AL-TIJARIYAH
Open Access Journal
JURNAL HUKUM EKONOMI SYARIAH

THE LEGALITY OF CRYPTOCURRENCY IN ISLAMIC ECONOMIC LAW: BETWEEN INNOVATION AND CAUTION

LEGALITAS CRYPTOCURRENCY DALAM HUKUM EKONOMI SYARIAH: ANTARA INOVASI DAN KEHATI-HATIAN

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Article Info:
Received February 16, 2024 Revised March 17, 2025
Accepted April 20, 2024 Available online April 24, 2025

ABSTRACT

This research examines the legal status of cryptocurrency from the perspective of Islamic economic law, considering Islamic transaction principles such as the prohibition of riba (usury), gharar (uncertainty), and maysir (gambling). Using a qualitative approach and textual analysis of Islamic legal sources and contemporary fatwas, this research finds that cryptocurrency occupies a controversial position among Islamic scholars and jurists. Some scholars support cryptocurrency as a financial innovation aligned with maqasid sharia when used as a medium of exchange, while others view it as a speculative instrument that does not qualify as Islamic currency. The findings indicate that cryptocurrency can be accepted within the Islamic legal framework under certain conditions, including regulatory certainty, transparency, and usage distant from excessive speculation. This research provides a framework of considerations for developing cryptocurrency regulations that align with Islamic economic principles.

Keywords: Cryptocurrency, Islamic Economic Law, Financial Innovation, Riba, Maqasid Sharia

ABSTRAK

Penelitian ini mengkaji status legalitas cryptocurrency dalam perspektif hukum ekonomi syariah dengan mempertimbangkan prinsip-prinsip muamalah Islam seperti larangan riba, gharar, dan maysir. Dengan menggunakan pendekatan kualitatif dan analisis tekstual terhadap sumber-sumber hukum Islam serta fatwa kontemporer, penelitian ini menemukan bahwa cryptocurrency berada dalam posisi kontroversial di kalangan ulama dan ahli hukum Islam. Beberapa ulama mendukung cryptocurrency sebagai inovasi keuangan yang sejalan dengan maqasid syariah bila digunakan sebagai medium pertukaran, sementara kelompok lain

memandangnya sebagai instrumen spekulatif yang tidak memenuhi syarat sebagai mata uang syariah. Hasil penelitian menunjukkan bahwa cryptocurrency dapat diterima dalam kerangka hukum Islam dengan syarat-syarat tertentu, termasuk kepastian regulasi, transparansi, dan penggunaan yang jauh dari unsur spekulasi berlebihan. Penelitian ini memberikan kerangka pertimbangan bagi pengembangan regulasi cryptocurrency yang selaras dengan prinsip ekonomi syariah.
Kata kunci: *Cryptocurrency, Hukum Ekonomi Syariah, Inovasi Keuangan, Riba, Maqasid Syariah*

A. INTRODUCTION

The advent of cryptocurrency, most notably Bitcoin in 2009, has revolutionized the concept of money and financial transactions globally. This digital innovation presents both opportunities and challenges for Islamic economic systems that operate within the constraints of Sharia law. As cryptocurrency usage proliferates across Muslim-majority countries, determining its compliance with Islamic economic principles becomes increasingly urgent for scholars, practitioners, and policymakers alike. This research aims to analyze the legality of cryptocurrency through the lens of Islamic economic jurisprudence, weighing considerations of financial innovation against religious compliance.

The significance of this research lies in addressing the growing demand for clarity regarding cryptocurrency's position within Islamic finance. With the global cryptocurrency market capitalization exceeding $2 trillion, Muslims constitute a significant portion of users and investors seeking guidance on whether these digital assets align with their religious values. According to Hassan (2021), approximately 23% of cryptocurrency owners in emerging markets cite religious compliance as a primary concern when making investment decisions. This research addresses this knowledge gap by providing a comprehensive analysis of cryptocurrency from various Islamic legal perspectives.

Islamic economic principles govern financial activities through prohibitions against riba (interest), gharar (excessive uncertainty), maysir (gambling), and the requirement that transactions involve real assets. Cryptocurrency challenges traditional classifications of assets and currency, creating interpretative challenges for scholars. Billah (2022) argues that the fundamentally decentralized nature of most cryptocurrencies aligns with Islamic economic objectives of reducing financial exploitation and increasing economic inclusion.

Conversely, other scholars express concerns about cryptocurrency's compliance with core Islamic economic principles. Al-Qudah (2020) emphasizes that money in Islamic jurisprudence must serve as a stable store of value and medium of exchange rather than a speculative asset. The extreme price volatility exhibited by most cryptocurrencies potentially conflicts with the maqasid al-shariah (objectives of Islamic law) of protecting wealth. This tension between innovation and compliance forms the central research problem addressed in this study.

The theoretical foundation for this analysis draws upon both classical Islamic jurisprudence and contemporary interpretations. According to Chapra (2019), Islamic scholars have historically demonstrated flexibility in monetary matters when new forms of currency serve legitimate economic needs without violating core prohibitions. This precedent suggests room for accommodation of cryptocurrency within Islamic finance, provided certain conditions are met.

Islamic finance has historically embraced technological innovation when it enhances market efficiency without compromising ethical principles. Abdullah (2022) notes that financial technology that reduces transaction costs and increases financial inclusion aligns with the Islamic concept of maslaha (public benefit). Cryptocurrency's potential to provide banking services to the unbanked populations in Muslim-majority countries represents a potential application of this principle.

Recent scholarship has attempted to develop frameworks for evaluating cryptocurrency compliance. Lahsasna (2021) proposes that cryptocurrencies should be evaluated based on their utility, stability, transparency, and governance structures rather than categorically rejected or accepted. This nuanced approach recognizes the diversity within the cryptocurrency ecosystem and avoids overgeneralization.

The legality of cryptocurrency in Islamic law remains contested partly due to the rapid evolution of the technology itself. As Zulaikha (2023) observes, early Islamic legal opinions on Bitcoin may not apply to newer cryptocurrencies that incorporate different consensus mechanisms, governance structures, or intended use cases. This dynamic technological landscape necessitates ongoing scholarly engagement rather than fixed rulings.

Several Islamic finance authorities have issued preliminary guidance on cryptocurrency. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has acknowledged the potential legitimacy of certain cryptocurrencies while expressing concerns about speculative practices. According to Rahman (2022), this tentative recognition represents an important step toward regulatory clarity, though comprehensive standards remain undeveloped.

The relationship between cryptocurrency and Islamic financial institutions presents another dimension of this research. Traditional Islamic banks face competitive pressure from blockchain-based financial services that offer similar ethical commitments with greater efficiency. Muhammad (2023) suggests that rather than opposing cryptocurrency innovation, Islamic financial institutions should actively participate in developing Sharia-compliant blockchain solutions that incorporate Islamic contractual frameworks.

B. LITERATURE REVIEW

The literature on cryptocurrency from an Islamic perspective has evolved significantly since Bitcoin's inception. Early scholarly works approached cryptocurrency with caution due to concerns about its compliance with fundamental principles of Islamic finance. Abubakar (2018) identifies three primary concerns that dominate the literature: the absence of intrinsic value, extreme price volatility, and the potential for speculation. These issues potentially conflict with the Islamic requirements that currency serve as a stable store of value and medium of exchange rather than a vehicle for speculation.

Subsequent research has adopted more nuanced approaches, distinguishing between different types of cryptocurrencies and their various use cases. Hassan (2020) differentiates between cryptocurrencies designed primarily as speculative investments and those intended to function as actual currencies or utility tokens. This distinction becomes crucial when applying Islamic legal principles, as the intended purpose and actual usage patterns significantly influence Sharia compliance. Cryptocurrencies that predominantly serve as mediums of exchange may align more closely with Islamic monetary principles than those primarily used for speculation.

The theoretical framework for evaluating cryptocurrency has expanded beyond traditional fiqh (Islamic jurisprudence) categories to incorporate maqasid al-shariah (the objectives of Islamic law). Ibrahim (2021) argues that cryptocurrency should be evaluated based on its ability to fulfill the five essential objectives of Islamic law: the protection of faith, life, intellect, lineage, and property. This framework provides greater flexibility in addressing novel financial instruments while maintaining fidelity to Islamic legal traditions. Cryptocurrencies that enhance financial inclusion, reduce exploitation by intermediaries, or provide economic opportunities in underserved regions may serve the higher objectives of Islamic law despite their novel form.

Comparative analysis of cryptocurrency against historical precedents in Islamic monetary history provides another analytical approach. Latiff (2019) compares cryptocurrency to traditional forms of money in Islamic history, noting that various societies under Islamic governance utilized different forms of currency, including commodity money (gold and silver), fulus (copper coins with nominal value), and sakk (paper certificates). This historical perspective suggests that Islamic economic systems have demonstrated adaptability to evolving monetary forms when they serve legitimate economic functions without violating core prohibitions.

C. METHOD

This research employs a qualitative methodology centered on textual analysis and interpretive approaches to evaluate cryptocurrency within Islamic legal frameworks. The selection of qualitative methods is appropriate given the exploratory nature of the research and the need to understand nuanced theological and legal arguments surrounding cryptocurrency. As Kamali (2018) notes, Islamic legal research addressing contemporary issues requires methodological approaches that can accommodate both traditional textual sources and emerging social phenomena.

The data collection process involved systematic review of primary Islamic legal sources (Quran and Sunnah), classical and contemporary fiqh literature, fatawa (religious edicts) from recognized Islamic authorities, and academic publications addressing cryptocurrency from Islamic perspectives. This comprehensive approach ensures consideration of diverse viewpoints across different schools of Islamic jurisprudence and geographical regions. The analysis followed the principles of usul al-fiqh (Islamic legal theory), particularly employing qiyas (analogical reasoning) and maslaha (consideration of public interest) as interpretive tools when direct textual evidence was lacking.

Analytical procedures followed a three-stage process as recommended by Bakar (2021) for Islamic finance research: identification of relevant legal principles, classification of cryptocurrency characteristics relevant to these principles, and evaluation of compatibility between the two. This structured approach facilitates systematic analysis while acknowledging the complexity of both Islamic financial principles and cryptocurrency systems. The research also incorporates comparative analysis between different types of cryptocurrencies to avoid overgeneralization and recognize the diversity within the cryptocurrency ecosystem.

D. RESULT AND DISCUSSION

The classification of cryptocurrency within traditional Islamic legal categories presents the first challenge for jurists attempting to determine its permissibility. Islamic jurisprudence traditionally recognizes several categories of financial assets, including currency (naqd), commodities (sil'ah), and intangible assets (manfa'ah). Cryptocurrency does not fit neatly into any of these established categories, creating interpretive challenges. According to Hasan (2021), the proper classification of cryptocurrency significantly influences its legal treatment, including questions of zakat (obligatory charity), trading rules, and inheritance laws.

Some scholars classify cryptocurrency as mal (wealth) based on the concept of taqawwum (social recognition of value). Ibrahim (2020) argues that cryptocurrency possesses the essential characteristics of mal in Islamic law: storability, desirability, and customary recognition as valuable. This classification would render cryptocurrency a legitimate subject of ownership and exchange, though not necessarily currency in the strict sense. The distinction matters because currency in Islamic law must meet additional requirements, particularly stability and widespread acceptance.

Alternative classifications proposed in the literature include treating cryptocurrency as a digital commodity or as a new asset class altogether. Mohsin (2019) suggests that cryptocurrencies like Bitcoin might be better understood as digital commodities subject to the rules of bay' (sale) rather than sarf (currency exchange). This classification would permit trading but would require immediate possession (taqabud) to avoid the prohibition of riba al-nasiyah (interest from delay).

The lack of consensus on classification reflects both the novel nature of cryptocurrency and the diversity within the cryptocurrency ecosystem. Stablecoins, utility tokens, security tokens, and pure cryptocurrencies may each warrant different classifications under Islamic law based on their specific characteristics and use cases.

Cryptocurrency and Core Islamic Financial Prohibitions

The evaluation of cryptocurrency against fundamental Islamic financial prohibitions represents a critical dimension of Sharia compliance assessment. Three prohibitions stand out as particularly relevant: riba (usury/interest), gharar (excessive uncertainty), and maysir (gambling/speculation).

Regarding riba, cryptocurrency presents a mixed picture. According to Khan (2022), cryptocurrency transactions themselves do not inherently involve interest, as peer-to-peer transfers typically occur without built-in returns based solely on the time value of money. This characteristic potentially aligns with Islamic prohibitions against riba. However, certain cryptocurrency practices, such as crypto lending with guaranteed returns, clearly violate this prohibition by structuring returns based purely on the time value of digital assets.

The prohibition of gharar (excessive uncertainty) presents more significant challenges. Noor (2020) identifies several sources of gharar in cryptocurrency: price volatility, technical vulnerabilities, regulatory uncertainty, and potential for complete loss of value. These uncertainties potentially render cryptocurrency transactions excessively speculative from an Islamic perspective. However, some scholars argue that as cryptocurrency markets mature and volatility decreases, this objection may diminish in relevance. Additionally, certain cryptocurrencies designed specifically for stability (stablecoins) may already address this concern.

The question of maysir (gambling) relates closely to the intention and usage patterns associated with cryptocurrency. When cryptocurrency is purchased primarily for speculative gain rather than utility or medium of exchange, it potentially violates the prohibition against gambling-like activities. Hameed (2023) argues that the intention of the user matters significantly in determining Sharia compliance. Purchasing cryptocurrency as an investment based on fundamental analysis of its utility and growth potential differs fundamentally from purchasing it for short-term speculative trading.

Cryptocurrency Governance and Islamic Principles

The governance structures of different cryptocurrency networks present another dimension relevant to Islamic legal analysis. Islamic economic principles emphasize transparency, accountability, and just distribution—values that may be either enhanced or undermined by various cryptocurrency governance models.

Decentralized governance models potentially align with Islamic economic objectives of preventing concentrated economic power. According to Rahman (2019), decentralized autonomous organizations (DAOs) that distribute decision-making power across network participants may better reflect Islamic principles of shura (consultation) and adl (justice) than centralized financial systems. This perspective suggests that the degree of decentralization in a cryptocurrency's governance structure could influence its Sharia compliance assessment.

However, governance challenges also exist within cryptocurrency ecosystems. Abdullah (2022) identifies several concerns, including the concentration of mining power in specific geographical regions, wealth concentration among early adopters, and the technical expertise barrier that prevents meaningful participation by average users. These factors potentially create new forms of inequality that conflict with Islamic economic objectives of broad-based prosperity and financial inclusion.

The environmental impact of cryptocurrency mining, particularly those using proof-of-work consensus mechanisms, raises additional governance concerns related to the Islamic principle of stewardship (khilafah). Excessive energy consumption for cryptocurrency mining potentially conflicts with Islamic responsibilities toward environmental protection. Newer consensus mechanisms like proof-of-stake significantly reduce energy requirements and may therefore better align with Islamic environmental ethics.

Regulatory Frameworks and Maqasid Al-Shariah

The development of regulatory frameworks for cryptocurrency represents an important area where Islamic legal considerations intersect with practical governance challenges. Islamic scholars increasingly employ maqasid al-shariah (the objectives of Islamic law) as a framework for evaluating novel financial instruments like cryptocurrency.

From a maqasid perspective, cryptocurrency presents both opportunities and risks. Zainuddin (2021) identifies several potential benefits aligned with Islamic objectives: financial inclusion for the unbanked, reduction of exploitative intermediary fees in remittances, protection against currency devaluation in economically unstable regions, and innovation in charitable giving through blockchain technology. These benefits potentially serve the maqasid of protecting wealth and facilitating its circulation.

Conversely, Rahman (2022) highlights several risks that potentially conflict with maqasid al-shariah: vulnerability to use in illicit activities, potential for market manipulation, security vulnerabilities leading to theft, and extreme wealth concentration. These risks potentially undermine the objectives of protecting wealth and ensuring just distribution.

Several Muslim-majority countries have begun developing regulatory frameworks that attempt to balance innovation with Sharia compliance. Malaysia has implemented a regulatory framework that evaluates digital assets based on their underlying characteristics rather than blanket prohibition or approval. Ahmed (2023) suggests that this nuanced approach better serves maqasid al-shariah by encouraging beneficial innovation while mitigating potential harms through appropriate safeguards.

The emergence of specifically designed "Islamic cryptocurrencies" represents another development at this intersection. These projects explicitly incorporate Islamic contractual frameworks and governance structures intended to ensure Sharia compliance. While these initiatives remain nascent, they potentially demonstrate how cryptocurrency technology could be adapted to align with Islamic economic principles.

E. CONCLUSION

This research has examined the complex and evolving relationship between cryptocurrency and Islamic economic law, revealing that cryptocurrency's legal status within Islamic jurisprudence remains contested but increasingly nuanced. The analysis demonstrates that categorical approval or rejection of cryptocurrency fails to account for the diversity within the cryptocurrency ecosystem and the various contexts in which these digital assets operate. Instead, a framework that evaluates specific cryptocurrencies based on their characteristics, governance structures, usage patterns, and alignment with maqasid al-shariah provides a more appropriate approach.

The findings suggest that cryptocurrency can potentially achieve Sharia compliance under certain conditions: when used primarily as a medium of exchange rather than speculation, when governance structures promote transparency and just distribution, when environmental impacts are minimized, and when appropriate regulatory frameworks mitigate potential harms. As cryptocurrency technology continues to evolve and regulatory frameworks mature, ongoing scholarly engagement from Islamic legal experts remains essential. This research contributes to this dialogue by providing a systematic analysis of cryptocurrency from various Islamic legal perspectives, offering a foundation for future research and regulatory development that balances technological innovation with faithful adherence to Islamic economic principles.

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