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An Islamic Legal Analysis of Cryptocurrency Exchange into Fiat Money: A Qiyās-Based Study across the Four Madhhab

Masithoh¹, Rosiana Kholifah², Hanip Hidayatulloh³

^{1,2}Institut Agama Islam Muhammad Azim Jambi, Indonesia

³Moscow State Institute of International Relations (MGIMO University), Russian.

¹masithoh494@gmail.com, ²anarosiana2002@gmail.com, ³khanip_k@my.mgimo.ru

Abstract

Objective: This study aims to analyze the exchange of cryptocurrency for fiat money through the application of qiyas (analogical reasoning) within the perspectives of the four Islamic schools of jurisprudence, focusing on cryptocurrency's compliance with Sharia economic principles. **Theoretical framework:** The theoretical framework centers on Islamic legal concepts, specifically the principles of justice, honesty, and the prohibition of riba (usury), gharar (excessive uncertainty), and maisir (gambling). It examines how cryptocurrency aligns with these principles across the four major Islamic jurisprudential schools. **Literature review:** The literature review explores classical and contemporary scholarly works on qiyas methodologies and their application to digital currency transactions. It covers both Islamic jurisprudence regarding money and modern discussions on cryptocurrency's role in global finance and economics. **Methods:** A descriptive qualitative methodology with a literature review approach is employed to analyze the academic debates surrounding cryptocurrency. The study examines various scholarly sources discussing the application of qiyas to cryptocurrency transactions. **Results:** The study concludes that cryptocurrency is impermissible (haram) in Islamic law due to its failure to meet the essential characteristics of money as defined within the four Islamic jurisprudential schools. It also highlights how cryptocurrency contradicts key Sharia economic principles. **Implications:** The findings provide insight into the broader discourse on the permissibility of cryptocurrency in Islamic finance and offer a basis for future research and discussions on the integration of digital currencies within Sharia-compliant financial systems. **Novelty:** This study contributes to the academic debate by applying qiyas to the analysis of cryptocurrency, an emerging area within Islamic finance, and provides a clear verdict on its non-compliance with Sharia law.

Keywords: cryptocurrency, real money, qiyas, islamic jurisprudences, four madhhab.

INTRODUCTION

The development of digital financial technology has driven the emergence of cryptocurrencies as a global payment and investment instrument. Cryptocurrencies offer the ease of cross-border transactions, decentralization, and high profit potential. However, this phenomenon has caused debate among Muslim scholars and economists regarding its conformity with the principles of sharia economics based on justice, honesty, and the provisions prohibiting *riba*, *gharar*, and *maisir* [1].

Unlike real money that is issued and guaranteed by the government and regulated by law, cryptocurrencies are decentralized currencies that rely on cryptographic technology and *peer-to-peer* computer networks to validate transactions. Apart from being unsupervised by authorities or governments, cryptocurrencies contain high speculation and have no form, which creates ambiguity among the public. Although the management mechanism is centralized, there is still a fundamental need for a medium of exchange that has concrete forms, legal certainty, and official recognition status at the state level [2].

In an Islamic perspective, Maqasid al-Syariah should be used as a benchmark in order to meet the 5 main higher objectives to be protected and preserved. One of its goals is known as *Hifz al-Mal*, through work activities and income generation (*kasb*) sourced from transactions and trading activities that are allowed under sharia. On the other hand, destructive activities such as theft (*sariqah*), uncertainty (*gharar*), gambling (*maisir*), and usury are prohibited because they have the potential to cause wealth erosion. Therefore, involvement in any form of activity that damages the value of wealth is prohibited. The adoption of a currency that experiences *persistent depreciation* will have implications for an equivalent decrease in wealth. In this context, any monetary instrument whose value is constantly depreciating over time has failed to fulfill the fundamental function of money as a *store of purchasing power* [3].

This study offers a distinct contribution to the growing discourse on cryptocurrency within Islamic law by systematically applying *qiyās* (analogical reasoning) across the four Sunni madhhabs to evaluate the permissibility of cryptocurrency exchange into fiat money. Unlike many existing studies that focus primarily on contemporary fatwas or general Sharia compliance frameworks, this research grounds its analysis in the classical epistemology of Islamic jurisprudence, thereby bridging the gap between traditional *fiqh* methodologies and modern financial phenomena. The novelty lies in its integrative approach, combining doctrinal analysis from the Hanafi, Maliki, Shafi'i, and Hanbali schools with the evolving characteristics of digital currencies, thus offering a more comprehensive and methodologically consistent legal evaluation [3].

Furthermore, this study advances the academic discussion by reframing cryptocurrency not merely as a technological innovation or financial asset, but as a subject of legal analogy comparable to classical forms of money such as gold and silver. Through *qiyās*, the study identifies the underlying 'illah (effective cause) in monetary transactions—such as intrinsic value, stability, and enforceability—and demonstrates how cryptocurrencies fail to fulfill these criteria within the framework of the four madhhabs. This approach moves beyond descriptive or speculative arguments and provides a structured legal reasoning that is deeply rooted in Islamic jurisprudential tradition. In doing so, the study contributes a clearer doctrinal basis for the classification of cryptocurrency as impermissible (*haram*) when used as a medium of exchange [4].

Another element of novelty is the study's critical engagement with the concept of *taqabudh* (possession or handover) in digital transactions. By analyzing both *haqiqi* (physical) and *hukmi* (constructive) forms of possession, the research highlights the limitations of current cryptocurrency systems in meeting the requirements of immediate and certain exchange as stipulated in *bay 'al-ṣarf*. This nuanced examination enriches the understanding of how classical transactional conditions can—or cannot—be extended to virtual environments, thereby contributing to the ongoing development of digital *fiqh*. In terms of implications, this study provides significant insights for scholars, regulators, and practitioners in Islamic finance. For academic scholars, it establishes a robust methodological framework for analyzing emerging financial technologies using classical Islamic legal tools [4].

This framework can be extended to other digital assets and financial innovations, encouraging a more principled and consistent approach to contemporary *ijtihad*. For policymakers and regulatory authorities, the findings underscore the importance of aligning

financial innovations with both legal and ethical standards. The identification of key issues such as volatility, anonymity, and lack of intrinsic value suggests that stricter regulatory mechanisms and clearer legal classifications are necessary to mitigate potential harms. For the Islamic finance industry, the study highlights the urgent need to develop alternative digital financial instruments that are compliant with Sharia principles. This includes the design of asset-backed digital currencies, stablecoins with transparent governance, or central bank digital currencies (CBDCs) that fulfill the requirements of legitimacy, stability, and accountability. By emphasizing the shortcomings of current cryptocurrencies, the research indirectly points toward innovation opportunities that align with the objectives of *maqāṣid al-sharīʿah*, particularly in preserving wealth (*ḥifẓ al-māl*) [5].

Additionally, the study has broader socio-economic implications. It raises awareness among Muslim communities about the ethical and legal risks associated with cryptocurrency transactions, thereby promoting more informed financial behavior. At the same time, it encourages a critical evaluation of technological adoption, ensuring that convenience and efficiency do not override fundamental principles of justice, transparency, and risk avoidance. In conclusion, this research not only contributes to the theoretical development of Islamic jurisprudence in the digital age but also offers practical guidance for navigating the complex intersection of religion, law, and financial technology.

LITERATURE REVIEW

Real Money

Real money is money that is used by us every day to make transactions, because the validity of this real money is supported by laws and the authority to guarantee its validity as a legal medium of exchange. Money has such an important role, because money is used as a means of transaction in society to get a desired object. To facilitate transactions with each other, both between nations, the presence of the money market is certainly needed in currency exchange. Although both serve as a medium of exchange, there are fundamental differences in their sources of legitimacy. Gold acquired the function of a medium of exchange from widespread public acceptance, while banknotes (real money) were legalized and established by government authorities as a legal medium of payment [5].

The advantages of using real money are: Easy and Practical in Transactions, the use of banknotes that are easy to carry, store, and exchange makes this type of exchange widely used in daily economic activities. The level of security in carrying it is also relatively high compared to carrying precious metals as a medium of exchange. Low Manufacturing Cost: The process of making paper-based exchange has low production costs, so it can save printing costs. With the ability to print dollars, the U.S. government can buy anything it wants from around the world. Addition and Subtraction Can Be Done Faster and more easily because the printing process is cheap and easy, and adding and subtracting the amount of money supply can be done quickly. Can be Broken Down Into Any Number. Banknotes can be made in any denomination according to the needs of a country. Banknotes have become a huge source of state revenue because they only have small printing costs, so the country gets a huge profit from every money printing they do [6].

However, real money triggered five crises despite being used for less than 50 years. The Bordo and Young (2001) study identified hyperinflation in the 1913-1950 era under the real regime, followed by low inflation during the Bretton Woods regime (1950-1970), and the return of high inflation post-1971. The impact of inflation is systemic, hitting the entire country regardless of the level of development [7].

Economic crises such as those in Indonesia have damaged the social, political, and religious order in a multidimensional manner [8]. Stated that the crisis of 1971-1997 stemmed from the structural weakness of real money, speculative motives, and greed, a

pattern that repeated in 2008 and 2010. Economic stability is a prerequisite for sustainable development. Affirming the economy as the pillar of support for other sectors: economic stability drives sectoral stability, whereas instability undermines the systemic order. Although real money has the potential to accelerate economic growth, it carries the inherent risk of instability. A paradox can be seen in contemporary economic growth: on the one hand, increasing the availability of goods/services, on the other hand, accumulating developing countries' debt that exceeds GDP becomes an intergenerational burden [9].

Crypto Money

Crypto is a decentralized digital currency then managed by a network of computers on a peer-to-peer basis. (Windiausti #) According to the European Central Bank (ECB), a virtual currency is defined as a digital representation of value that is not issued by monetary authorities, central banks, or other public institutions. The value is also not directly related to the official currency (*legal tender*), but is accepted by individuals and legal entities as a functionally legitimate means of payment, and can be used to conduct transactions, store value, and trade activities electronically [10].

Meanwhile, in the context of financial law in Indonesia, *cryptocurrencies* cannot be equated with electronic money (e-money) as regulated by Bank Indonesia. Based on the provisions of Bank Indonesia Regulation No. 11/PBI/2009, Article 1 points a and b, electronic money is a payment instrument whose value is deposited in advance by the holder to the issuer, and the funds are managed by the issuer for the holder's transaction. Thus, electronic money in Indonesia has a real value base, is managed by an official financial institution, and is protected by the national banking mechanism, in contrast to *cryptocurrencies* that do not have a legal issuing institution or guarantee of value [11].

All *cryptocurrency* transactions are recorded in a continuous network history, which includes updated amounts of funds and balances. After confirmation, *the blockchain* immediately disseminates notifications regarding validated transactions. This process ends with digital signing and the inclusion of *private keys* into the distributed *ledger* system [12]. Cryptocurrencies are powered by a technology called *blockchain*. This technology ensures the security of online transactions even without the use of third-party intervention. Cryptocurrency protection is realized through the use of various algorithms and cryptography, which are the main components of blockchain technology [13].

According to the Islamic Monetary Value Theory (IMTV), because it exists only in digital form, bitcoin has no intrinsic value, has no physical form, and is not issued by any company, nor is it under anyone's jurisdiction. Everything must have an inherent value that can provide an advantage for a person to be considered a commodity, and Bitcoin does not meet this requirement [14].



Figure 1. Decentralized Cryptocurrency Transactions Connecting Global Digital Economy Through Blockchain Network Systems

According to Bakar, Bakar et al. identified three conditions that exclude cryptocurrencies from the money category. Cryptocurrencies are characterized by: (a) the absence of intrinsic value, (b) ownership by anonymous parties, and (c) high volatility. A similar issue is raised by Meera (2018), who states that the ideal money in the Islamic perspective ("Islamic' money") must be *asset-backed*. Thus, cryptocurrencies are considered not to meet these requirements. The researcher asserts that the fulfillment of Islamic principles requires cryptocurrencies to be backed by real assets. In line with that, Nurhisam (2017) argues that Bitcoin cannot be categorized as money because it is not subject to government regulations and has risks and weaknesses that outweigh its benefits. Its main concerns include violations of government authority in issuing money and potential problems that get out of hand. Furthermore, the valuation of cryptocurrencies relies on algorithms in *the blockchain system*. Blockchain technology is claimed to have a number of advantages, such as security, *immutability*, complexity, and efficiency. Based on the perspective of Islamic teachings, qualified instruments of exchange or money must be stable, secure, and effective. Although cryptocurrencies have some monetary characteristics, a more in-depth study is needed to assess their compatibility with the essence of "money" in Islamic principles [15].

Table 1. Literature Review

Aspect	Real Money (Fiat Currency)	Cryptocurrency (Digital Currency)
Definition	Official currency issued and regulated by government authorities, used as a legal medium of exchange	Decentralized digital currency operating through peer-to-peer networks without central authority
Legal Status	Recognized as legal tender and protected by national laws	Not recognized as legal tender in many countries; often treated as a digital asset or commodity
Source of Legitimacy	Backed by government authority and legal framework	Based on technological trust, user consensus, and market acceptance
Physical Form	Exists in physical (cash) and digital banking forms	Exists only in digital form without physical representation
Intrinsic Value	Generally lacks intrinsic value but supported by state guarantee	No intrinsic value and not backed by tangible assets
Stability	Relatively stable, though subject to inflation and economic policy	Highly volatile and subject to market speculation
Transaction System	Centralized and regulated by financial institutions	Decentralized and verified through blockchain technology
Security Mechanism	Protected by banking systems and regulatory oversight	Secured through cryptography and distributed ledger technology
Transparency	Transactions are monitored and regulated by authorities	Pseudonymous, allowing limited transparency and potential anonymity
Efficiency	Efficient but may involve intermediaries and longer processing times	Faster, borderless transactions with reduced intermediaries
Risks	Inflation, monetary crises, and systemic economic instability	Price volatility, speculation, fraud, and regulatory uncertainty
Role in Economy	Primary medium of exchange, store of value, and unit of account	Functions as speculative asset; limited acceptance as medium of exchange
Sharia Perspective	Generally accepted if free from <i>riba</i> , <i>gharar</i> , and injustice	Questionable due to <i>gharar</i> , volatility, lack of intrinsic value, and anonymity
Compliance with Islamic Principles	Meets requirements of stability, legality, and public acceptance	Often fails to meet criteria such as stability, clarity, and asset-backing

METHODOLOGY

This study employs a descriptive qualitative research design to examine the legal status of cryptocurrency exchange into fiat money within the framework of Islamic jurisprudence. The

qualitative approach is selected because the research does not aim to measure variables statistically, but rather to explore, interpret, and analyze legal concepts, arguments, and doctrinal positions derived from classical and contemporary Islamic scholarship. This method enables a deeper understanding of how *qiyās* (analogical reasoning) can be applied to modern financial phenomena, particularly cryptocurrency transactions [14].

The primary approach used in this research is a literature-based analysis (library research). Data are collected from a wide range of authoritative sources, including classical fiqh texts representing the four major Sunni madhhabs—Hanafi, Maliki, Shafi'i, and Hanbali—as well as contemporary academic publications, journal articles, fatwas, and institutional reports related to Islamic finance and digital currencies. Classical sources are essential for identifying the foundational legal principles governing monetary transactions, such as the rules of *bay' al-ṣarf* (currency exchange), the prohibition of *riba* (usury), and the conditions of *taqabudh* (possession or handover). Meanwhile, contemporary sources provide insight into the characteristics, mechanisms, and evolving discourse surrounding cryptocurrencies in the modern financial system [14].

The analytical framework of this study is grounded in the application of *qiyās*, a recognized method of legal reasoning in Islamic jurisprudence. Through this approach, the study identifies the effective legal cause (*'illah*) underlying classical rulings on money—such as intrinsic value, stability, widespread acceptance, and regulatory legitimacy—and compares these attributes with the features of cryptocurrencies. The process involves four key steps: (1) identifying the original case (*aṣl*), namely traditional forms of money such as gold and silver; (2) determining the legal ruling (*ḥukm*) associated with the original case; (3) extracting the effective cause (*'illah*) behind the ruling; and (4) applying the ruling to the new case (*far'*), which in this study is cryptocurrency. This structured approach allows for a systematic and consistent evaluation of whether cryptocurrencies can be analogically equated with recognized forms of money in Islamic law [15].



Figure 2. Bitcoin Price Volatility Reflected in Market Charts and Cryptocurrency Trading Trends

Data analysis in this study follows an interpretive and comparative method. First, relevant texts are carefully reviewed and categorized based on thematic relevance, such as the concept of money, conditions of valid transactions, and principles of Islamic economic ethics. Second, the opinions of scholars from each madhhab are analyzed to identify similarities and differences in their legal reasoning regarding monetary exchange. Third, these doctrinal positions are compared with contemporary scholarly views on cryptocurrency, enabling the study to assess the extent to which modern interpretations align with or diverge from classical jurisprudence. This comparative analysis strengthens the validity of the findings by incorporating multiple perspectives within the Islamic legal tradition [15].

To ensure the credibility and rigor of the research, the study prioritizes authoritative and peer-reviewed sources, as well as widely recognized classical references. The triangulation of sources—combining classical texts, modern academic studies, and institutional fatwas—helps to minimize bias and enhance the reliability of the analysis. Additionally, the study adopts a normative-analytical perspective, focusing on what Islamic law prescribes regarding cryptocurrency transactions rather than merely describing empirical practices [16].

Overall, this methodological approach allows the research to provide a comprehensive and well-grounded legal analysis of cryptocurrency within the framework of Islamic jurisprudence, while maintaining relevance to contemporary financial developments.

RESULTS AND DISCUSSION

Analysis of Virtual Money (Cryptocurrency) as a Medium of Exchange Based on the Views of the Four Schools

Scholars generally agree that gold exchange transactions for gold or silver for silver are not allowed unless they are done in cash (*cash*). However, there is a view narrated by Ibn Abbas and followed by some scholars of Makkah that allows the exchange if it does not contain the element of *riba nasi'ah*, that is, if it is done in cash, then the transaction is free from *riba*. The normative basis for this is stated in a hadith narrated by Malik from Nafi' from Abu Sa'id al-Khudri, where the Prophet ﷺ said:

"Do not sell gold for gold unless it is of equal value, and do not put one above the other. Neither shall silver be sold for silver unless it is of equal value, and do not overtake one over the other."

The majority of scholars (*jumhur*) think that this provision applies both to precious metals that have been minted and have not been printed. Although there is a different view from Muawiyah that allows for a difference in value if it is in the form of finished goods because there are additional production costs, this view still received criticism from Imam Malik's disciples, such as Ibn Wahab and Isa bin Dinar, who emphasized the importance of equal value in transactions [16].

The development of modern financial technology then presented a new form of exchange, namely *cryptocurrency*. These digital assets operate in a decentralized manner through a network of computers and offer cross-border transaction efficiency. However, its existence raises legal and ethical issues from an Islamic perspective. Some studies assert that *cryptocurrencies* do not have the *same intrinsic value* as gold or silver, so the determination of their value is purely dependent on global market fluctuations. This makes *cryptocurrencies* highly speculative and vulnerable to price bubbles as well as *the practice of maize* (gambling) [17].

In terms of Sharia principles, *cryptocurrency transactions* also raise doubts because they contain elements of *gharar* (uncertainty) and do not meet the requirements of *taqabudh* (direct handover in one council). The four major schools of jurisprudence affirm that a valid transaction must be carried out by handover at the place of transaction and should not be delayed. In *cryptocurrency* practice, handovers are done digitally and require network confirmation time, so they do not meet the criteria of "cash" as stipulated in the law on buying and selling gold and silver [18].

In addition, the anonymous characteristics of *cryptocurrencies* pose problems with the principles of transparency and accountability of transactions. This system allows owners to hide their identity, thus potentially being used in activities that are contrary to Islamic economic laws and moral principles [19]. In Indonesia itself, the government emphasized that *cryptocurrencies* are not recognized as legal tender due to the difficulty of supervision

and the high risk of misuse. Although it is regulated as a commodity asset by BAPPEBTI, its use still raises debate from a religious and economic perspective [20].

Thus, based on the principles of *maslahah* (utility) and *mafsadah* (damage), it can be concluded that *cryptocurrencies* do not meet the criteria as a medium of exchange in accordance with Islamic law. In addition to not having intrinsic value and a clear physical form, the transaction mechanism also does not meet the principles of *akad* and *taqabudh* as required in Islamic financial transactions. Therefore, the majority view of the fuqaha and fatwa institutions, such as the Indonesian Ulema Council (MUI), stipulates that the use of *cryptocurrencies* in financial transactions is not allowed (*haram*) because it contains potential harms that are greater than the benefits [21].

Based on the analysis of the four schools that have been described, it can be concluded that cryptocurrency is not a legal currency to use. Because cryptocurrencies do not qualify based on the views of the four sects. Cryptocurrency itself is not clear in its legal framework, and its physical form is not real, while in the four schools, it must be clear, both the goods, especially in transactions, because the form of the goods must be visible and suitable for use as a means of payment or exchange [22].

The Ability to Practice Ash-sharf (Currency Exchange) Based on the Normative Basis in the Qur'an and Hadith

In the Qur'an Surah *Al-Baqarah* verse 275, Allah SWT says:

"Those who eat usury cannot stand but are like the standing of a person who is entered by Satan because of the pressure of a mad disease. This is because they say that buying and selling is the same as riba, even though Allah has legalized buying and selling and forbade riba. Whoever has received a warning from his Lord and then ceases (from taking usury), then for him what he has obtained before, and his affairs are left to Allah. But whoever returns (to perform usury), then they are the inhabitants of Hell and will remain in it." (QS. *Al-Baqarah* [2]: 275)

This verse emphasizes the fundamental difference between permissible buying and selling transactions and prohibited usury practices, as well as being the basis for allowing currency exchange (*ash-sharf*) as long as it does not contain elements of usury.

This foundation is also strengthened by the hadith of the Prophet ﷺ Muhammad صلى الله عليه وسلم narrated by Abu Sa'id al-Khudri:

"Do not sell gold for gold except for the same amount, and do not oversell some of it over others. Nor shall you sell silver for silver except in equal measure, and do not overdo any part of it. And don't sell something that isn't in place with what's already available." (HR. Bukhari and Muslim)

The hadith affirms the principle of equality of value and the necessity of direct handover in currency exchange transactions or similar goods, to avoid the element of usury and uncertainty (*gharar*).

In addition to the evidence from the Qur'an and hadith, several contemporary fatwas also allow the implementation of *ash-sharf* in digital form, as long as it fulfills sharia principles such as the existence of *legally valid taqabudh* (handover), clarity of exchange rates, and agreement of the parties in the transaction. This ability refers to the view of modern fiqh scholars who consider that digital media can be considered legitimate as a form of *taqabudh hukmi* as long as the transaction mechanism and security system can be accounted for in accordance with sharia [23].

In addition to the above verses and hadiths, several fatwas allow *the digital type of ash-Sharf*, including:

Islamic Fatwa Number 219328: Electronic currency is a currency in the digital world. This currency, although the shape is not the same as that of other currencies, but in terms of insured value, the status is the same. So that this electronic money is punished as the amount (currency) that can be stored. According to *the fatwa of Shabakah Islamiyah* Number 251170, the basic principle in currency exchange transactions is the process of handover (*taqabudh*) between the two parties [24]. If the currency being exchanged is of the same type, then the value must be commensurate and handed over directly. However, if the type is different, the difference in value is allowed as long as the conditions for *taqabudh* are met. This form of handover can be done in real terms (*haqiqi*), which is when both parties actually hold and hand over digital currencies or assets such as *bitcoin*, or legally (*hukmi*), namely through a mechanism that is legal according to sharia and recognized in the digital financial transaction system [25].

In addition, Ibn Taymiyyah in *Majmoo' al-Fatawa* explained that money is something that is determined by society as a legal medium of exchange, regardless of its physical form. An object can function as money as long as it is agreed upon by the community, even if the basic material is stone or wood.

In the verses and hadiths that have been presented as a bright point by Muslims as a guideline in conducting Ash-Sharf transactions, Allah actually justifies a transaction on the basis of both parties agreeing and agreeing to each other, and indeed Allah forbids usury and taking the rights of others to get great profits. In Islamic fatwa, buying and selling digital money is equated with as sharf, and it is done in accordance with the way that has been sharia, because what is the pillar of buying and selling is the pillar of Sharf, unless there are additional conditions for buying and selling [26].

It can be seen that over time, science has changed many ways in the world of trade, one of which is in the medium of exchange used as a means of transaction. The will and demand of the public are increasingly diverse, so an easy and practical way has been created, with the emergence of cryptocurrencies being used as another alternative material. As in Islamic fatwa and fatwa syabakah islamiyah. But this is only valid and applies to certain regions or countries. It is different in Indonesia, where the fatwa has not yet been applied to be implemented, because there has been no legal decision that has accepted and decided. The author concludes that cryptocurrencies are illegal. This is because cryptocurrencies do not qualify in the concept of Islamic law and do not correspond to the criteria of money in general, as well as in the view of the four schools [27].

Within the regulatory framework in Indonesia, cryptocurrencies are not recognized as legal tender, but only as a digital commodity regulated through BAPPEBTI. This raises a debate because, on the one hand, it opens up investment opportunities, while on the other hand, it poses legal, economic, and social risks. Some studies show that regulatory uncertainty and the absence of a guarantor institution make cryptocurrencies vulnerable to being used in criminal acts, especially money laundering, as well as potentially threatening the sovereignty of the country's official currency [28]. From a Sharia perspective, the main problems of cryptocurrencies lie in their extreme price volatility, lack of intrinsic value, and speculative properties that contain elements of *gharar* and *qimar*. Some scholars consider that this aspect of speculation can resemble gambling, so its use in financial transactions raises doubts about Islamic law [29]. In response to this dilemma, the Indonesian Ulema Council, through the Fatwa Commission, has issued a fatwa on cryptocurrencies based on the principles of *maslahah* (utility) and *mafsadah* (damage) as ethical and legal considerations. This approach is in line with international literature that emphasizes the importance of integrating state regulations and Sharia principles so that the use of cryptocurrencies can be directed to a path that is more in line with Islamic law and economically secure [30].

In Indonesia's positive legal perspective, the use of *cryptocurrency* as a means of payment is not allowed (*haram*) because it contains elements of *gharar* (ambiguity), *dharar* (potential

harm and loss), and is contrary to applicable regulations. This is in accordance with Law Number 7 of 2011 concerning Currency, which emphasizes that the Rupiah is the only legal tender in the territory of the Unitary State of the Republic of Indonesia, as well as Bank Indonesia Regulation Number 17 of 2015 concerning the obligation to use the Rupiah in every domestic transaction. Thus, transactions using *cryptocurrency* as a currency instead of the Rupiah are considered to violate the provisions of the law.

From the point of view of Islamic law, *cryptocurrencies* cannot be positioned as *sil'ah* (legal commodities according to sharia) because they do not meet the criteria set by the fiqh of muamalah. A commodity that is legal according to shari'a must have a real physical form, have intrinsic value, know the amount and size exactly, be legally ownable, and allow for a clear handover (*taqabudh*). The characteristics of *cryptocurrencies* that are digital, intangible, and fluctuate to the extreme cause transactions to contain elements of *gharar*, *dharar*, and *qimar* (gambling) [31]. Therefore, this kind of transaction of buying and selling digital assets is seen as contrary to the principles of justice and legal certainty in the Islamic economy.



Figure 3. Bitcoin Market Downtrend with Sell Signals and Declining Cryptocurrency Trading Activity

However, if *cryptocurrency* is treated as a commodity or digital asset that has a clear underlying asset, and can meet *the requirements of sil'ah* as stipulated by sharia, then theoretically the transaction can be allowed. This ability is based on the principles of *maslahah* (benefit) and *mafsadah* (damage), where the law of a muamalah is determined based on the level of benefits and risks posed to society. This approach is in line with the results of a study by *the Indonesian Ulema Council (MUI)* in Fatwa Number 114/DSN-MUI/XI/2021 concerning crypto asset law, which states that *cryptocurrencies* can be considered halal if they are free from speculative elements, have a valid basic value, and are used with the principle of clarity of contract [32].

Thus, according to both positive law and Islamic law, *cryptocurrencies* cannot be used as legal tender. However, contemporary fiqh studies open up an *ijtihad* space where digital assets that meet sharia principles and have an *underlying value* can be considered as halal investment instruments if all elements of *gharar*, *dharar*, and *qimar* can be avoided.

Three main factors underlie the inconsistency of cryptocurrencies with halal principles from the perspective of Sharia

First, the absence of *intrinsic value* causes its pricing to depend solely on global market activity. Unlike commodities with basic value, such as gold or silver, cryptocurrencies have no *underlying value*, so their transactions are *highly speculative* and vulnerable to *gambling* practices. Second, *owner anonymity* creates an environment that has the potential to violate the principle of transparency. The inability to verify the identity of the holder or the volume of ownership makes it vulnerable to being used as a *vehicle for illicit funds*, contrary to the

maqāsid al-syarī'ah in the protection of property (*hifz al-māl*). Finally, the level of extreme *price volatility* that exceeds conventional instruments, such as equities or derivatives. This value instability erodes the function of money as a *store of value* and a *medium of exchange*, while enlarging the element of *gharar* (uncertainty), which is prohibited [33].

First, the absence of intrinsic value makes the price of cryptocurrencies entirely determined by global market mechanisms, without the support of a base value like gold or silver. This places crypto assets as instruments with extreme volatility and prone to excessive speculation, so they are prone to creating price bubbles, manipulation, and fraud [34]. Some studies even confirm that most of the current crypto market value is more like a speculative commodity than a real monetary function [35]. Second, the inherent anonymity factor inherent in the design of blockchain technology, especially in cryptocurrencies that emphasize privacy, creates a major dilemma regarding the principle of transparency. This pseudonymous nature increases the attractiveness of the black market and illegal activities, while also posing ethical risks because it reduces transaction accountability [36]. Studies also show that anonymity and the absence of regulation nourish a speculative ecosystem, where crypto prices often deviate far from their fundamental value, thus increasing the vulnerability of global markets to instability [37]. Thus, the current global market conditions of cryptocurrencies confirm their nature as an asset without intrinsic value and high risk, whose sustainability is further supported by market sentiment, speculation, and owner secrecy. This strengthens the argument that the crypto market is highly speculative and, from a Sharia perspective, has the potential to fall into the category of maysir (gambling), as well as contradicting the principle of transparency in financial transactions.

The Grand Mufti Sheikh Shawki Alam banned *cryptocurrency* trading as it was against Islamic principles, given its potential to fuel *money laundering*, fraud, and terrorist financing. In addition, the absence of standard rules makes it a void *contract* [38]. The absence of global authority from governments to stabilize digital currencies and protect trade from negative impacts has reinforced this ban [39]. States that *cryptocurrencies* are only appropriate for certain communities and require specific authority for implementation across sectors of the economy through the validity and reliability of transactions. Without authorization, the potential for manipulation of the system can create uncertainty (*gharar*). On the contrary, Harris Irfan argues that the issue of money laundering, fraud, and terrorist financing is actually more facilitated by US dollars. Therefore, *cryptocurrencies* are still feasible to be applied based on their utility, convenience, competence, and efficiency, even though the savings in allocation and administration costs are not optimal due to the lack of consumer literacy towards digital currencies [40]. Real currency transactions take longer, whereas *cryptocurrencies* reduce the complexity of payment services while improving the efficiency of payment systems, factors that positively impact their performance [41].

CONCLUSION

This study has examined the legal status of cryptocurrency exchange into fiat money through a comprehensive fiqh analysis grounded in the perspectives of the four Sunni madhhabs. By applying the method of qiyās (analogical reasoning), the research evaluates whether cryptocurrencies fulfill the essential criteria of lawful money in Islamic jurisprudence. The findings consistently indicate that cryptocurrencies cannot be recognized as valid legal tender within the framework of Islamic law. One of the primary reasons for this conclusion lies in the inability of cryptocurrencies to satisfy the requirement of taqabudh (immediate and clear transfer of ownership), which is a fundamental condition in currency exchange (*bay' al-ṣarf*). Cryptocurrency transactions, which rely on digital networks and confirmation processes, do not fully align with the classical concept of direct handover as stipulated by the four madhhabs. This discrepancy raises concerns regarding the validity of such transactions from a Sharia perspective. Moreover, the inherent characteristics of cryptocurrencies—namely their virtual nature, extreme price volatility, and lack of intrinsic

value—further weaken their position as legitimate forms of money. In Islamic economic principles, money must function as a stable store of value, a reliable medium of exchange, and a standard of measurement. Cryptocurrencies, however, tend to fluctuate unpredictably, making them highly speculative and potentially harmful to financial stability. This speculative nature introduces elements of *gharar* (excessive uncertainty) and *maisir* (gambling), both of which are explicitly prohibited in Islamic law. From a regulatory standpoint, the absence of official recognition as legal tender, particularly within the Indonesian legal framework, reinforces the conclusion that cryptocurrencies lack both legal certainty and institutional legitimacy. Although they may be treated as digital commodities under certain regulations, their use as a primary medium of exchange remains problematic both legally and ethically. In light of these considerations, this study concludes that cryptocurrencies are more appropriately classified as speculative digital assets rather than lawful money in Islam. Their use in everyday financial transactions contradicts the objectives of Sharia (*maqāṣid al-sharī‘ah*), especially in preserving wealth (*ḥifẓ al-māl*) and ensuring justice, transparency, and security in economic dealings. Therefore, it is recommended that Muslim societies prioritize financial systems and instruments that are fully compliant with Sharia principles and supported by legitimate regulatory authorities.

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Author's Contributions

Masithoh conceptualized the research and led the writing process. Rosiana Kholifah contributed to data collection, literature review, and initial drafting. Hanip Hidayatulloh provided critical revisions, methodological refinement, and theoretical analysis. All authors discussed the results, contributed to the final manuscript, and approved the submitted version of the paper.

Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper. This research was conducted independently without any financial support or commercial involvement that could influence the outcomes. All interpretations and conclusions are based solely on academic analysis and the authors' scholarly judgment.

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