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LEGAL AND ETHICAL IMPLICATIONS OF DIGITAL TRANSACTIONS FROM THE SHARIAH PERSPECTIVE IN MALAYSIA

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ABSTRACT

Digital transaction is the process of exchanging goods, services, or information through electronic means, such as the internet, mobile devices, or block chain. Digital transaction has significant implications for the Islamic finance and economy sector in Malaysia, especially from the Shariah perspective. Shariah is the divine law of Islam that governs all aspects of life, including economic, social, and ethical matters. Shariah aims to achieve justice, fairness, and welfare for all parties involved in any transaction or contract, as well as to attain the ultimate goal of human happiness and success in this world and the hereafter. This paper examines and evaluates the legal and ethical implications of digital transaction from the Shariah perspective in Malaysia. The paper adopts a qualitative and descriptive approach, using various sources of data, such as the laws and regulations, the Shariah principles and rules, the Shariah guidance and rulings, and the web search results, to analyse and discuss the issues and challenges, as well as the solutions, of digital transaction in Malaysia. The paper finds that digital transaction in Malaysia is governed by various laws and regulations, as well as the Shariah principles and rules, that aim to ensure the validity, permissibility, and security of digital transaction, as well as to protect the rights and interests of the parties involved. The paper also finds that digital transaction in Malaysia poses various ethical challenges and opportunities for the Islamic finance and economy sector, which require the parties involved in digital transaction to exercise their moral judgment and responsibility, as well as to consult the relevant authorities and experts, in order to ensure the compliance and alignment with the Shariah principles and values, as well as the relevant laws and regulations, in digital transaction. The paper concludes that digital transaction in Malaysia is a phenomenon that offers various opportunities and challenges for the development and innovation of the Islamic finance and economy sector in Malaysia, and that it is crucial to examine and evaluate the legal and ethical implications of digital transaction from the Shariah perspective in Malaysia, and to ensure the optimal outcomes and benefits for the Islamic finance and economy sector in Malaysia, and for the society at large.

Keywords: *Digital transaction, Fintech, implications, Shariah*

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Introduction

The process of transferring goods, services, or information over electronic channels like the internet, mobile apps, or block chains is known as a digital transaction. Digital currency is a recent development that has profound effects on society and the economy. But it also presents a number of difficulties, particularly with regard to legal and economic matters as stated by Said, Abdul-Majid, 2018. In the modern world, digital transactions are becoming more and more common, particularly with the introduction of new innovations and technologies like fintech, e-commerce, and cryptocurrencies. According to Bank Negara, "Electronic payment (e-payment) which offers a more expedient and cost-effective means of moving funds over paper-based payments" (Bank Negara, 2010). Digital transactions do, however, come with a number of hazards and difficulties, including fraud, cybercrime, privacy issues, security issues, and legal issues. Malaysia, a nation with a majority of Muslims, is committed to advancing Islamic finance and the economy, which are founded on Sharia’s tenets and values. Islam's divine rule, known as Shariah, regulates all spheres of life, including social, ethical, and economic ones. Justice, equity, and the benefit of all parties to a transaction or contract are the goals of Shariah. As a result, it's critical to investigate the possible benefits and drawbacks for the growth of Islamic fintech and digital financial inclusion in Malaysia, as well as the legal and moral ramifications of digital transactions from a Shariah perspective. The following topics will be covered in this research: the legal framework, Shariah principles and rules that govern the validity and permissibility of digital transactions in Malaysia; moral values and virtues; the goals and values of Shariah that support the ethical conduct and behaviour of digital transactions in Malaysia; challenges that arise and their solutions. This study will examine the legal and ethical implications of digital transactions from the Shariah perspective in Malaysia.

The swift expansion and innovation of Malaysia's digital economy sector are among the primary elements that contribute to the importance of digital transactions in the nation. These factors present a range of prospects and obstacles for the advancement and integration of the nation and its populace, particularly in light of the COVID-19 pandemic and the aftermath. "As consumers and businesses shifted to online channels for shopping, entertainment, education, and work, the COVID-19 pandemic has accelerated the adoption of digital technologies and platforms" (World Bank, 2021). According to the World Bank, Malaysia's digital economy sector contributed 19.1% of the country's GDP in 2019 and is predicted to increase over the next several years. The government's and the authorities' great interest in and dedication to the development and promotion of Malaysia's Islamic finance and economy sector, which is founded on Shariah principles and values, comes next. Islam's divine rule, known as Shariah, regulates all spheres of life, including social, ethical, and economic ones. Justice, equity, and the benefit of all parties to a transaction or contract are the goals of Shariah. Malaysia holds a prominent position in the worldwide Islamic finance and economy, accounting for around 33% of all Islamic banking assets as of 2019. Other than that, the application of different laws and regulations, as well as the Shariah principles and guidelines, that regulate the legality and permissibility of digital transaction in Malaysia. The Central Bank of Malaysia (Bank Negara Malaysia), the Securities Commission Malaysia, the Shariah Advisory Council, and the Islamic Financial Services Board are just a few of the authorities that have issued numerous acts, guidelines, standards, and resolutions that make up Malaysia's well-established and extensive legal framework for Islamic finance and economy. In addition to defending the rights and interests of customers and investors, these laws and regulations seek to guarantee the integrity, soundness, and stability of the Islamic finance and economy sector. The last is the advancement of the moral principles and virtues that support Malaysian digital transaction ethics, together with the goals and ideals of Shariah. Trust, honesty, accountability, responsibility, solidarity, generosity, and social justice are some of these characteristics and principles. These goals and principles include the protection and maintenance of the people's property, religion, life, intellect, and lineage. They also include the realisation of the public interest (maslahah) and the avoidance of harm to the public (mafsadah). These qualities and values are intended to improve the social welfare and general well-being of society, as well as to encourage the moral behaviour and conduct of all parties engaged in any transaction or contract.

In Malaysia, there are several kinds of digital transactions. These include the following. Bank transfers are the first. According to Al-Saqqaf (2019), internet banking is a service that enables users to access and carry out banking operations online, including checking account balances, moving money, making bill payments, and applying for loans. This is the most extensively used, convenient, and safe payment option for internet transactions in Malaysia. The process of moving money between bank accounts via automated teller machines (ATMs), mobile banking, or internet banking is called a bank transfer. The Malaysian Electronic Payment System (MEPS) offers two services for transferring money between banks: Interbank GIRO (IBG) and Instant Transfer (IT). The problem with bank transfers is that, depending on the bank and the service provider, they could be subject to costs, delays, or mistakes. Users and consumers may also be asked for their bank account information while making bank transfers, which increases the possibility of fraud or identity theft. Other than that, due to their innovative, adaptable, and handy nature, e-wallets and digital wallets are becoming the accepted forms of payment for online transactions in Malaysia. E-money, according to Al-Zubi (2018), is a type of electronic payment that entails using a device—like a card or a smartphone—to store money and make payments. In order to store digital currency or payment information that can be used to make purchases online or off, users of e-wallets and digital wallets need a web browser or a mobile application. Digital wallets and e-wallets can be utilised with a number of different apps and websites, including ShopeePay, BigPay, Boost, GrabPay, and Touch 'n Go eWallet. Depending on the platform and the service provider, e-wallets and digital wallets may have limited adoption, interoperability, or security. Users and consumers may be required to furnish personal data to e-wallets and digital wallets, hence raising the possibility of privacy or data breach. And lastly, investing in digital gold. "Investing in digital gold enables investors to purchase and sell real gold online, eliminating the need to handle storage, shipping, or security concerns associated with holding the gold themselves," according to Aziz & Rahman in 2019. Another name for it is the gold accumulation or savings scheme. Convenience and accessibility are two advantages of investing in digital gold: investors can purchase and sell gold using online platforms like banks, fintech firms, or e-commerce websites at any time or location. A further advantage is that it is more affordable and adaptable than purchasing actual gold because investors can purchase and sell modest quantities of gold, like grammes or ounces, for less money. The lack of actual ownership and control of the gold, the platform provider's reputation and dependability, and the unpredictability of Malaysia's legal and regulatory environment regarding digital assets are some of the disadvantages of investing in digital gold, though. Public Gold, Quantum Metal, and CIMB's e-Gold Investment Account (eGIA) are a few of the platforms that provide digital gold investment in Malaysia.

Legal and Ethical Implications of Digital Transactions

In Malaysia, located in the centre of Southeast Asia, has become known for its vibrant and quickly developing digital economy, which is defined by an ever-increasing network of digital transactions. "Countries, including Malaysia, have passed e-commerce laws in accordance with international organisations, such as the United Nations Commission on International Trade Law (UNCITRAL)" (Mikail, 2016). In Malaysia, digital transactions have become an essential aspect of daily life, ranging from electronic payments and online shopping to cryptocurrency exchanges and digital lending platforms. The ongoing digital revolution is reshaping the economy and raises a number of ethical and legal issues that need to be carefully considered. This research will delves into the multifaceted realm of digital transactions in Malaysia, exploring the legal and ethical implications that accompany this digital revolution. As we embark on this journey through Malaysia's digital transaction landscape, we will unravel the legal frameworks governing these transactions, consider their ethical dimensions, and explore the ways in which Malaysia is shaping its digital future while upholding the principles of justice, transparency, and ethical conduct.

Legal Implications of Digital Transactions

In order to promote innovation and economic growth, the legislative framework governing digital transactions in Malaysia is intended to offer a strong regulatory environment that guarantees the integrity and security of digital financial activity. "To keep up with the rapid changes and innovations in the digital payment industry, Malaysia's legal and regulatory framework for digital payment systems is still evolving and needs constant review and update" (Al-Saqqaf, 2019). The legal implications and outcomes of carrying out business operations or transactions via electronic channels, like the internet and mobile devices, are known as the legal implications of digital transactions in Malaysia. In Malaysia, digital transactions are subject to a range of legal frameworks, including Shariah principles and regulations. These mechanisms are designed to safeguard the parties' rights and interests while also ensuring the legitimacy, permissibility, and security of digital transactions.

The Electronic Commerce Act 2006, Act 658 (ECA 2006), which allows for the legal recognition of electronic messages in commercial transactions, the use of electronic messages to satisfy legal requirements, and the facilitation of commercial transactions through the use of electronic means, are some of the laws and regulations that govern digital transactions in Malaysia. As long as certain standards and conditions are met, the ECA 2006 now permits the use of electronic documents, contracts, and signatures. The principal legislation pertaining to consumer protection in commercial operations, including e-commerce, is the Consumer Protection Act 1999, Act 599 (CPA 1999). Any unfair trade practices, including deceptive or false statements, unethical behaviour, and unfair contract terms, are forbidden by the CPA 1999. Consumer protection councils and the Consumer Claims Tribunal are two more consumer redress options made available by the CPA 1999. Apart from that, e-commerce traders and intermediaries must abide by a set of rules and obligations stipulated in the Consumer Protection (Electronic Trade Transactions) Regulations 2012 (CP Regulations 2012), which are regulations established in accordance with the CPA 1999. E-commerce vendors and intermediaries are required under the CP Regulations of 2012 to provide specific information, including their name, address, phone number, the description and cost of the goods or services, and the terms and circumstances of the deal. E-commerce merchants and intermediaries must also take reasonable precautions to safeguard the security and privacy of customer payment information and personal data, according to the CP Regulations of 2012. In addition, the main law governing the gathering, use, and disclosure of personal data in business transactions, including online sales, is the Personal Data Protection Act 2010, Act 709 (PDPA 2010). According to the PDPA 2010, data users must get consent and notify data subjects of the reason(s) and scope of the data collection and use. The PDPA 2010 also outlines the rights and remedies of data subjects, as well as data protection standards such data accuracy, security, and retention. The main piece of legislation governing the provision and use of communications and multimedia services and facilities, including e-commerce, is the Communications and Multimedia Act 1998, Act 588 (CMA 1998). According to the CMA 1998, content application and service providers must apply for and receive a licence from the Malaysian Communications and Multimedia Commission (MCMC). Pornography, violence, and hate speech are examples of offensive or indecent content that is prohibited by the CMA 1998. It also includes enforcement and penalty procedures for any violation of the legislation. The main laws governing the supply and operation of financial services and goods, including e-commerce, are the Financial Services Act 2013, Act 758 (FSA 2013) and the Islamic Financial Services Act 2013, Act 759 (IFSA 2013). Financial service providers and intermediaries must get a licence from Bank Negara Malaysia (BNM) in accordance with the FSA 2013 and the IFSA 2013. E-money is acknowledged as a payment instrument by the FSA 2013 and the IFSA 2013, who both control its issue and use. Users and merchants of e-money can also access consumer protection and dispute resolution processes through the FSA 2013 and the IFSA 2013.

Additionally, the Shariah Advisory Council (SAC) is involved in the regulation of digital transactions. It gives decisions and Shariah guidance about the Shariah compliance of digital platforms and applications that provide Islamic financial services and products, including crowdfunding, robo-advisors, peer-to-peer lending, cryptocurrencies, and artificial intelligence. The SAC is the foremost Shariah authority in Malaysia for Islamic financial institutions, and its rulings are binding on arbitrators, courts, and regulators. Furthermore, the SAC is available for consultation on any Shariah-related matters involving the economy and Islamic finance, including digital transactions. The SAC is established and empowered by the Central Bank of Malaysia Act 2009 (CBA 2009), which reiterates the SAC's responsibilities and roles as the exclusive authority for interpreting Islamic law for the purposes of Islamic financial operations that the Bank oversees and regulates. After consulting with the Bank, the Yang di-Pertuan Agong names the SAC members based on the Minister of Finance's suggestion. Currently, there are nine members of the SAC who are academics and practitioners of Shariah with a wealth of local and global experience in the domains of Shariah, law, Islamic economics, and finance. The SAC is crucial to the expansion and innovation of the Islamic finance and economic sector, especially in the Malaysian Islamic financial institutions, as well as to the consistent application of Shariah rulings particularly in the digital age. The SAC provides the Shariah basis for developing a complete Shariah contract-based regulatory framework for Islamic financial institutions in Malaysia, in addition to the Shariah screening and filtering standards for digital financial products and services. The SAC provides guidelines and standards for the conduct and governance of the Shariah committees and advisers of Islamic financial institutions in addition to the Shariah governance and audit framework for digital platforms and applications. When the SAC stated that trading in digital assets was permitted as long as certain guidelines were followed, it made history. The SAC considered the purposes and principles of Shariah, the public interest, and societal well-being when reaching its ruling. The SAC additionally stated that the exchange of digital assets must conform to all relevant laws and customs as well as the tenets and guidelines of Shariah, which prohibit the use of riba, gharar, maysir, and dharar and promote justice, equity, and openness. Consequently, the SAC plays a crucial role in upholding harmony and congruence between Islamic and conventional law, the material and spiritual realms of existence, and Malaysia's Shariah-based regulation of digital transactions. Furthermore, the SAC supports the expansion and competitiveness of Malaysia's Islamic finance and economy. It also contributes to the realisation of the ultimate goal of human prosperity and happiness in this life as well as the next. Another Shariah principle or guideline that controls the legitimacy and allow ability of digital transactions in Malaysia is the existence of offer and acceptance, which is the mutual permission of the parties to enter into a transaction or contract. Without any trace of compulsion, fraud, or error, the offer and the acceptance must be clear, certain, and unconditional. The offer and acceptance may be given directly or implicitly, orally, in writing, electronically, or in accordance with Shariah laws and the ECA 2006.

Ethical Implications of Digital Transactions

The ethical implications of digital transaction from the Islamic ethical perspective are the moral principles and virtues that guide the conduct and behaviour of the parties involved in the exchange of products, services, or information through electronic means. The Shariah, the divine law of Islam that regulates all facets of life, including social, ethical, and economic issues, is the source of these virtues and values. Shariah seeks to fulfil the ultimate purpose of human pleasure and achievement in this world and the next, as well as to achieve justice, fairness, and welfare for all parties engaged in any transaction or contract.

The Islamic ethical perspective highlights several ethical implications of digital transactions, including the advancement of honesty, transparency, and trust. The rule of openness and truthfulness, which stipulates that there must be no deceit, fraud, or force and that the transaction must be founded on mutual consent, disclosure, and confidence. Transparency requires all parties to a transaction to communicate and reveal all relevant information, including the terms and circumstances, risks and rewards, and rights and obligations. In order to be transparent, all parties must refrain from misleading, manipulating, or withholding information that could influence a decision or the result of a transaction. In addition to preventing disagreements, fraud, and injustice, transparency is crucial for preserving the parties' confidence, trust, and happiness. Fairness is the attribute of being just, equitable, and unbiased in all financial and business transactions. For instance, in Islamic banking, the bank is required to notify the customer of the profit rate, the financing contract's payment schedule, and the penalty clause, and the customer is required to inform the bank of the purpose, the source, and the use of the funds. To be fair, all parties to a transaction must recognise and uphold each other's rights and interests, and they must refrain from abusing, mistreating, or harming one another. In order to be fair, all parties must carry out their contractual duties and abide by the terms and circumstances of the transaction. In addition to promoting the ideals of collaboration, solidarity, and social justice, fairness is crucial for maintaining the equilibrium, peace, and welfare of the parties. In Islamic insurance, for instance, the insured must pay the premium to the insurer on a regular and fair basis, and the insurer must pay the claim to the insured in a timely and sufficient manner. According to Saiti, 2016, “When engaging in a digital transaction, parties must disclose all relevant terms and conditions, associated risks and advantages, and rights and duties to one another instead of lying, cheating, or manipulating one another”. In addition, the parties have to carry out their end of the bargain and refrain from default or breach. The parties must also abide by the applicable laws, norms, and Shariah guidelines, which control the legitimacy and allowability of digital transactions in Malaysia.

The prohibition of riba, gharar, maysir, and dharar in digital transaction. Allah says in the Quran: *"Allah has permitted trade and has forbidden interest" (2:275)*.

He also says:

"O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful" (5:90).

The Quranic verse 2:275 states that Allah has permitted trade and has forbidden interest. This verse implies that trade is a lawful and beneficial activity in Islam, as it involves mutual exchange and cooperation, while interest is an unlawful and harmful activity, as it involves exploitation and injustice. This applies to digital transactions as well, as Muslims should not charge or pay any interest on loans or debts, or any increase or decrease in the principal amount without a valid reason or compensation. They should also avoid any delay or deferment in the payment or delivery of the goods or services, as this may also involve riba or gharar. While the Quranic verse 5:90 prohibits the consumption of intoxicants, gambling, idolatry, and divination, as they are defilement from the work of Satan. This verse implies that these activities are forbidden in Islam, as they involve harm and corruption to oneself and others, and they contradict the worship and obedience of Allah. This applies to digital transactions as well, as Muslims should not engage in any excessive risk, speculation, or chance, or any unlawful or immoral activities, that may harm the interests of the parties or the society. They should also avoid any transactions that involve selling or buying alcohol, pork, or pornography, as these are haram in Islam.

Riba is the unauthorised growth or excess in a transaction, such as interest, usury, or inflation. Riba is the term used to describe a situation in which one party pays or receives more than the fair or agreed-upon amount of the transaction without providing or receiving a comparable good or service. Injustice, exploitation, and oppression of the parties—particularly the underprivileged and destitute—are further consequences of riba. Gharar, on the other hand, is the excessive uncertainty or ambiguity in a transaction, such as speculation, gambling, or fraud. For instance, in conventional banking, the bank charges interest on the loan to the customer, and the customer pays interest on the deposit to the bank. This results in an unequal and unfair relationship between the bank and the customer. Gharar is the term used to describe situations in which one or both parties are unsure or unaware of crucial details regarding the transaction, such as the nature of the product, the topic matter, the quantity, the quality, the time, or the location. Islam forbids gharar because it causes resource waste and misuse in addition to risk, loss, and conflict between the parties. For instance, in traditional insurance, the insured pays the premium to the insurer, but the insurer does not guarantee that the insured will receive the claim. As a result, the insured and the insurer have an ambiguous and uncertain relationship. The insurer collects the premium from the insured, but it does not guarantee that the insured will receive the claim. The next term is maysir, which is the illegal profit or loss from a transaction like an insurance policy, lotto ticket, or bet. Maysir refers to a situation in which the parties' effort or labour is not taken into account when determining the profit or loss of a transaction; rather, one or both parties rely on the result of a random or unpredictable event. Islam forbids these things because they go against the goals and principles of Shariah, which include the preservation and protection of peoples' property, religion, lives, intellect, and ancestry. Along with the devastation and degradation of society, Maysir also causes greed, addiction, and corruption among the parties. For instance, in traditional gambling, the gambler wagers on the result of a game or race, and the victor takes the loser's money. This leads to a negative and zero-sum dynamic between the gambler and the victor. Finally, dharar refers to the injury or damages brought about by a transaction, including injustice, oppression, or exploitation. Dharar is the term for when a transaction results in purposeful or inadvertent bodily, mental, or financial injury or damage to one or both parties. Along with causing social unrest and instability, dharar also breeds animosity, hatred, and violence amongst the parties. In traditional trade, for instance, the seller offers the customer damaged or defective items, and the consumer pays the seller an exorbitant or unjust price, harming and damaging the seller-buyer relationship. Islam forbids these things because they go against the goals and principles of Shariah, which include the preservation and protection of peoples' property, religion, lives, intellect, and ancestry.

The contribution to the social welfare and well-being of the society in digital transaction is one of the ethical implications of digital transaction from the Islamic ethical perspective. It means that the parties involved in digital transaction must not only pursue their own interests, but also consider the interests of others, especially the underserved and marginalized communities, such as the rural, poor, or disabled. The parties must also promote the values of cooperation, solidarity, generosity, and social justice, and support the causes of charity, zakat, waqf, and sadaqah. The parties must also contribute to the achievement of the public interest (maslahah) and the prevention of the public harm (mafsadah), as well as the realization of the objectives and values of Shariah (maqasid al-shariah).Allah says in the Quran:

"*And cooperate in righteousness and piety, but do not cooperate in sin and aggression" (5:2).* The Prophet (peace be upon him) said: "*There is no harming or reciprocating harm" (Ibn Majah, 2340)*.

Verdict on the Quran 5:2: Cooperate in piety and righteousness, but refrain from cooperating in violence and wrongdoing. This passage emphasises that cooperation and collaboration are encouraged in Islam, as they support the common good and the well-being of the society, whereas sin and violence are forbidden, as they bring harm and damage to the environment or the public interest. This also holds true for online transactions: Muslims should uphold their social obligations, promote societal welfare, and refrain from endangering the environment or the general welfare. Additionally, they ought to conduct business in a way that upholds the principles and goals of Shariah, including the defence of property, intellectual property, faith, life, and ancestry. The use of e-commerce platforms or fintech applications to facilitate the delivery of essential goods and services, such as health, education, and finance, to the underserved and marginalised communities, who may face various barriers and challenges in accessing and benefiting from the conventional financial system, are some examples of how digital transactions contribute to social welfare and the well-being of society. Fintech applications and e-commerce platforms have the potential to improve these communities' social welfare and well-being while also advancing the ideals of social justice, generosity, solidarity, and collaboration. Through a web platform and a network of volunteers, donors, and sponsors, a social company in Malaysia by the name of SOLS 24/7 offers free social services and education to the impoverished in both rural and urban areas. These services include computer skills, solar energy, and English classes. The next is the use of peer-to-peer lending and crowdfunding platforms as a financial service or source of funding for the nation's social and economic development and inclusion of its citizens, particularly the youth and micro, small, and medium-sized businesses who might have trouble getting funding from traditional financial institutions. Peer-to-peer lending and crowdfunding platforms offer creative and alternative means of obtaining capital and financing, while also advancing the ideals of generosity, solidarity, collaboration, and social justice. For instance, in Malaysia, funders and fund seekers can trade cash for a range of social and environmental projects, including community development, affordable housing, and renewable energy, using a website called EthisCrowd.

Shariah Perspective Regarding Digital Transaction

Based on the divine guidance that Muslims believe God imparted to them through the Quran and the Sunnah, the Shariah perspective represents the Islamic outlook on life and the world. Aspects of human existence like faith, worship, morality, law, ethics, and social justice are all covered by the Shariah approach. The goal of the Shariah perspective is to assist Muslims in living in harmony with God's will and achieving happiness both here on Earth and in the afterlife. Therefore, as long as a digital transaction satisfies the following requirements, it is allowed under Shariah:

First and foremost, there must be no deception, fraud, or coercion in the transaction; instead, it must be carried out with mutual consent, honesty, transparency, and fairness. There must be no deception, fraud, or coercion in the transaction; instead, it must be founded on mutual consent, honesty, transparency, and fairness. This indicates that there must be no doubt or hidden clauses in the terms and conditions of the contract, which include the price, quantity, quality, delivery, and mode of payment, for all parties engaged in the transaction. They must also refrain from lying, deceiving, or pressuring the other party to accept the contract, as well as disclose any flaws or problems in the products or services. This is to ensure that the transaction is conducted in a just and ethical manner, and that the rights and obligations of both parties are respected and fulfilled. This principle is derived from the Quranic verse that commands the believers not to consume one another's wealth unjustly, but only in lawful business by mutual consent (4:29). It is also supported by the Hadith that narrates how the Prophet (peace be upon him) praised the honest and truthful traders, and warned against the dishonest and fraudulent ones (Bukhari, 2079).

Aside from that, the transaction must not contain any elements of gharar (uncertainty), maysir (gambling), riba (interest), or haram (prohibited) activities, including the sale of meat, alcohol, or porn. Any aspect of riba (interest), gharar (uncertainty), maysir (gambling), or haram (prohibited) activities—such as the sale of alcohol, pork, or pornography—must not be present in the transaction. This means that there cannot be any principle amount increases or decreases in the loan or debt, nor can there be any payments or delivery delays of goods or services without a solid reason or payment in lieu of compensation. Additionally, it must not entail any unethical or illegal behaviour that could jeopardise the interests of the participants or of society, nor should it involve undue risk, speculation, or chance. This is to ensure that the transaction is conducted in a lawful and beneficial manner, and that it does not lead to any injustice, exploitation, or corruption. This principle is derived from the Quranic verses that prohibit the consumption of intoxicants, gambling, idolatry, and divination, as they are defilement from the work of Satan (5:90), and that permit trade and forbid interest, as interest causes harm and injustice, while trade causes profit and benefit (2:275). It is also supported by the Hadith that specifies the rules and conditions for exchanging different commodities, such as gold, silver, wheat, barley, dates, and salt, to avoid any riba or gharar (Muslim, 1584).

Next, the transaction must comply with the Shariah standards and parameters issued by the relevant authorities, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the National Fatwa Committee (MFK), or the International Shariah Research Academy for Islamic Finance (ISRA). The transaction must comply with the Shariah standards and parameters issued by the relevant authorities, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the National Fatwa Committee (MFK), or the International Shariah Research Academy for Islamic Finance (ISRA). Based on the Quran, Hadith, and the consensus of scholars, these authorities are in charge of giving fatwas (legal opinions) and instructions on a variety of topics pertaining to Islamic banking, including digital transactions. They also offer stakeholders and the general public information and training, as well as monitoring and auditing the performance and compliance of Islamic financial institutions and products. This is to make sure that the transaction satisfies the requirements and expectations of the Muslim community and is carried out in compliance with the goals and principles of Shariah. This principle is derived from the Quranic verse that commands the believers to obey Allah, His Messenger, and those in authority among them, and to refer to them in case of any dispute (4:59). It is also supported by the Hadith that encourages the Muslims to seek knowledge and guidance from the qualified and trustworthy scholars and experts (Bukhari, 71).

There are many examples of digital transaction platforms that are shariah-compliant, such as Quantum Metal, a digital gold investment platform that offers three products: Gold Savings Account (GSA), Gold Currency Account (GCA), and Gold Advance Enhancement (GAE). These products are approved by ISRA and follow the halal principles of gold investment. Another example is HelloGold, a mobile application that allows users to buy and sell physical gold online. HelloGold is certified by Amanie Advisors, a leading shariah advisory firm, and adheres to the AAOIFI shariah standard on gold. Therefore, digital transaction is permissible by the shariah perspective as long as it meets the above-mentioned conditions and follows the guidance of the shariah experts and scholars. Digital transaction can also provide benefits for the Muslim community, such as enhancing financial inclusion, promoting economic growth, and facilitating zakat (obligatory charity) and waqf (endowment) contributions.

Challenges Arising from Digital Transactions in Malaysia and its Solutions

Challenges

Digital transactions are becoming a necessary component of daily life in a society that is becoming more and more interconnected. Malaysia, a country in Southeast Asia whose digital economy is expanding quickly, is hardly an outlier in this regard. According to Kajol, K., and Singh, R. (2022), "the digital financial transaction is gaining popularity all over the globe; however, there are numerous challenges as well at the global level, especially for a person not familiar with changing technology." Digital transactions are efficient and convenient, but they also raise a number of ethical issues that need to be resolved. This research will explore three significant ethical challenges arising from digital transactions in Malaysia, shedding light on the complexities faced by individuals, businesses, and policymakers in the digital age. These ethical challenges require the parties involved in digital transaction to exercise their moral judgment and responsibility, as well as to consult the relevant authorities and experts, in order to ensure the compliance and alignment with the Shariah principles and values, as well as the relevant laws and regulations, in digital transaction.

The safety and privacy of personal data and payment information in digital transactions is one of the ethical difficulties that digital transactions in Malaysia face. A privacy or data breach risk may arise from the parties to a digital transaction having to give e-commerce merchants, middlemen, or platforms access to personal data and payment information, such as name, address, contact information, bank account information, or card information. In the event that unauthorised parties steal, hack, or misuse the parties' personal data and payment information, they may also be held accountable for identity theft, fraud, or cybercrime. The Personal Data Protection Act 2010, Act 709 (PDPA 2010) and the Consumer Protection (Electronic Trade Transactions) Regulations 2012 (CP Regulations 2012), which govern the collection, processing, and disclosure of personal data and payment information in digital transactions, must therefore be followed by the parties. They also need to make sure that they use reputable and secure e-commerce platforms or fintech applications. In addition, the parties should protect the rights and interests of the data subjects and users, and shall not, unless mandated by law or Shariah, divulge or share the data subjects' personal information or payment details without the subjects' consent or authorization. In addition, the parties agree to take reasonable measures to safeguard the security and privacy of their payment details and personal data, and to notify the appropriate authorities and third parties of any breaches or misuse. "Policy debates are no longer about whether we should embrace digitalization, but rather how economies can maximise their utilisation, while at the same time address the pitfalls," Kylasapathy stated in his article published in 2018.

The parties' moral behaviour and conduct in digital transactions come next. When engaging in digital transactions, the parties involved must not only look out for themselves, but also take other people's interests into account, particularly those of marginalised and underprivileged groups like the rural poor and the disabled. Along with supporting the causes of charity, zakat, waqf, and sadaqah, the parties must also advance moral ideals and virtues including trust, honesty, responsibility, accountability, cooperation, solidarity, generosity, and social justice. The parties must also assist in realising the goals and principles of Shariah (maqasid al-shariah), as well as in achieving the public interest (maslahah) and preventing public harm (mafsadah). Therefore, in order to ensure ethical conduct and behaviour in digital transactions in Malaysia, the parties must abide by Shariah principles and standards in addition to applicable laws and regulations. Additionally, the parties must refrain from any unethical or illegal actions that could influence the choice or result of the transaction, such as deceit, manipulation, or coercion. The parties shall not violate or default on the transaction, and they shall do all of their contractual duties and obligations. In addition, the parties agree to settle any disagreement or conflict that may result from the transaction amicably and peacefully. If needed, they may also enlist the aid of pertinent authorities or experts, such as the courts, arbitrators, or Shariah advisors.

Lastly, the validity and permissibility of digital assets, such as cryptocurrencies, digital tokens, and digital securities, from the Shariah perspective in Malaysia. Emerging digital transaction forms known as "digital assets" present the financial industry with both new opportunities and difficulties. But the nature, qualities, and ramifications of digital assets also raise a number of ethical and legal questions. According to certain Islamic scholars, digital assets are helpful and lawful since they can improve the financial services and products' accessibility, cost, and efficiency while also advancing social welfare and societal well-being. However, some Islamic scholars argue that digital assets are impermissible and harmful, as they can involve elements of riba, gharar, maysir, and dharar, as well as expose the users and consumers to cybercrime, fraud, or tax evasion. Therefore, the parties must consult the Shariah Advisory Council (SAC) and the Islamic scholars, who provide Shariah guidance and rulings on the validity and permissibility of digital assets in Malaysia. The Securities Commission Malaysia (SC) and the Securities and Exchange Commission (SAC) have issued guidelines and standards that must be followed by the parties. These guidelines and standards govern the registration, operation, and governance of digital asset products and services, as well as the platforms and intermediaries. They also address Shariah compliance. Additionally, the parties must be cautious and prudent while handling digital assets; they cannot trade or invest in digital assets that are hazardous, speculative, or unpredictable.

In conclusion, digital transactions have fundamentally changed how Malaysians carry out their financial transactions. While they present many benefits, they also present serious ethical difficulties. Privacy and data protection, ethical conduct and behaviour of the parties in digital transaction and the validity and permissibility of digital assets. In the age of online commerce, companies are faced with administrative and legal responsibilities concerning obtaining informed consent and safeguarding personal information. Additionally, the public's growing mistrust of the collecting of personal data is a threat to the robust growth of marketing and e-commerce (Burkhardt et al., 2023). In order to overcome these obstacles, it is critical that all parties involved—individuals, companies, and authorities—cooperate to guarantee that digital transactions in Malaysia follow the strictest moral guidelines. Finding the ideal balance between practicality and moral obligation is essential to realising the digital economy's full potential and preserving the rights and welfare of every Malaysian.

Solutions

As Malaysia continues its rapid digital transformation, the adoption of digital transactions has surged, offering unprecedented convenience and efficiency. However, along with these benefits come significant challenges, including privacy and data protection, ethical conduct and behaviour of the parties in digital transaction and the validity and permissibility of digital assets. To ensure the sustainable growth of digital transactions, it is imperative to implement effective solutions. This research will explores three key solutions to address these challenges in Malaysia. These ethical challenges require the parties involved in digital transaction to exercise their moral judgment and responsibility, as well as to consult the relevant authorities and experts, in order to ensure the compliance and alignment with the Shariah principles and values, as well as the relevant laws and regulations, in digital transaction.

Improving the security and privacy of personal data and payment information in digital transactions is one way to address some of the ethical issues surrounding digital transactions in Malaysia. The parties engaged in a digital transaction ought to embrace and put into effect the best practices and cybersecurity and data protection requirements, including firewalls, authentication, and encryption. The process of converting data into an unintelligible format that can only be decoded by authorised people using a secret key or algorithm is known as encryption. Verifying the identity and authority of the parties by a variety of techniques, including passwords, biometrics, and tokens, is the process of authentication. A firewall is a device or piece of software that keeps an eye on and regulates all incoming and outgoing network traffic in accordance with pre-established rules and policies. The parties may be able to prevent illegal access, alteration, or disclosure of their payment details and personal data with the use of these procedures and standards. In addition, the parties ought to inform and enlighten users and customers about the obligations and dangers associated with conducting business online and motivate them to use fintech programmes or safe and dependable e-commerce platforms. Before collecting or utilising users' and consumers' personal information, the parties must get their consent and authorization, as well as disclose to them the reason for the data collection and usage as well as its scope. In addition, the parties must give users and customers the means to view, amend, or remove their payment details and personal data, as well as to choose not to receive any more unsolicited or undesired offers for goods or services. The Personal Data Protection Act 2010, Act 709 (PDPA 2010), should be enforced and monitored by the government to ensure that e-commerce dealers, middlemen, and platforms comply with it and the

2012 Consumer Protection (Electronic Trade Transactions) Regulations (CP Regulations 2012), and levy fines and penalties for any infringement or misapplication of payment information and personal data. The authorities should also establish and implement the legal and regulatory framework and the technical and operational infrastructure for the protection and privacy of personal data and payment information in digital transaction, such as the open data ecosystem, the national digital identity scheme, and the real-time payment linkages, which are some of the key initiatives under the Financial Sector Blueprint 2022-2026 issued by the Bank Negara Malaysia (BNM).

The next step is to enhance the parties' ethical behaviour and conduct when engaging in digital transactions. In addition to supporting the causes of charity, zakat, waqf, and sadaqah, the parties engaged in digital transactions should respect and put into practice moral qualities and virtues including trust, honesty, responsibility, accountability, cooperation, solidarity, generosity, and social justice. The confidence and dependence that two parties have on one another, predicated on their honesty and integrity, is known as trust. Being sincere and truthful in all interactions and exchanges is the hallmark of honesty. The parties' obligation and duty to carry out and deliver their duties and promises is known as responsibility. The parties' cooperation and support for one another, particularly during trying or difficult times, is known as solidarity. The readiness and willingness of the parties to share and provide their resources and help to others is known as generosity. Fairness and equity between the parties in the distribution and allocation of resources and rights among themselves and others is what is meant by social justice. The different voluntary or required giving and donations made by the parties to the needy and deserving for the benefit of Allah and society are known as charity, zakat, waqf, and sadaqah. In addition to promoting moral behaviour and ethical standards in digital transactions, these virtues and values can benefit the parties involved by improving societal welfare and general well-being. Together with preventing harm to the public (mafsadah) and advancing the goals and ideals of Shariah (maqasid al-shariah), the parties should also work towards achieving the public interest (maslahah). Maslahah is the good or advantage that the parties or society seeks or achieves, whereas mafsadah is the evil or injury that the parties or society avoids or prevents. Maqasid al-shariah are the ultimate aims and objectives of the Shariah, encompassing the achievement of human happiness and success in this world as well as the hereafter, as well as the maintenance and protection of religion, life, intellect, lineage, and property of the people. These goals and principles can assist the parties in harmonising and balancing the material and spiritual facets of life as well as directing their actions and interests in accordance with Allah's will and guidance. Along with providing and promoting Shariah principles and rules and pertinent laws and regulations that govern the moral behaviour and conduct of digital transactions in Malaysia, the authorities should also offer advice and support to the parties involved in resolving any disputes or conflicts that may arise from the transaction. The Shariah Advisory Council, the Islamic Financial Services Board, and Islamic scholars—who offer comprehensive and authoritative opinions and rulings on the Shariah compliance and governance of digital transactions in Malaysia—are examples of the institutional and organisational infrastructure, as well as the legal and regulatory framework that the authorities should establish and implement for the ethical conduct and behaviour of digital transactions in Malaysia.

The final step involves verifying the legitimacy and allowability of digital assets, including tokens, cryptocurrencies, and digital securities, from a Shariah standpoint in Malaysia. The Shariah Advisory Council's verdicts and guidelines should be consulted by all parties engaged in digital transactions. All things considered, digital transactions are changing Malaysia's economic environment and presenting both benefits and difficulties. An all-encompassing strategy is required to guarantee the continuous expansion of digital transactions while resolving the related difficulties. It is imperative to take vital actions to fortify data protection, improve cybersecurity, advance financial inclusion, guarantee transparency and equity, and reduce environmental impact. Successful implementation of these ideas requires cooperation between Malaysia's corporate sector, civil society, and government. By doing this, Malaysia will be able to fully realise the benefits of its digital economy, protect the rights, safety, and welfare of its people, and pave the path for an inclusive and sustainable digital future.

Conclusion

The legal and ethical implications of digital transaction from the Islamic perspective in Malaysia are the legal consequences and effects, as well as the moral values and virtues, that guide the conduct and behaviour of the parties involved in the exchange of goods, services, or information through electronic means. Digital transaction in Malaysia is governed by various laws and regulations, as well as the Shariah principles and rules, that aim to ensure the validity, permissibility, and security of digital transaction, as well as to protect the rights and interests of the parties involved. Digital transaction in Malaysia also poses various ethical challenges and opportunities for the Islamic finance and economy sector, which require the parties involved in digital transaction to exercise their moral judgment and responsibility, as well as to consult the relevant authorities and experts, in order to ensure the compliance and alignment with the Shariah principles and values, as well as the relevant laws and regulations, in digital transaction.

The aforementioned remark leads to the conclusion that digital transactions in Malaysia are a phenomenon with important ramifications for the Islamic banking and economy sector, particularly when considering Shariah. To achieve the best results and benefits for Malaysia's Islamic finance and economy sector as well as for society at large, it is imperative that the legal and ethical implications of digital transactions be examined and evaluated from a Shariah perspective. Additionally, compliance and alignment with applicable laws and regulations must be ensured. Digital transactions do present certain issues, nevertheless, including those related to data protection and privacy, the participants' ethical behaviour and conduct, and the legitimacy and allow ability of digital assets. However, it can be resolved by strengthening the parties' ethical conduct and behaviour in digital transactions, protecting and safeguarding personal data and payment information in digital transactions, and guaranteeing the legitimacy and admissibility of digital assets—such as cryptocurrencies, digital tokens, and digital securities—from Malaysia's Shariah perspective.

The researcher sincerely thought that digital transactions are a positive and helpful occurrence for Malaysia since they may support Shariah compliance and financial sector governance while also fostering economic growth, innovation, and national and individual inclusion. Digital transactions do, however, come with certain dangers and problems. These include concerns about the participants' moral behaviour and conduct as well as the security, privacy, and regulation of digital platforms and applications. Consequently, the researcher believes that in order to guarantee the best results and advantages for Malaysia, digital transactions should be welcomed and encouraged by the government, business community, and society at large. They should also be governed and overseen by applicable laws and regulations as well as Shariah principles and guidelines. In my opinion, if digital transactions are used in Malaysia in the next ten to fifteen years, the country's digital economy will grow more sophisticated and integrated, offering a range of services and products—including fintech, e-commerce, and cryptocurrencies—that will satisfy the demands and preferences of both businesses and consumers. The researcher also predicts a more accessible and inclusive financial system that will offer financial services and products to underprivileged and marginalised groups like the impoverished, the disabled, and rural residents who may encounter a number of obstacles to using and benefiting from the traditional financial system. Finally, the researcher believes that we will witness a more ethical and Shariah-compliant financial industry that upholds the moral principles and virtues that guide ethical behaviour in digital transactions in Malaysia in addition to Shariah principles and values.

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