of knowledge about illegal currency trading schemes in Malaysia causing people to be influenced easily. The third is promoting from social media which greatly influences the community by creating a community perspective that by doing trading will gain a lot of profit. According to Ahmad & Sukri, 2022, this presents a chance for brokers or platforms to publish Facebook or YouTube advertisements that demonstrate how simple it is for people to make money through individual Forex trading online.

3.4 The Solutions on Prevention Illegal Currency Trading

Illegal currency trading schemes in Malaysia are very prevalent now with various factors that encourage them to get involved in illegal currency trading schemes. Therefore, the solution to prevent this issue needs to be known so that this problem can be solved quickly and make various parties aware to deal with this issue that is prevalent among the society in Malaysia, especially Muslims. Respondent 1's opinion, the solution to prevent this issue is to spread awareness to the community so that the community is aware of illegal currency trading schemes. Those responsible need to be more aware of this problem so that it can be addressed.

We can reduce it with awareness, for example by holding a campaign from the government or institutions or Non-Governmental Organisations (NGO) to make the public aware of illegal currency trading that not all trading is halal and legal in the eyes of Shariah.

Respondent 2 thinks that every individual should study first before getting involved in any schemes so as not to get involved in illegal currency, especially Muslims.

To prevent this issue is all up to the will of the individual who must wisely evaluate and study what is best for us. As Muslims, we must choose a scheme based on Al-Quran and As-Sunnah so as not to fall into things that are not allowed in Islam. (Respondent 2)

Respondent 3 has the same opinion as respondent 1, which is to provide awareness to the community so that the community is more exposed to illegal currency trading. In addition, knowledge is something very important to prevent this issue so that the community knows which trading is allowed in Islam and which is not allowed in Islam.

Respondent 3,

We need to raise awareness by knowing what we are doing is right or wrong. In addition, by holding knowledge movements about illegal currency trading schemes to further develop a society that is sensitive about schemes that are not allowed in Islam. Next, the awareness of involvement in illegal currency trading schemes is not allowed in is fardhu ain where it is a religious demand to give birth to a high commitment to leave illegal things.

To summarize, the solution on prevention of illegal currency trading among them is to create awareness among the community about illegal currency trading to prevent more people in Malaysia, especially Muslims, from getting involved in illegal currency trading where it is a sinful act because there are elements which are not allowed in Islam. In addition, the responsible party must act appropriately in combating this issue before it spreads among other Muslims.

4.0 CONCLUSION

Illegal currency trading schemes in Islamic perspective are trading schemes that are prohibited in Islam because there are elements that violate Islamic Sharia such as riba, gharar, maysir elements that prevent Muslims from engaging in illegal currency trading schemes such as Forex, Bitcoin and etc. As Muslims we must understand the concept of illegal currency trading schemes in Islamic perspective so that we are not included in the group of people who commit sins for doing currency trading schemes which are prohibited by Islam. From this study, it was found that there are various factors that cause people in Malaysia to get involved in illegal currency trading schemes due to unstable financial factors. So as an easy and quick step to get returns and profits, they only see from the aspect of the hardships they go through by ignoring the laws in Islam. If you understand the impact of Covid-19 on the community, it has a huge impact that causes life to become desperate with a lack of income caused by layoffs and so on. In addition, the Malaysian community lacks knowledge about illegal currency trading schemes which causes them to be easily influenced. Next, the lack of awareness about illegal currency trading is less discussed. Therefore, all parties must try to deal with the issue of illegal currency

trading schemes so that this problem can be reduced to some extent even if not completely.

Author Contributions

Muhammad, F.S., abstract, editing and literature. Umor, N.A.H., has been a co-author and has analyzed the research findings in this manuscript.

Conflicts Of Interest

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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