

The Use of Cryptocurrency as Currency According to Sharia Economic Law

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Abstract

This study examines the legal status of cryptocurrency as a medium of exchange under Islamic economic law. As digital currencies such as Bitcoin and Ethereum continue to gain acceptance in modern financial systems, their compatibility with Sharia principles has become a topic of ongoing academic debate. Using a qualitative literature review, this study examines scholarly sources on *cryptocurrency*, Islamic commercial law, and the broader field of Islamic economics. This discussion highlights key concerns in Islamic jurisprudence, particularly those related to uncertainty (*gharar*), speculative risk (*maysir*), and the determination of clear and intrinsic value (*qimah*). The research findings reveal a spectrum of opinions among scholars, reflecting diverse interpretations among Islamic legal experts. Several scholars argue that the volatile and decentralised nature of *cryptocurrency* makes it inherently incompatible with established Shariah principles because of its potential for

excessive uncertainty, lack of clear value, and speculative behaviour. However, other scholars argue that, under certain conditions, cryptocurrency can be considered a permissible digital asset, provided it does not contain elements that contradict basic Sharia principles. This study concludes that although the use of *cryptocurrency* is not absolutely prohibited, a cautious approach is necessary to ensure compliance with ethical principles, social justice, and the broader public interest. Therefore, establishing a clear regulatory framework, along with authoritative fatwas, is essential to provide guidance and legal certainty for Muslim financial actors in digital transactions.

KEYWORDS: Crypto, Digital Currency, Fiqh muamalah, Islamic Economics, and Sharia law

Introduction

The development of digital technology has brought about major changes in various aspects of human life, including the global financial system. One of the most revolutionary innovations of the last decade is the emergence of cryptocurrency, a digital currency based on *blockchain* technology. *Bitcoin*, as the pioneer of cryptocurrencies, has become a symbol of the rise of decentralised payment systems not controlled by any state authority. The presence of cryptocurrency has sparked much debate, particularly among academics and Islamic scholars, over its validity as a medium of exchange under Islamic law. This development has become increasingly significant because the sharia economic system demands compliance with strict *muamalah* principles, including fairness, transparency, and the absence of haram elements in transactions.¹

In Indonesia, responses to the existence of crypto assets vary among state authorities and religious institutions. Bank Indonesia strictly prohibits the use of cryptocurrencies as legal tender, in line with the law that establishes the rupiah as the only official currency.²

¹ Ahmad Arif Zulfikar Hardian Satria Jati, "Cryptocurrency Transactions from a Sharia Economic Law Perspective," *Journal of Islamic Law and Politics* 6, no. 2 (July 2021): 137–48, <https://doi.org/https://www.academia.edu/download/83580082/1616-4857-2-PB.pdf>.

² President of the Republic of Indonesia House of Representatives of the Republic of Indonesia, "Law of the Republic of Indonesia Number 7 of 2011 Concerning Currency," Pub. L. No. 7, Ministry of State Secretariat of the Republic of Indonesia (2011), <https://jdih.kemenkeu.go.id/dok/uu-7-tahun-2011>.

On the other hand, crypto assets, such as *Bitcoin* and *Ethereum*, are currently classified as commodities, i.e., goods with economic value that can be traded.³ As commodities, crypto assets can be used as the subject of futures contracts, i.e., purchase and sale agreements agreed upon now. Such contracts are traded on futures exchanges, official markets where futures contracts are traded. With this designation, cryptocurrencies can be traded in a more regulated and supervised manner, providing legal certainty and protection for market participants.⁴

The decision of the 7th Indonesian Ulema Council Fatwa Commission established several legal provisions related to *cryptocurrency*. First, the use of *cryptocurrency* as currency is prohibited because it is considered to contain *gharar* (uncertainty) and *dharar* (harm). Additionally, its use as currency also contradicts Law No. 7 of 2011 on the Currency Authority () and Bank Indonesia Regulation No. 17 of 2015 regarding the obligation to use the Rupiah in Indonesia. Second, *cryptocurrency, as a commodity or digital asset, is not valid for trading*. This is because it is considered to involve *gharar*, *dharar*, and *qimar* (gambling) and does not meet the requirements of *sil'ah* (commodity) under Islamic law, which require a physical form, clear value, a definite quantity, ownership rights, and the ability to be transferred to the buyer. However, there is an exception: if *cryptocurrency* as a commodity or digital asset meets the requirements of *sil'ah* and has an *underlying* asset, and is free from *gharar*, *dharar*, and *qimar*, then it is permissible to trade it.⁵

The study of Sharia economic law on cryptocurrency must consider the fundamental principles of *fiqh muamalah*. From a *fiqh* perspective, a medium of exchange is declared valid if it meets several criteria, including having a stable value, being generally accepted by society, and being

³ Minister of Trade of the Republic of Indonesia, "Regulation of the Minister of Trade of the Republic of Indonesia Number 99 of 2018 concerning General Policies on the Implementation of Crypto Asset Futures Trading," Pub. L. No. 99, Secretariat General of the Ministry of Trade, Head of Legal Bureau 1 (2018).

⁴ Head of the Commodity Futures Trading Supervisory Agency of the Republic of Indonesia, "Regulation of the Commodity Futures Trading Supervisory Agency No. 5 of 2019 concerning Technical Provisions for the Implementation of the Physical Market for Crypto Assets (Crypto Assets) on the Futures Exchange," Pub. No. 55 (2019), https://bappebti.go.id/pl/sk_kep_kepala_bappebti/detail/5205.

⁵ M.Ag, Dr. H. Umar Al Haddad, MA, and other members. Dr. KH. Maulana Hasanuddin, "DECISION OF THE 7TH INDONESIAN ULAMA FATWA COMMISSION ON THE LAW OF CRYPTOCURRENCY" (Sultan Hotel Jakarta, November 2021), <https://doi.org/https://fatwamui.com/storage/540/HUKUM-CRYPTOCURRENCY.pdf>.

supported by the relevant authorities. The presence of cryptographic assets (cryptocurrencies) that lack clear intrinsic value and are not supported by official government institutions is one of the main reasons many scholars question their validity as Sharia-compliant currencies. Additionally, crypto's extreme price volatility is considered to create *gharar* (uncertainty) in transactions and to open the door to *maisir* (speculation), which is explicitly prohibited in Islamic teachings. Based on these considerations, many scholars have concluded that crypto does not yet meet the criteria as a sharia-compliant medium of exchange.

In Islamic economics, currency is valid if the public generally accepts it as a medium of exchange and a measure of value, if a competent authority issue it, and if it facilitates transactions. In Islamic economics, money is not a commodity that can be traded for profit (usury), but rather a medium of exchange that facilitates transactions and maintains economic stability.⁶ Many economists state that the role and function of money serves as a medium of exchange, a store of value, a unit of account, a measure of value, and a deferred payment instrument.

In Islam, the role and function of money are not issues, as long as it is not treated as a commodity to be traded like other goods and services. Money is widely accepted as a replacement for the barter system, so people no longer need to find parties who have the goods or services they need and are willing to exchange.⁷

The existence of money helps the Islamic economy function more effectively by accelerating the circulation of wealth within the community. It also facilitates the implementation of *zakat*, *infaq*, *sadaqah*, and *waqf*, and accelerates activities across the private, public, and social sectors. In conventional economics, the existence of an interest system and the treatment of money as a commodity create a separate monetary market. This market, which includes the money, capital, bond, and derivatives markets, develops in parallel with the real market (goods and services). As a result, the real and monetary sectors become separated.

⁶ Rahmat Ilyas, "THE CONCEPT OF MONEY FROM AN ISLAMIC ECONOMIC PERSPECTIVE," *Journal of Islamic Business and Management* 1, no. 4 (2016): 36–38, <https://doi.org/https://www.academia.edu/download/80550548/1507.pdf>.

⁷ Muchammad Ichsan, "THE CONCEPT OF MONEY FROM AN ISLAMIC ECONOMIC PERSPECTIVE," *Journal of Islamic Studies* 21, no. 1 (2020): 34–36, <https://doi.org/KONSEPUANGDALAMPERSPEKTIFEKONOMIISLAM>.

The rapid development of the monetary sector in the conventional economy hinders the growth of the real sector by diverting money and productivity away from it. This can lead to a contraction of the real sector, inflation, and a slowdown in overall economic growth.

Conversely, in Islamic economics does not draw a dichotomy between the real and monetary sectors. This is due to the absence of an interest system and the prohibition on trading money as a commodity. The function of money in Islamic economics differs from that in conventional economic systems. The main function of money in Islamic economic theory is not only as a medium of exchange but also as a store of value and a measure of value; it is not a commodity that can be traded for profit without real production. Muawanah said that, in the Islamic economic concept, money serves as a medium of exchange that facilitates investment, production, and trade in the real sector, making the Islamic economy a pure real-sector economy.⁸

One of the fundamental differences between Islamic and conventional monetary systems lies in the main instruments used. In conventional systems, interest rates are the primary instrument. Conversely, Islamic monetary systems are based on the principle of *profit-and-loss* sharing. Islamic monetary policy focuses on maintaining the circulation of economic resources, whereas conventional monetary policy focuses on controlling the money supply.⁹

In the Indonesian context, various academic studies have discussed the urgency of regulating cryptocurrency within the framework of national and Sharia law. Several studies indicate that a positive legal approach and religious fatwas need to be synergised to provide legal certainty for the public. Without clear regulations, the Muslim community will continue to face legal uncertainty in using cryptocurrency. Therefore, the formulation of progressive, Islamic law-based public policies should be a priority for addressing cryptocurrencies and other digital financial technologies.¹⁰

⁸ Muawanah and Mei, "The Concept of Money in the Islamic Perspective," *Journal of Islamic Banking and Islamic Economics*, vol. 02, May 2020.

⁹ Hilyah Qurrota Ayuni Gini Gaussian, "The Function and Role of Money in the Islamic Monetary System," *Journal of Sharia Economic Law (JHESY)* 3, no. 1 (2 July 2024): 56–63, <https://doi.org/10.37968/jhesy.v3i1.751>.

¹⁰ Firmansyah, "REGULATION OF CRYPTO CURRENCY TRANSACTIONS IN INDONESIA (A Comparative Study of Positive Law and MUI Fatwa Decisions)" (Syarif Hidayatullah State Islamic University, 2023), <https://doi.org/https://repository.uinjkt.ac.id/dspace/handle/123456789/73336>.

The increasingly complex development of the digital world has also led to the emergence of new economic practices, such as purchasing digital assets in the metaverse, which uses cryptocurrency as a means of payment. This phenomenon poses additional challenges for Islamic law, as it must address realities without precedent in classical texts. Purchasing virtual assets in the digital world, such as *those in the metaverse, using cryptocurrency raises questions about ownership and the benefits (manfa'ah) in Islamic law*. In this case, *fiqh muamalah* must develop methodologically to address the dynamics of the modern digital economy.

The use of cryptocurrency is not only considered from the perspective of Islamic jurisprudence, but also needs to be examined from social and consumer protection aspects. In many cases, the general public becomes a victim of fraud or suffers significant losses due to a lack of understanding of the cryptocurrency system. Therefore, education and literacy in Islamic finance are crucial to prevent the public from falling into harmful economic practices. Muafifah emphasised that the buying and selling of cryptocurrency assets, such as Islamic Coin (ISLM), must be conducted with sufficient knowledge to ensure compliance with Islamic principles. This is where the role of educational institutions, scholars, and Islamic authorities plays a vital role in educating the public.

Given the debates and challenges, it is clear that studying the law governing the use of cryptocurrency as currency from an Islamic economic law perspective is not only academically important but also strategic in supporting the economic development of the Muslim community. The Islamic legal approach to this phenomenon must balance text and context, principle and innovation. A better understanding of crypto investment law is essential so that the public can actively participate in the digital economy without straying from Sharia principles. Therefore, the development of adaptive, educational, and applicable fatwas is urgently needed to address the challenges of crypto in the modern era.¹¹

From the above description, it is clear that the main issue in this study is the legal status of *cryptocurrency* as a medium of exchange from an Islamic

¹¹ Candrika Arivia Apriliani, Achmad Irwan Hamzani, and Muhammad Wildan, "The Legality of Cryptocurrency Transactions According to Islamic Law," *Jurnal Ilmiah Mahasiswa Perbankan Syariah* 3 (March 2023): 113–24, <https://doi.org/https://jim.stebisigm.ac.id/index.php/jimpa/article/view/161>.

economic perspective, particularly with respect to value uncertainty, speculation, and compliance with the principles of *fiqh muamalah*. This study is significant because it provides a deeper understanding and a clear legal basis to support the development of modern *fiqh* amid innovations in digital financial technology.

Data and Method

This study utilises a qualitative research method with a *library research* approach. This approach was chosen because the study is normative-juridical in nature, examining Islamic legal norms (*fiqh muamalah*) and applicable positive regulations regarding the use of *cryptocurrency* as a medium of exchange from a sharia economics perspective. The research data were obtained through a literature review of books, scientific journals, official fatwas from the National Sharia Council-Indonesian Ulema Council (DSN-MUI), laws and regulations, and other related documents discussing the legal, economic, and sharia aspects of digital currency.

The research procedure includes identifying and selecting relevant, credible sources of literature; collecting secondary data from legal documents and scientific literature; and conducting a comprehensive review of the latest regulations and fatwas.

Data analysis was conducted descriptively and critically by examining and evaluating various concepts and principles of Sharia law, such as *gharar*, *maysir*, *dharar*, and the requirements for a valid transaction, to determine the legality of *cryptocurrency* use from a *fiqh muamalah* perspective. This approach enables a deep, contextual understanding of emerging digital legal issues. Using this method, the research produces a coherent and valid synthesis of scientific arguments, contributing to the development of Islamic economic law in the era of digital financial technology.

All results of the literature analysis were systematically compiled into an argumentative narrative that supported the research questions and objectives. The researcher endeavoured not only to convey the contents of the literature but also to provide a critical synthesis and interpretation. To ensure the research results are scientifically accountable, each quotation and reference was cited in accordance with the appropriate style, such as APA or

the footnote system, as required by the institution. This maintained academic integrity and avoided plagiarism.

This study acknowledges the limitations of the literature review method, particularly the lack of direct empirical data. However, despite the depth of analysis and the wealth of references, this study still makes a significant conceptual contribution. With this approach, it is hoped that the results of this study will broaden theoretical understanding of the topic and open the door to further research that may use a field approach or mixed methods.

General Explanation of Digital Currency

The currency in Indonesia is regulated by Law No. 7 of 2011, which makes it a symbol of the sovereignty of the Republic of Indonesia that must be respected and honoured by all Indonesian citizens. This currency serves as legal tender for both domestic and international economic activities, aiming to promote social welfare for the entire community.

Meanwhile, legal tender is a form of money recognised by the courts to settle monetary debts. Each jurisdiction has its own definition of legal tender, but essentially, it can extinguish a debt when offered as payment. Although creditors are not obliged to accept such payment offers, offering legal tender can discharge the debt.

The rapid development of the internet and mobile technology has triggered significant changes in the global economy, including the emergence of virtual currencies. Virtual currencies are not a new concept; they are rooted in the idea of complementary currencies such as airline miles, local exchange trading in Canada, or the Währung in Bavaria. This type of currency circulates more quickly because it is designed as a medium of exchange.

Virtual currencies, particularly *cryptocurrencies* such as Bitcoin, together with *blockchain* technology, are fundamental innovations in financial technology that introduce currency models and banking systems that differ from conventional ones. Bitcoin, which began operating in 2009, and various other *cryptocurrencies* have been developed to meet a variety of needs and purposes.

Blockchain technology is the key to the success of *cryptocurrency*. It is a decentralised technology that uses a distributed digital ledger to record

transactions between two parties in a chronological, open, verifiable, and permanent manner. The term “*crypto*” in *cryptocurrency* refers to the encryption and cryptography used in blockchain databases, while “*currency*” refers to its recognition as a medium of exchange among users.¹²

The concept of digital currency was first introduced through Bitcoin in 2009 by an individual or group under the pseudonym Satoshi Nakamoto. Bitcoin paved the way for thousands of other *cryptocurrencies*, including *Ethereum*, *Ripple*, and *Litecoin*. Its development has been rapid as trust in *blockchain* technology has grown, particularly in terms of security, transparency, and efficiency.¹³

Crypto regulations vary greatly around the world. The United States treats crypto as a digital asset or commodity, not as an official currency, and it is regulated by the *Securities and Exchange Commission* (SEC) and the *Internal Revenue Service* (IRS).¹⁴ In the European Union, *cryptocurrency* is treated as a digital asset rather than an official currency. The EU is focused on creating a transparent, harmonized regulatory framework to enable the cryptocurrency market to develop while protecting consumers and financial security through the *Markets in Crypto Assets* (MiCA) regulation. In Japan, cryptocurrency is recognised as a legal payment method. However, in countries such as China, cryptocurrency trading and use are completely prohibited. These regulations are usually aimed at preventing money laundering and terrorist financing and at protecting investors from market volatility.

Although the view of *bitcoin* as a hedge against inflation remains controversial, several academic studies have provided significant support for this narrative, especially over the long term. Several examples have found that Bitcoin exhibits characteristics as a “hedge” during periods of extreme market uncertainty, such as during the COVID-19 pandemic. Proponents also point to a positive correlation between *Bitcoin* prices and inflation, particularly over time horizons of more than 1 year. This suggests that,

¹² Afrizal Marliyah, “Analysis of Cryptocurrency (Perspectives on Currency, Law, Economics and Sharia),” *Journal of Economics, Management and Business* 22, no. 2 (October 2021): 19–22, <https://doi.org/https://journal.unimal.ac.id/emabis/article/view/689>.

¹³ Muhammad Rizieq, “The Legitimacy of Cryptocurrency from a Sharia Economic Law Perspective: A Case Study of the DSN-MUI Fatwa on Crypto Assets,” *Multidisciplinary Academic Journal* 2, no. 4 (August 2025): 61–72, <https://doi.org/10.61722/jmia.v2i4.5050>.

¹⁴ <https://www.sec.gov/about/divisions-offices/division-corporation-finance/framework-investment-contract-analysis-digital-assets>, accessed on 12 August 2025

despite short-term volatility often being challenging, Bitcoin has the potential to protect asset value from inflation over time.

On the other hand, many studies show that Bitcoin cannot yet be relied upon as a hedge against inflation. Some argue that its extreme volatility and unstable correlation make it ineligible as a hedge asset. This narrative is supported by researchers who state that *Bitcoin's* volatility can be 15-20 times that of inflation, making it more suitable for classification as a speculative asset and categorisation as a high-risk equity. This indicates that *Bitcoin* behaves as a “*risk-on asset*” rather than a safe asset or “*haven*”. Therefore, *Bitcoin's* potential as an inflation hedge is inconsistent, and its effectiveness is very weak in the short term due to its high volatility. Convincing evidence only emerges in the long term, as the market stabilises. Therefore, *Bitcoin* is not recommended as a primary hedging tool.

CoinMarketCap data shows that more than 2,000,000 cryptocurrencies are traded, both as coins and tokens. However, some countries are reluctant to use the term “*cryptocurrency*” because it is often seen as a form of payment. Not all countries recognise cryptocurrencies as legal tender, but many have regulations governing them. In Indonesia, the Commodity Futures Trading Regulatory Agency (BAPPEBTI) has published the latest list of cryptocurrencies that may be traded on the physical cryptocurrency market through Bappebti Regulation (PerBa) Number 4 of 2023, which revises Bappebti Regulation Number 11 of 2022.

From sender to recipient, payments are made directly, without intermediaries or two devices connected. *Cryptocurrency* generally utilises *blockchain* as a platform to facilitate digital transactions, which can be accessed by anyone, even without making a transaction. Blockchain is a secure, transparent, distributed digital ledger technology. Its decentralised nature makes data difficult to alter and highly secure. This technology has given rise to various innovative products, including:

1. *Non-Fungible Token (NFT)*

NFTs are unique digital assets that serve as proof of ownership and authenticity. Unlike cryptocurrencies, which are interchangeable, each NFT is unique. This makes NFTs popular for selling digital artworks and also serves as a key to accessing certain services or content.

2. *Play-to-Earn* (P2E) Games

P2E games allow players to earn tokens or other digital assets as incentives. Some games require players to purchase NFTs to play, while others award tokens during gameplay, which can then be exchanged for NFTs sold by the game.

3. Metaverse

In *the metaverse*, *blockchain* is used to create a digital economy system. With NFTs, virtual assets such as land and collectibles become scarce and can be verified as owned, just as in the real world. Examples of *metaverses* that use this technology are *Decentraland* and *The Sandbox*.

4. *Decentralised Finance* (DeFi)

DeFi is a financial service that operates without intermediaries such as banks. All transactions and agreements are executed through *smart contracts* on *the blockchain*. This allows you to obtain financial services, such as loans and interest, simply by using your wallet and cryptocurrency balance, without the complicated bureaucracy.

Before trading, it is important to register on a crypto exchange and ensure your account has undergone basic verification so your crypto asset investments run smoothly. The steps you can take are as follows:

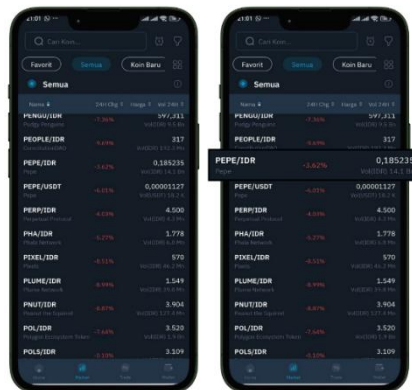
- 1) Select an exchange to open a cryptocurrency account. Ensure that the exchange is officially registered with Bappeti.
- 2) Register an account on the website or application by entering your email address, mobile phone number, and password, then read and agree to the terms of service and privacy policy.
- 3) Complete KYC (*Know Your Customer*) or identity verification by uploading identity documents such as your ID card, driver's licence, or passport. This is to ensure that the account created is not fake.
- 4) Depositing funds. Fiat currency, digital currency, or several cryptocurrencies are used for this. After that, account owners can use them to purchase assets by depositing into a bank account or a digital wallet, or by receiving free coins.

Here are the steps you need to know to buy and sell cryptocurrency on the Indodax app.

- 1) Open your Indodax app, then on the home page, users can click on any asset that appears on the page in the watch list. Then, at the bottom of the screen, you can enter the market menu and select the cryptocurrency you want to buy or sell.



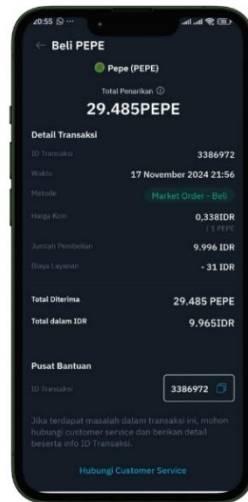
- 2) After selecting a crypto asset, click the “sell” or “buy” option.



Click the “sell” or “buy” button, and the following will appear.



- 3) Enter the amount of cryptocurrency you wish to purchase. The amount of cryptocurrency that can be purchased is usually subject to limits or standards set by the application. The asset price is displayed in Rupiah, and the cryptocurrency is priced at the time of the transaction.



- 4) Wait until the transaction is successful. Once the transaction is complete, you can view the purchased assets in the transaction history within the application's menu.

Cryptocurrency, or virtual money, offers advantages for transactions because it does not require third parties such as banks. Security in cryptographic transactions prevents counterfeiting and duplication, making transactions cheaper, safer, and faster, without space or time limitations. Virtual currencies are also not affected by inflation or government changes, and some consider them to have a value equivalent to gold.

However, the exchange rates of virtual currencies fluctuate based on user demand and a country's policy on regulating them. Although most blockchain-based cryptocurrencies lack underlying assets that determine their value, meaning their value can fluctuate rapidly, some experts believe others have intrinsic value.¹⁵

¹⁵ Al Munawwar Semmawi and Ashar Sinilele, "A REVIEW OF ISLAMIC LAW ON CRYPTOCURRENCY (CASE STUDY OF ETHEREUM) AS AN INVESTMENT INSTRUMENT," *Scientific Journal of Sharia Economic Law Students* 6, no. 2 (January 2025): 303–9, <https://doi.org/https://tes-ojs.uin-alauddin.ac.id/index.php/iqtishaduna/article/view/50104>.

The Concept of Currency in Sharia Economic Law

According to Islamic economists, money is defined as an asset used for payment. Similarly, Case and Fair generally define it as something that can be exchanged to purchase goods. Simply put, money is a medium of exchange. Its main functions are as a medium of exchange and a store of value. Essentially, money is a resource society uses as a medium of exchange to purchase goods and services.¹⁶

In Islamic economics, the word "money" derives etymologically from "*Al-Naqdu Nukud*". "*Al-Naqdu*" has several meanings, namely goodness in dirhams, storing in dirhams, and giving secrets in dirhams. Meanwhile, "*Naqdu*" itself means money. Interestingly, most Arab societies in the past did not use the term "*nukud*" to refer to price. They more often used the word "dinar" for gold coins and "*dirham*" for coins used in trade.

Muslim economists offer various definitions of money, though there is no consensus. According to Nazim Al Shamri, money is "something that all parties accept as tradition (*urf*), legal legitimacy, or the value of the object itself, and can also be accepted to play an intermediary role in the process of various transactions involving the exchange of goods and services." Meanwhile, Sahir Hasan defines money as "a material substitute for all economic activities, especially a medium that gives its owner purchasing power to meet their needs and fulfil all their obligations through all the laws and regulations that have been made."

According to modern Islamic economists, money has two main meanings: as a medium of exchange or transaction and as an object recognised by society as a standard of value. In the Islamic economic perspective, money is considered a public good. This means that when someone hoards money or leaves it idle, the money supply shrinks,

¹⁶ Faisal Affandi, "THE FUNCTION OF MONEY FROM AN ISLAMIC ECONOMIC PERSPECTIVE," *Journal of Islamic Economics* 1 (December 2020): 82–91, <https://doi.org/https://www.academia.edu/download/91727170/481310954.pdf>.

potentially triggering a recession. The act of accumulating unused money actually hinders the exchange process in the economy.¹⁷

In Islamic economics, currency is considered valid if the public generally accepts it as a medium of exchange and a measure of value, issued by a competent authority, and if it facilitates transactions of value. In Islamic economics, money is not a commodity that can be traded for profit (usury), but rather a medium of exchange that facilitates transactions and maintains economic stability.

Money plays an important role in daily life by facilitating economic functions. Basically, the functions of money are as follows:

1. A medium of exchange
2. A tool as a unit of account
3. Store of value
4. Deferred payment instrument

Although these functions are generally recognised, there is a fundamental difference in the way conventional and Islamic economic systems view and treat money. In conventional economics, money serves as both a medium of exchange and a store of value. This means money can be traded or even rented. However, in Islamic economics, money only functions as a medium of exchange and is not a commodity that can be traded. Islam emphasises that money should be used solely as a medium of exchange. The more money that circulates in the market, the more goods and services can be produced and absorbed by the market.¹⁸

The Use of Cryptocurrency as Currency in Sharia Economic Law

In Islamic law, every economic instrument must fulfil the principles of justice, clarity (*gharar*), and freedom from usury. The status of cryptocurrency

¹⁷ Vadilla Yulianda, Rana Yolanda, and Nur Salsabillah, "The Concept of Money in the Perspective of Islamic Economics," *JASIE-Journal of Aswaja and Islamic Economics* 2 (2023): 13, <https://doi.org/10.3194/jse.v1i1.6877>.

¹⁸ M. Ulin Nuha, Nur Soimah Asfi Manah, "Analysis of the Concept of Money Value as a Medium of Exchange in the Context of Sharia Economics," *Journal of Economics and Digital Business Review* 2, no. 2 (2024): 657–58, <https://doi.org/https://ojs.sticamkop.ac.id/index.php/ecotal/article/view/1672>.

under Islamic law remains debated. Some prohibit it because it is considered speculative (*maysir*), has no intrinsic value, and is prone to fraud. However, some scholars permit its use if it fulfils the criteria of lawful property (*mal*).

In Islamic economic law, a good or asset can be used as an object of transaction if it meets several criteria, including that it has value, can be owned and transferred, and does not contain elements of haram substances or contracts. In this case, cryptocurrency is considered to fulfil the elements of ownership and exchange value. Still, it raises questions regarding its validity as a medium of exchange because it has no real intrinsic value and is not backed by state authority.

If cryptocurrency is treated as a commodity or investment asset, it can be equated with gold or securities, provided it does not involve excessive speculation (*gharar*) or uncertainty that is detrimental to any party. However, if treated as money, cryptocurrency must comply with Sharia principles such as value stability, clarity of quantity, and the presence of a regulatory authority, all of which are difficult to fulfil in a highly volatile, decentralised cryptocurrency system.

In the context of contracts, many crypto transactions are carried out without clear terms. This raises concerns that they may contain invalid elements. Some scholars state that crypto is valid for trading only if the intention is to trade it as a commodity and if it follows clear rules of sale and purchase in accordance with Sharia law, including clarity of price, quantity, and mutual consent between the parties.¹⁹

In Islamic economics, the recommended currencies are the dinar (gold) and dirham (silver), a standard established by the Prophet Muhammad (peace be upon him). Globally, there are two main views among *fuqaha* (jurists) regarding the nature of money: The first group argues that money is limited to gold and silver minted as currency. They believe that Allah created gold and silver specifically for use as a medium of exchange and a measure of value. Meanwhile, the second group agrees with the narration of Caliph Umar (may Allah be pleased with him), who stated that money is a matter of terminology. This means that anything agreed upon and accepted by society as a medium of exchange can be called money.

¹⁹ Raefy Punta Dewa et al., "Analysis of Islamic Economic Law on Crypto Transactions Declared Halal by Several Scholars," vol. 9, 2025.

Islamic economists generally agree with the second view that money is a matter of terminology. They argue that money is anything that circulates and is widely accepted according to its use. In Islam, an asset is categorised as wealth if it fulfils four criteria: having substance (material), being storable for a long period, having utility, and being considered wealth by society. *Cryptocurrency* does not yet fully meet these criteria, even though its value may exceed that of gold and silver.

In addition, electronic money transactions must also avoid usury, *gharar* (uncertainty), *maysir* (ambiguity), *tadlis* (concealing defects in an object), *risywah*, and *israf* (excessive spending).²⁰

The Qur'anic verse often cited is QS. Al-Baqarah: 275 – “Allah has permitted trade and forbidden usury.” This emphasises that transactions must be fair and free from deception or usury. The Hadith of the Prophet SAW also states: “Honest and trustworthy merchants will be with the prophets, the truthful, and the martyrs.” (HR. Tirmidzi), emphasising transparency in transactions.

From the perspective of Islamic economic law, cryptocurrency can be viewed from two main aspects: its validity as property (*mal*) and its suitability as a medium of exchange (*tsaman*). Contemporary fiqh scholars debate whether cryptocurrency can be categorised as *property* that has real value. Some consider it valid as *mal istibdal* (substitute property) if it is used as a standard of exchange within a particular community and has a recognised value.²¹

Sharia economic law theory emphasises three principles: justice, transparency, and *maslahat*. If crypto is used as an investment instrument that complies with Sharia principles (without elements of usury, *gambling*, and *uncertainty*), then its use can be justified. However, if crypto is used more for speculation, gambling, or money laundering, then it contradicts Sharia objectives.

According to scholars such as Sheikh Haitham al-Haddad and Mufti Taqi Usmani, cryptocurrency does not yet meet the requirements for a

²⁰ Irfan Andi Siti Nur Azizah, “The Phenomenon of Cryptocurrency from an Islamic Legal Perspective,” *Journal of Comparative Madhhab Studies* 1, no. 1 (January 2020): 73–75, <https://doi.org/https://tes-ojs.uin-alaududin.ac.id/index.php/shautuna/article/view/12424>.

²¹ Sisca Ferawati Burhanuddin, “Cryptocurrency Transactions: How Does Islamic Economic Law View Them?” *Scientific Journal of Accounting and Finance* 4, no. 7 (2022): 2849–58, <https://doi.org/http://journal.ikopin.ac.id/index.php/fairvalue/article/view/1284>.

medium of exchange in Islam because it lacks a fixed value standard and has a high potential for gharar. However, there are also moderate scholars, such as Mufti Muhammad Abu Bakar of Blossom Finance, who state that Bitcoin can be halal if used legally, transparently, and for good purposes. QS. Al-Isra': 35 – “And give full measure when you measure, and weigh with a balance that is just. That is better for you and has a better outcome.” This emphasises the importance of fairness and clarity in exchange value, which cryptocurrency does not yet fully meet.

The author believes that the use of cryptocurrency in the investment ecosystem is acceptable under Sharia law if it is regulated and supervised within a strict framework. However, its use as a currency or medium of exchange should not be implemented until there is a guarantee of value stability, clarity of function, and recognition from official authorities. In the context of Indonesia's diversity, the *fiqh muamalah* approach must be adaptable while remaining grounded in the principles of *maqasid al-sharia* and the protection of the public interest.

The discourse on the legality of using cryptocurrency as currency according to Islamic economic law has been an important academic topic since its inception. The nature of cryptocurrency, which has no physical form, is highly volatile and not controlled by any official authority, raising several fundamental issues within the framework of *fiqh muamalah*. Sharia-compliant currency in Islam should ideally be widely accepted as a medium of exchange, have stable value, and be supported by official institutions to ensure transactions are conducted fairly and transparently. This situation starkly contrasts with the characteristics of cryptocurrency, raising serious doubts about its suitability as a sharia-compliant financial instrument.

Cryptocurrency is more accurately categorised as a digital commodity than a currency. The explanation that cryptocurrency's intangible nature, high volatility, and speculative tendencies place it in the category of gharar or transactions full of uncertainty. However, if a cryptocurrency asset meets clear ownership requirements — it has a tangible object, can be transferred, and its value is known — then such transactions can be categorised as valid under Sharia law, even if they are not considered currency.

The use of Bitcoin as currency is prohibited, primarily due to its high volatility, the lack of state or official authority guaranteeing its value, and the potential losses incurred by some parties. This prohibition is a preventive

measure to protect the public, especially Muslims, from dangerous modern economic risks.²²

Purchasing virtual assets in the digital world, such as those in the metaverse, using cryptocurrency raises questions about ownership and the benefits in Islamic law. According to Sharia law, such digital transactions are considered valid if the object and benefits are clear. If there is no clarity, the transaction is difficult to validate, even if cryptocurrency is used as a means of payment. This is because Islamic law requires that every transaction be transparent, ensuring the rights and obligations of all parties are protected.²³

The importance of Islamic financial education and literacy in discussions of cryptocurrency. He stated that practices such as trading *Islamic Coin* (ISLM) can be categorised as lawful if carried out correctly, with clear Islamic guidelines and in a transparent manner. He emphasised that educating the public is crucial to preventing cryptocurrency from being used for speculative or unlawful purposes.²⁴

The validity of cryptocurrency is determined by how Sharia law regulates it. It is emphasised that cryptocurrency can be used as a commodity, not as a currency, so its use as a medium of exchange must be subject to strict Sharia restrictions.

In addition, social and educational aspects are major concerns. Without sufficient understanding, people are vulnerable to engaging in transactions that are not in accordance with Sharia law or are even dangerous. Therefore, Sharia economic literacy must be incorporated into regulations and fatwas. This paradigm aligns with the objectives of *maqashid*: protecting the people's wealth, life, intellect, lineage, and religion.

Overall, this discussion confirms that cryptocurrency remains a currency subject to major challenges under Islamic law, with many aspects requiring further regulation and clarification. However, behind these challenges lies the potential for Muslims to respond wisely to technological

²² Adelia, Baidhowi Dara Sasra, "Indonesian Legal Media (MHI) Analysis of the Concept of Cryptocurrency Transactions from the Perspective of Sharia Economic Law," *Indonesian Legal Media* 2, no. 6 (June 2025): 301–7, <https://doi.org/10.5281/zenodo.15612312>.

²³ Rifka Asri Ulfita, "The Purchase of Virtual Land on the Metaverse Platform Using Cryptocurrency from an Islamic Law Perspective," *El-Uqud: Journal of Islamic Economic Law Studies* 2, no. 1 (31 March 2024): 11–25, <https://doi.org/10.24090/eluqud.v2i1.8300>.

²⁴ Siti Muafifah, "THE PRACTICE OF BUYING AND SELLING ISLAMIC COINS (ISLM) FROM A LEGAL PERSPECTIVE" (State Islamic Institute of Kediri, 2024).

innovation, through an *ijtihadiyah* approach, adaptive regulation, and contemporary education.²⁵

Conclusion

The use of cryptocurrency as a currency in Islamic economic law is a complex and ongoing debate. Although it offers digital innovation, its presence raises important questions regarding legality, transparency, and compliance with Islamic principles. This study examines the legal status of *cryptocurrency* as a medium of exchange under Islamic economic law.

In Islamic law, currency or means of exchange must meet several requirements, including being widely accepted by the public, maintaining stable value, being usable as a measure of price, and not involving speculation or uncertainty. Unfortunately, *cryptocurrency* does not yet fully meet these criteria. Its highly volatile value and lack of official support create significant uncertainty for its users. Many cryptocurrency transactions are considered to involve high levels of speculation and lack transparency, which contradicts the fundamental principles of Sharia law.

In relation to this matter, the Seventh Indonesian Ulema Council Fatwa Commission has determined that the use of *cryptocurrency* as currency is prohibited because it involves *gharar* (uncertainty) and *dharar* (harm). Furthermore, its use as currency also contradicts Law No. 7 of 2011 on Currency and Bank Indonesia Regulation No. 17 of 2015, which requires the use of the Rupiah in Indonesia.

However, there are more moderate views. Some scholars and academics believe that *cryptocurrency* is still acceptable to a limited extent, not as a currency, but as a digital asset or commodity. When used as a commodity, crypto is considered valid as long as it meets the requirements of a sharia-compliant transaction, such as clear ownership, a known value, and the absence of unfair losses for one party.

There is an exception if cryptocurrency, as a commodity or digital asset, meets the requirements of *sil'ah* (commodity), has an underlying (basic asset), and is free from *gharar*, *dharar*, and *qimar*; then it is lawful to trade it.

²⁵ Bagas Heradhyaksa, "Improving Understanding of Cryptocurrency Investment Law in Indonesia," *Abdimas Singkerru* 2, no. 2 (2022): 2022, <https://doi.org/https://doi.org/10.59563/singkerru.v2i2.168>.

To adopt *cryptocurrency* within the Islamic economic system, a robust regulatory framework and adaptable Sharia-based fatwas are required. It is also important to synergise positive state law with Sharia principles to provide legal protection and certainty for Muslims involved in the crypto ecosystem. In addition to legal regulations, public education about the risks of transactions and the Sharia consequences of using crypto is also crucial.

Overall, cryptocurrency cannot yet be fully accepted as currency in the Islamic economic system. However, the opportunity to accept it as an asset or investment instrument remains open, provided that the transactions comply with the basic principles of Sharia and do not violate the *maqashid* (Sharia objectives). This adaptation process requires collaboration between regulators, academics, scholars, and the community to establish a strong legal and ethical foundation.

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