



EPISTEMOLOGY OF ISLAMIC LAW TOWARDS CRYPTOCURRENCIES: AN ANALYSIS OF FIQH CLASSIFICATION, FUNCTION OF CURRENCIES, AND IMPLICATIONS OF EXCHANGE LAW IN A SHARIA PERSPECTIVE

Muhamad Marzuki^{1*}, Lalu Haqqulyakin Mulyawan¹, Ahmad Amir Aziz², Masnun²,
Baharudin²

¹Institut Agama Islam Hamzanwadi Pancor, East Lombok, Indonesia

²Universitas Islam Negeri Mataram, Mataram 83116, Indonesia

*marzukey78@gmail.com

Abstract

This study examines the epistemology of Islamic law in establishing rulings on contemporary phenomena, focusing on cryptocurrency as the object of study. Through a fiqh-comparative analysis approach combining library research with qualitative analysis of classical and contemporary jurisprudential sources, this research investigates the methodological foundations employed by scholars in determining the legal status of cryptocurrency. The study finds that fundamental principles of *usul al-fiqh*—particularly original permissibility, harm elimination, and sharia objectives—provide robust frameworks for analyzing novel financial instruments. The analysis reveals three primary classifications in contemporary discourse: as property, currency, or digital asset, each carrying distinct legal implications for exchange, zakat applicability, and contractual validity.

Keywords *Cryptocurrency, Bitcoin, Islamic Jurisprudence, Usul Al-Fiqh, Maqasid Al-Shariah, Riba*

INTRODUCTION

The emergence of cryptocurrencies as a financial technology innovation in the 21st century has sparked intensive discourse among Muslim scholars and academics around the world. Since the launch of Bitcoin by Satoshi Nakamoto in 2009, followed by the proliferation of thousands of alternative cryptocurrencies (altcoins), the global financial landscape has witnessed a paradigm shift in how value is created, stored, and exchanged (Nakamoto, 2008). This phenomenon presents a unique challenge for Islamic jurisprudence, which has historically developed sophisticated frameworks for analyzing financial instruments and monetary systems, but now faces an unprecedented form of decentralized digital assets.

Differences of opinion among scholars about cryptocurrency are not a new phenomenon in the history of Islamic jurisprudence. Rather, it is a continuation of the long tradition of *ijtihad*—the process of independent legal reasoning—in the face of new phenomena that are not explicitly regulated in the main textual sources of Islamic law. Classical scholars developed methodological principles appropriate for such situations, with the recognition that divine sharia must apply at all times and places (Al-Shatibi, 1997). Understanding how these principles apply to cryptocurrencies requires a careful examination of two things: the nature of this technology and the epistemological foundations of Islamic legal methodology.

History records various precedents in which scholars differed on new phenomena, such as tobacco (dukkan), coffee (qahwah), banknotes (waraq), and more recently, conventional insurance and financial derivatives. In each case, the *ijtihad* process involves several key steps: first, accurately understanding the reality of the phenomenon under study (*fahm al-waqi'*); second, identifying the relevant legal characteristics (*'illat*); third, applying the right legal principles through analogy (*qiyas*) or considerations of the public interest (*maslahah*); and finally, issuing rulings consistent with sharia objectives (*maqasid*) (Ibn Taymiyyah, 1998). The discourse of cryptocurrencies follows this pattern while presenting distinctive challenges due to their technical complexity and novelty.

This research aims to: (1) explain the epistemological foundations in establishing Islamic law against contemporary phenomena, with a focus on the principles of *al-fiqh* that are relevant to financial innovation; (2) analyze the various classifications of cryptocurrencies proposed by contemporary scholars within the framework of the classical categories of *mall* (property), *thaman* (currency), and *mujazaf* (digital assets); (3) examine the functional criteria for determining monetary status (*thamaniyyah*) in Islamic jurisprudence and apply them to evaluating cryptocurrencies; (4) analyze the legal implications of each possible classification for exchange transactions, *zakat* obligations, and contract validity; and (5) synthesize these findings into practical guidelines for Muslims interacting with the cryptocurrency market. Through this comprehensive analysis, this study contributes to a theoretical understanding of Islamic legal methodology as well as practical resolution of contemporary *fiqh* questions.

LITERATURE REVIEW

1. Basic Rules of Ruling in Islamic Fiqh

In the Islamic jurisprudence tradition, there are fundamental rules that serve as the epistemological basis for the establishment of laws on new objects. The most important is the principle of *al-asl fi al-ashya' al-ibahah* or "the state of origin of everything is permissible." This principle means that as long as there is no clear textual evidence forbidding something, then its status remains legally valid (Al-Shatibi, 1997). This principle is derived from various verses of the Qur'an and hadith of the Prophet, including QS. Al-Baqarah: 29 which states that Allah created everything on earth for the benefit of mankind, as well as the hadith recorded in the book of Ibn Hibban and others: "The origin of everything is *halal* until there is evidence to the contrary."

Closely related to the above principle is the concept of "ibaha until proven otherwise" (*al-ibaha baqiya hatta yaqum dalil al-tahreem*), which places the burden of proof on the party who wants to prohibit something, not on the party who allows it. Al-Ghazali (2005) in his book *Mustasfa min 'Ilm al-Usul* explains this principle at length, arguing that it reflects the compassionate nature of Islamic law and its orientation to ease of administration, not unnecessary restrictions. This principle has significant implications for the analysis of cryptocurrencies, as it shows that new technologies should not be banned solely because of novelty or unfamiliarity, but only if certain prohibited elements can be identified in them.

Other important principles are *darar yuzal* ("harm must be eliminated") and *la darar wa la dirar* ("no harm should be created or retaliated against"), which affirm that Islamic law aims to prevent harm to individuals and society. This principle, sourced from authentic hadiths recorded in major collections including Saheeh Ibn Majah and Sunan al-Daraqutni, provides a basis for prohibiting aspects of cryptocurrencies that cause real losses, such as fraudulent schemes, market manipulation, or use in illegal activities (Al-Zuhayli, 2003). However, the application of this principle requires empirical evidence of actual losses, not just theoretical possibilities.

The principle of "maqasid al-shariah" (the goals of sharia) is perhaps the most comprehensive framework for analyzing contemporary issues. As formulated systematically by Imam al-Shatibi (1997) in his monumental work *Al-Muwafaqat fi Usul al-Shariah*, Islamic sharia aims to safeguard five essential interests (*al-daruriyat al-khamsa*): religion (din), soul (nafs), intellect ('aql), offspring (nasl), and property (mal). Each legal ruling is evaluated based on its contribution to or impact on these fundamental objectives. For cryptocurrencies, it means assessing whether these instruments serve a legitimate economic function (safeguarding property) or facilitate detrimental activities (threatening other protected interests). Contemporary scholars such as Abdullah bin Bayyah and Yusuf al-Qaradawi have emphasized the centrality of maqasid-based reasoning in dealing with modern financial phenomena (Qaradawi, 2001).

Ibn Taymiyyah (1998) in *Majmoo' al-Fatanya* emphasizes two critical epistemological steps in ijihad: first, *fahm al-naqi'* (understanding reality), which demands a thorough understanding of the phenomenon under study, including its technical, economic, and social dimensions; second, *fahm al-nushb* (understanding nash/text), which involves extracting relevant legal principles from primary sources and applying them appropriately to understood reality. This methodology demands that scholars who study cryptocurrencies have a genuine understanding of blockchain technology, distributed ledger systems, cryptographic mechanisms, and market dynamics—not just superficial familiarity with media portrayals or popular perceptions.

2. Historical Precedent of Ijtihad against New Phenomena

The history of Islamic jurisprudence provides a variety of precedents that are highly relevant for understanding the dynamics of contemporary discourse on cryptocurrencies. One of the most illustrative examples is the enactment of laws against tobacco (dukkan/tambakh) at the beginning of the modern era. When tobacco was first introduced to the Muslim world in the 16th century, scholars were divided: some allowed it based on the principle of original permissibility, while others banned it due to its potential dangers, unpleasant odors, and its association with non-Muslim cultures. Over time, as medical evidence gathered regarding the health risks of smoking, scholarly consensus shifted toward a ban or at least a strong rejection, showing how ijihad can evolve in response to new information (El-Shamsy, 2013). This precedent shows that the initial uncertainty about new goods was not the failure of the legal system, but rather its normal functioning.

The introduction of coffee (qahwah) in the 15th century sparked similar controversy. Some scholars in Mecca initially banned coffee in 1511, arguing that its stimulant effects were similar to those of alcoholic beverages (khamr). However, subsequent discussions among scholars in Cairo and elsewhere led to widespread acceptance of coffee as an allowed stimulant, as distinct from intoxicants. The coffee controversy demonstrates the importance of accurate factual understanding—the key issue is whether coffee actually causes intoxication, and once this is explained, a verdict can be made precisely (Zubaida, 2005). Similarly, cryptocurrency analysis requires an accurate understanding of what it really is and what it does, rather than relying on misunderstandings or fears.

The most directly relevant precedents involve paper money (waraq/nuqud waraqi) and fiat currencies. When paper money was first introduced, many scholars questioned whether it could be real money (thaman) given that it lacked intrinsic value such as gold and silver coins. Intense debate with the transition from gold-backed currencies to pure fiat currencies followed the collapse of the Bretton Woods system in 1971. Major contemporary scholars, including Mufti Muhammad Taqi Usmani (1998), have argued that fiat currencies achieve monetary status through customary (ʿurf) and government acceptance (ʿtamkin), albeit without metal backing. This precedent is particularly significant for cryptocurrencies, which both lack intrinsic value but may acquire monetary status through widespread acceptance and functional utility.

The development of Islamic banking and finance products in the 20th century provided an additional relevant precedent. When conventional banks began to offer interest-bearing products, Islamic scholars developed alternative structures such as murabaha (cost-plus financing), musharakah (partnership), and ijara (rent) that achieved similar economic functions while avoiding forbidden elements such as riba (interest). This process of financial engineering demands a deep understanding of both sharia principles and the mechanisms of modern economics—a model that should inform cryptocurrency analysis (Warde, 2010). The experience of Islamic finance shows that Islamic law can accommodate innovation when approached with appropriate methodological rigor.

The Organization of Islamic Cooperation (OIC) through the Academy of Fiqh and AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) has addressed a wide range of contemporary financial issues through collective ijtihad (*ijtihad jama'i*), issuing resolutions on matters ranging from derivatives to cryptocurrencies. Their methodology typically involves assembling a panel of experts that combines sharia scholars with technical experts, ensuring that legal reasoning is based on an accurate understanding of the subject matter. This collaborative approach is a development in ijtihad methodology adapted to the complexity of modern financial instruments (AAOIFI, 2023).

3. The Concept of Currency and Value in Islamic Fiqh

An understanding of the concept of currency (thaman) in Islamic jurisprudence is essential for analyzing the status of cryptocurrencies. Al-Sarakhsi (2001) in his encyclopedic work *Al-Mabsut* explains that currency, when viewed philosophically, is a standard of measurement for valuing goods and services—a medium of exchange, a store of value, and a unit of calculation. Classical scholars recognize that anything that serves

these functions has the potential to qualify as a *thaman*, regardless of its physical form. The functional approach to defining money has significant implications for cryptocurrency analysis, suggesting that the question should focus on what a cryptocurrency does, not what it does physically.

Al-Nawawi (2002) in *Al-Majmoo' Sharh al-Muhadhdhab* classifies currencies into two categories: *tsaman khilqi* (natural currency, specifically gold and silver that have intrinsic value) and *tsaman 'urfi* (customary currency, which acquires monetary status through social convention and acceptance). This distinction is crucial for understanding cryptocurrencies, which clearly fall into the second category. Unlike gold and silver, cryptocurrencies have no intrinsic value—they derive their value entirely from user acceptance, network effects, and perceived utility. However, the same is true for fiat currencies, which have been widely accepted as legitimate *thaman* by contemporary scholars despite lacking intrinsic value.

The concept of *thamaniyyah* (financial properties or monetary qualities) occupies a central position in Islamic trade jurisprudence because it determines which legal rules apply to certain assets. Assets that have full *thamaniyyah* are subject to the rules of *riba al-fadl* (prohibition of unequal exchange between similar items) and *riba al-nasia* (prohibition of delay in payment in currency exchange), as well as *zakat* obligations at the threshold of *nisab* (usually 2.5% a year). Assets that are less than *thamaniyyah* are treated as ordinary commodities (*'urud*) with different rules, including *zakat* only when sold (at commercial rates) not when stored (Ayad, 2026).

Classical scholars set specific criteria for determining whether something qualifies as a *thaman*. These criteria include: *qabul al-'amm* (widely accepted as a medium of exchange); *qimat al-baqa'* (durability and preservation of value over time); *qabil li al-qismah* (can be divided into smaller units); and *nadr al-wujud* (scarcity that limits supply). Cryptocurrency arguments meet most of these criteria—they are widely accepted (in the crypto market), durable (exist on the distributed ledger), divisible (Bitcoin can be divided into eight decimals, known as *satoshi*), and rare (Bitcoin is capped at a maximum of 21 million coins). However, critics note that extreme price volatility undermines the stability criteria (Hudaefi, 2026).

Usmani (1998) in *An Introduction to Islamic Finance* argues that the absolute majority of contemporary scholars agree that fiat currencies issued by central banks are legal money under Islamic law, even though they are not backed by precious metals. His reasoning relies heavily on the principle of *istishab* (the continuity of well-established judgments) combined with *'urf* (customary customs) and *hajah* (public needs). If fiat currencies—which exist primarily as digital entries in the banking system—qualify as *thaman*, then cryptocurrencies, which have many similar characteristics, cannot be automatically excluded from monetary status on purely theoretical grounds. Determination must be based on an empirical evaluation of actual functions and acceptances.

METHODS

This research uses a juridical-normative analysis method with a comparative and historical approach. The juridical-normative method was chosen because the object of

study is doctrinal, namely examining the rules and rules of Islamic law as sourced from primary authorities and applied by qualified scholars. This approach prioritizes internal coherence in the Islamic legal tradition while remaining responsive to contemporary realities (Hallaq, 2009).

The primary data sources of this research include: (1) classical texts of Islamic jurisprudence that deal with currency, usury, and the exchange of values, especially *Al-Mabsut* by Al-Sarakhsi, *Al-Mughni* by Ibn Qudamah, *Al-Majmu'* by Al-Nawawi, and *Al-Muwafaqat* by Al-Shatibi; (2) collections of fatwas and legal opinions from early medieval and modern authorities including *Majmu' al-Fatawa* by Ibn Taymiyyah and *Bidayat al-Mujtahid* by Ibn Rushd; (3) contemporary resolutions and standards from bodies such as the OIC Fiqh Academy, AAOIFI, and the national sharia council; (4) academic publications in peer-reviewed journals that discuss cryptocurrencies from the perspective of Islamic law.

Data analysis is carried out through several systematic stages. First, it inventories and classifies scholars' various positions on the legal status of cryptocurrencies, identifying the main arguments that support each position. Second, identifying the epistemological and methodological assumptions underlying each position—what premises about legal theory, economic function, or factual understanding lead to certain conclusions. Third, evaluating these arguments against the established principles of *usul al-fiqh* and *maqasid al-shariah*, assessing internal consistency and fidelity to authoritative sources. Fourth, synthesizing the findings into a coherent framework that respects the diversity of scholarly opinions while offering practical guidance for Muslim practitioners and institutions.

RESULTS AND DISCUSSION

1. Analysis of Cryptocurrency Classification in Islamic Fiqh

In contemporary fiqh discourse, various classifications have been proposed for cryptocurrencies. Based on a comprehensive literature review of the scientific writing and institutional resolutions, this study identified at least five main classifications: as property/property (*mall*); as currency/money (*thaman*); as digital assets (*mujazaf/digital*); as intangible property (*haqq mali*); and as prohibited assets (*haram malls*) that do not deserve any legitimate classification (Prasmanto, 2025; Muedini, 2018). Each classification carries different legal implications and relies on different arguments regarding the nature and function of cryptocurrencies.

Classification as property (*mall*) represents the most basic categorization, treating cryptocurrencies as a form of owned asset that is subject to general property laws. Proponents of this view emphasize that cryptocurrencies have economic value, can be owned and moved, and represent a store of wealth—even if their value fluctuates significantly. According to this classification, cryptocurrencies would be subject to the general rules of buying and selling (*bay'*), gifts (*hiba*), and inheritance (*mirath*), but not specifically to the strict rules of currency exchange (*sarf*) unless it can be proven to have full *thamaniyyah* (Aldohni, 2023).

Classification as an intellectual property right (*al-haqq al-fikri*) or intangible asset has been proposed by some scholars, viewing cryptocurrency tokens as analogous to patents, copyrights, or trademarks. However, this classification faces substantial difficulties. Intellectual property rights essentially do not automatically confer *halal* status, and cryptocurrencies do not fit comfortably within existing IP frameworks Bradford (2023) identified this as one of the weakest classifications, noting that intellectual property rights do not inherently confer *halal* status and cryptocurrencies do not fit into existing IP frameworks.

Classification as a digital asset (*al-mujazaf al-digitali*) seeks to create a new category that recognizes the unique technological characteristics of cryptocurrencies. Research published in the *Journal of Islamic Finance* (2025) suggests that digital assets can be categorized into three forms: *malls* (wealth/property), *currency/money*, or *urud* (merchandise/commodities)—with cryptocurrencies bouncing into different categories depending on how they are used and perceived in a specific context. This flexible approach recognizes that the same cryptocurrency may function as an investment asset (*urud*) for speculative traders but as a currency (*thaman*) for users who use it for payments and remittances.

The OIC Fiqh Academy's declaration on Bitcoin (2021) represents an influential institutional position, stating that cryptocurrency trading is prohibited due to its speculative nature, potential danger, and its association with illegal activities. However, this round has been criticized by some scholars as being too cautious and based on an incomplete understanding of cryptocurrency technology. The Islamic Economic Forum's alternative position acknowledges both the risks and potential benefits, calling for differentiated regulation rather than a total ban (Fiqh Council, 2021).

2. Cryptocurrency as a Currency: A Functional Analysis

Based on functional analysis, cryptocurrencies are most appropriately classified as currencies (*thaman*), albeit in an imperfect form or can be referred to as "weak currencies" (*al-thaman al-da'if*). Chapra (2008) in *The Islamic Vision of Development* emphasizes that determining the status of something as a currency is not its substance, but rather its function in the economy—whether it serves as a medium of exchange, a unit of account, and a store of value. Based on these functional criteria, Bitcoin and other major cryptocurrencies are increasingly fulfilling monetary functions, with a growing number of merchants accepting payments, prices nominated in crypto, and holders treating them as savings vehicles.

The functional criteria for currency status (*thamaniyyah*) established by classical scholars provide a useful framework for evaluating cryptocurrencies. First, the function of the medium of exchange: cryptocurrencies are accepted as payment by millions of merchants around the world, although their acceptance is still limited compared to fiat currencies. Second, the function of the unit of calculation: while few prices are nominated primarily in crypto, stablecoins are increasingly used as units of calculation in DeFi (decentralized finance) protocols. Third, the function of store value: despite volatility, cryptocurrencies have attracted substantial investment as a vehicle for storing value,

although their price fluctuations raise questions about their suitability for this role (Qadri, 2023).

Some have tried historical analogies, noting that early fiat currencies were once made from non-precious metals such as copper, zinc, or nickel (fulus), and at that time scholars did not automatically exclude them from monetary status despite having minimal intrinsic value compared to gold dinar and silver dirhams. This argument suggests that low intrinsic value alone does not disqualify something from being a thaman—if fulus (a base metal coin) can function as a currency despite its intrinsic value being minimal, then cryptocurrencies may also qualify based on customary acceptance rather than material composition.

However, significant counter arguments challenge the classification of currencies. The extreme price volatility of most cryptocurrencies undermines their effectiveness as a stable store of value and a reliable unit of calculation—a function considered essential for real money. Additionally, the limited acceptance of cryptocurrencies outside of certain communities and online contexts limits their utility as a universal medium of exchange. Critics argue that until this deficiency is resolved, cryptocurrencies are closer to speculative commodities than real currencies (Usmani, via Islamic Finance Guru, 2023).

Research published in the *European Journal of Islamic Finance* (Muedini, 2018) concluded that the compatibility of cryptocurrencies with Islamic law is highly dependent on specific use cases and implementations. When used primarily for speculation and price appreciation, it is more like gambling (qimar) than legitimate trading. When used as an efficient payment mechanism, particularly for cross-border transfers where traditional banking is expensive or inaccessible, it can serve a beneficial economic function consistent with maqasid al-shariah. This contextual approach suggests that the halal/haram binary classification may not be nuanced enough for complex technological phenomena.

3. Legal Implications of Cryptocurrency Exchanges

If cryptocurrency is classified as a currency, then all the legal provisions of currency exchange (ahkam al-sarf) in Islamic jurisprudence apply to it. Ibn al-Mundhir (1992) in *Al-Ijma'* cites the ijma' (consensus) among scholars that the exchange of gold for gold and silver for silver should be equal (equivalent quantity/quality) and direct (hand-to-hand, without delay). The prohibition of riba al-fadl (excess) and riba al-nasia (delay) in the exchange of similar currencies represents one of the most stringent areas of Islamic trade law, reflecting concerns about exploitation and injustice in monetary transactions.

Al-Mawardi (1994) in *Adab al-Qadi* formulated the rules for currency exchange as follows: first, exchanges must be carried out on a spot basis (taqabud) without delaying the performance of either party; second, the value must be equivalent for exchanges involving the same type of currency (e.g. Bitcoin for Bitcoin); third, different types of currencies (e.g. for Ethereum, or crypto for fiat) can be exchanged at an agreed rate, provided that settlement remains immediate. These rules aim to prevent usury while allowing the conversion of legitimate currencies necessary for commercial activities.

Rosly (2005) in *Critical Issues on Islamic Banking and Finance* asserts that this legal implication applies not only to conventional currencies, but also to any instrument that

functions as money. This means that exchanging Bitcoin for Bitcoin would require exact equivalence (one Bitcoin for one Bitcoin, not 1.01 Bitcoin for 1 Bitcoin) and direct transfers—making trading crypto with leverage, futures contracts, and margin lending clearly prohibited under the sarf rules. Similarly, exchanging Ethereum for Bitcoin at an agreed ratio is permissible if settled promptly, but a delay in settlement would violate *riba al-nasia*.

The practical implications extend to cryptocurrency exchanges and trading platforms. Centralized exchanges generally operate similarly to the forex market, offering spot trading (generally allowed if immediate settlement occurs), margin trading (problematic due to elements such as interest and leverage), futures contracts (prohibited due to *gharar* uncertainty and delays), and borrowing/borrowing services (often involving usury). Decentralized finance (DeFi) protocols present additional complexity, as the automation of smart contracts can obscure the underlying legal character of transactions (Coopchik, 2015).

For Muslim practitioners, this implication means cryptocurrency participation must be carefully crafted to avoid prohibited elements. Spot purchases of cryptocurrencies in fiat currency (or vice versa) for direct delivery appear to be in accordance with standard sarf rules. Holding cryptocurrency as an investment raises the question of zakat—if treated as a currency (*thaman*), zakat matures a year of 2.5% of the holdings above the *nisab* threshold; if it is treated as a commodity (*urud*), zakat is applied at the current market value. Using cryptocurrencies for payments and remittances does not seem problematic as long as there is no element of interest or excessive uncertainty involved (Kahf, 2006).

4. Criticism of the Fungibility Argument

Some have made arguments about "clean crypto" versus "tainted crypto" attributed to the level of fungibility. This argument states that cryptocurrency units associated with illegal activities (such as ransom payments, black markets, or theft) become religiously or legally tainted, while units with a history of net transactions remain pure. This reasoning draws on a questionable analogy to physical money that has been contaminated or stolen, attempting to make a moral distinction between otherwise identical digital tokens (Bradford, 2023).

Bradford provides a fitting analogy: claiming that gross banknotes differ in value from net banknotes is absurd. Banks continue to accept cash under any conditions, treating all units of the same denomination as perfectly interchangeable. The fungibility (interchangeable) of money is essential to its monetary function—if the units are differentiated based on transaction history, the medium of exchange function collapses, as the recipient needs to audit the history of each unit before accepting payments. The design of cryptocurrencies deliberately incorporates fungibility precisely for this reason.

Iqbal and Mirakhor (2011) in *An Introduction to Islamic Finance* explain that fungibility in Islamic law means that each unit of an asset can be replaced by another identical unit without affecting rights or obligations. Money must be fungible to serve its economic function. The argument that distinguishes between "clean" and "polluted" cryptos undermines these essential characteristics and reveals a misunderstanding of both

monetary theory and Islamic legal principles regarding property and exchange. Once theft or crime is discovered, specific recovery applies to the perpetrator, but the asset itself does not carry permanent moral contamination.

Additionally, the public and transparent nature of most blockchains actually makes cryptocurrencies less vulnerable to certain types of fraud than physical cash, where stolen money circulates anonymously. Blockchain analytics tools allow for the tracking of the flow of funds, potentially aiding in the recovery of stolen assets and the identification of criminals. From a maqasid perspective, transparency in financial transactions is in line with Islam's emphasis on honesty and accountability in trading, although criminals also try to exploit this technology (Aldohni, 2023).

The tainted crypto argument seems to frame several different issues: the illegal use of cryptocurrencies (which are real but not unique to crypto—fiat money is much more commonly used for money laundering), the traceability of illegal funds (which is actually enhanced by blockchain transparency), and the religious purity of the asset (which in Islamic law depends on the nature of the asset itself, not its ownership history). Proper analysis should separate these concerns rather than combine them into an undifferentiated rejection of cryptocurrencies based on association with criminal activity by some users.

5. Practical Implications for Cryptocurrency Transactions

Based on the above analysis, practical implications for cryptocurrency transactions can be formulated from the perspective of Islamic jurisprudence. First, buying, selling, and trading cryptocurrencies is allowed in principle, as it is an exchange of property (mall) that has legitimate economic value. The permissibility of the origin (ibaha) of commercial transactions applies unless specific prohibited elements are present. This is in line with the position of the majority of contemporary scholars who have examined this technology carefully, as opposed to those who reject it based on superficial understanding (Qasim, 2026).

Second, spot transactions involving cryptocurrencies for direct delivery (taqabud) appear to be compliant with sarf rules, both crypto-to-fiat and crypto-to-crypto. Traders should ensure that the exchange is completed without delay—that ownership of the purchased cryptocurrency is actually transferred, not just credited or promised. Using an exchange that has clear custody arrangements in place aids with compliance. Margin trading, futures, options, and other derivative instruments involving cryptocurrencies require careful scrutiny because they often incorporate prohibited elements including excessive uncertainty (gharar), features such as gambling (maysir), and interest-like returns (riba).

Third, the obligation of zakat is attached to the ownership of cryptocurrency. If treated as a currency (thaman), zakat matures for a year of 2.5% of the ownership exceeding the nisab (about the value of 85 grams of gold). If it is treated as a commodity (urud for trade), zakat is applied at the current market value. Given the volatility of cryptocurrency prices, practical approaches include paying annual zakat on the average holdings throughout the year, or on ownership on the maturity date of zakat—both methods have support in classical fiqh literature. The intention (niyyah) at the time of

acquisition (whether as an investment for appreciation or as working capital for trade) can affect the applicable method of calculating zakat (Ayad, 2026).

Fourth, Kahf in his discussion of *maqasid al-shariah* in the prohibition of usury emphasizes that the prohibition aims to prevent exploitation and injustice in financial transactions. The potential of cryptocurrencies to provide financial services to populations that do not have access to banking, reduce remittance costs, and enable economic participation in the served areas is in line with the purpose of this protection. However, the speculative excesses, frauds, and predatory practices that are common in the crypto market clearly violate Islamic ethics. Muslims who interact with cryptocurrencies should avoid exploitative practices, excessive risk-taking, and involvement in projects that lack utility or transparency.

Fifth, Al-Qaradawi (2001) in *Dawr al-Qiyam wa al-Akhlaq fi al-Iqtisad al-Islami* asserts that Islamic finance should be the most beneficial, most efficient, and most equitable system—one that maximizes benefits (*maslahah*) while minimizing losses (*madarra*). Applied to cryptocurrencies, this means selective engagement with beneficial applications while avoiding harmful ones. Supporting blockchain projects that provide genuine social utility (such as transparent charity distribution, efficient remittances, or financial inclusion) is ethically different from participating in Ponzi schemes, pump-and-dump manipulation, or privacy coins designed primarily for illegal activities. Ethical discrimination in project selection reflects Islamic values beyond mere legality.

Sixth, institutional considerations suggest that Islamic financial institutions considering cryptocurrency services should establish dedicated sharia supervision, develop standardized product documentation, implement appropriate compliance controls, and educate customers on both opportunities and risks. Several jurisdictions have begun to develop regulatory frameworks for digital assets, and the Islamic finance industry including AAOIFI has begun work on sharia standards for digital finance (AAOIFI, 2023). These developments will gradually reduce uncertainty and provide clearer guidance for practitioners.

CONCLUSION

This study has examined the epistemology of Islamic law in establishing laws on cryptocurrencies with a focus on the classification and legal implications of exchanges. The findings show that the basic principles of *usul al-fiqh*—including permissibility of origin (*ibaha*), elimination of danger (*darar yuzal*), and consideration of sharia objectives (*maqasid*)—provide a solid framework for analyzing innovative financial instruments such as cryptocurrencies. The key lies in an accurate understanding of phenomena (*fahm al-waqi'*) combined with the extraction and application of sound legal principles (*fahm al-nussh*).

An analysis of the various classifications proposed shows that the classification of cryptocurrencies as intellectual property rights is a very weak opinion because it does not correspond to the nature of both IP rights and the nature of cryptocurrencies. Classification as a digital asset (*mujazaf*) captures technological realities but requires further specification of the applicable legal rules. The classification as a currency (*thaman*),

especially "weak currency" (al-thaman al-da'if), best fits the functional criteria set by classical scholars regarding monetary status (thamaniyyah), recognizing both similarities with and differences from fiat currencies.

The legal implication of this classification is that all currency exchange provisions in Islamic jurisprudence apply to cryptocurrencies. Exchanges must be done on a spot (direct settlement) basis without delay; similar crypto trading requires an equalization of amounts; different crypto or crypto-fiat trades can occur at an agreed rate provided that settlement remains immediate. These rules prohibit common practices such as margin trading, perpetual futures, and yield farming that involve delays or guarantees of returns that resemble usury.

This research has limitations in that it does not discuss in depth the technical aspects of cryptocurrencies such as proof-of-work versus proof-of-stake mechanisms, smart contract functionality, or decentralized autonomous organizations (DAOs). Further research can examine these technical dimensions alongside legal analysis, as technical specifications may influence sharia evaluations of specific implementations. In addition, an empirical study of actual Muslim engagement with cryptocurrencies—usage patterns, knowledge levels, and religious concerns—will complement this theoretical analysis with practical insights.

In conclusion, cryptocurrencies represent both automatic prohibition and unconditional endorsement from the perspective of Islamic law. Instead, it requires a nuanced analysis that distinguishes between permissible uses (spot trading, payments, remittances) and problematic applications (speculative derivatives, leveraged gambling, illegal activities). Muslims can interact with cryptocurrencies sensibly, observing the applicable sharia rules while taking advantage of the legitimate opportunities that this technology offers. As both technology and scholars' understanding develops, ijihad continues to detail and clarify these preliminary conclusions.

ACKNOWLEDGMENT

The author would like to thank Institut Agama Islam Negeri (IAI) Hamzanwadi Pancor for the institutional support in the implementation of this research, and UIN Mataram as well as colleagues in the Postgraduate Islamic Studies Study Program for valuable input for the previous drafts. Special thanks to the anonymous reviewer whose constructive comments strengthen this manuscript.

Conflict of Interest. The author states that there are no conflicts of interest related to this research.

REFERENCES

- Aldohni, A. K. (2023). Understanding the inherent limitations of crypto finance in the context of Islamic law. *Capital Markets Law Journal*, 18(4), 573–592. <https://doi.org/10.1093/cmlj/kmad027>
- Al-Ghazali, A. H. (2005). *Al-Mustasfa min 'ilm al-usul* (Vols. 1–2). Dar al-Kutub al-'Ilmiyyah.
- Al-Mawardi, A. H. (1994). *Adab al-Qadi* [The etiquette of the judge] (Vols. 1–3). Dar al-Kutub al-'Ilmiyyah.
- Al-Nawawi, Y. B. S. (2002). *Al-Majmu' sharh al-Muhadhdhab* (Vols. 1–9). Dar Ihya' al-Turath al-'Arabi.
- Al-Qaradawi, Y. (2001). *Dawr al-qiyam wa al-akhlaq fi al-iqtisad al-Islami* [The role of values and ethics in Islamic economy]. Maktabat Wabbah.
- Al-Sarakhsi, M. B. A. (2001). *Al-Mabsut* (Vols. 1–30). Dar al-Kutub al-'Ilmiyyah.

- Al-Shatibi, A. I. (1997). *Al-Muwafaqat fi usul al-shariah* [The reconciliation of the fundamentals of Islamic law] (Vols. 1–4). Dar Ibn 'Affan.
- Al-Zuhayli, W. (2003). *Al-Fiqh al-Islami wa adillatuhu* [Islamic jurisprudence and its proofs] (Vols. 1–8). Dar al-Fikr.
- Ayad, N. (2026). Implications of paper currency for zakat and waqf: Thamaniyyah reconsidered. *Zawia: Jurnal Studi Islam*, 12(1), 45–67.
- Ayub, M. (2007). *Understanding Islamic finance*. John Wiley & Sons.
- Bradford, J. (2023). Bitcoin and how Islamic law creates rulings [Lecture]. Baraka Bank & Association of Muslim Accountants and Lawyers, Durban, South Africa.
- Chapra, M. U. (2008). The Islamic vision of development in the light of maqasid al-Shariah. *International Institute of Islamic Thought*.
- Coopchik, S. J. (2015). Judicial decision-making in Islamic banking and finance. *European Journal of Islamic Finance*, 1(2), 89–112. <https://ojs.unito.it/index.php/EJIF/article/download/779/815>
- El-Shamsy, K. (2013). The canonization of al-Shafi'i's methodology: The case of the Risala. *Journal of Islamic Studies*, 24(2), 139–175.
- Fiqh Council. (2021). Islamic Economic Forum's declaration on Bitcoin. <https://fiqh-council.org/islamic-economic-forums-declaration-on-bitcoin>
- Hallaq, W. B. (2009). *Shari'a: Theory, practice, transformations*. Cambridge University Press.
- Hudaefi, F. A. (2026). Shari'ah analytics of Arabic currency terms: Contextualizing cryptocurrency debates. *Journal of Islamic Business and Finance*, 8(1), 23–45. <https://jimf-bi.org/JIMF/article/view/3328>
- Ibn al-Mundhir, A. I. (1992). *Al-Ijma'* [Consensus]. Dar Ibn Hazm.
- Ibn Qudamah, A. M. (1997). *Al-Mughni* [The sufficient] (Vols. 1–15). Dar al-Fikr.
- Ibn Rushd, A. M. (1995). *Bidayat al-mujtahid wa nihayat al-muqtasid* [The distinguished jurist's primer] (Vols. 1–2). Dar al-Fikr.
- Ibn Taymiyyah, A. (1998). *Majmu' al-Fatawa* [Compendium of legal opinions] (Vols. 1–35). Dar al-Wafa.
- Iqbal, Z., & Mirakhor, A. (2011). *An introduction to Islamic finance: Theory and practice*. John Wiley & Sons.
- Kahf, M. (2006). Maqasid al-Shariah in the prohibition of riba and their implications for modern Islamic finance [Paper presentation]. IIUM International Accounting Conference, Kuala Lumpur, Malaysia.
- Muedini, F. (2018). The compatibility of cryptocurrencies and Islamic finance. *European Journal of Islamic Finance*, 4(1), 45–62. <https://ojs.unito.it/index.php/EJIF/article/view/2569>
- Nakamoto, S. (2008). Bitcoin: A peer-to-peer electronic cash system. <https://bitcoin.org/bitcoin.pdf>
- Prasmanto, J. R. (2025). Bitcoin in Islamic jurisprudence: Between innovation and speculation. *ShariaLex: Jurnal Ekonomi Syariah*, 3(1), 15–32. <https://mabadiiqitishada.org/index.php/ShariaLex/article/download/62/59>
- Qadri, H. M. (2023). Exploring cryptocurrency through the lens of the Sharia. *Journal of Islamic Thought and Civilization*, 13(1), 101–118. <https://journals.umt.edu.pk/index.php/JITC/article/view/4697/2251>
- Qasim, N. H. (2026). Evaluating cryptocurrency through Islamic law: Ethical advantages and regulatory challenges. *Maslahah: Jurnal Ekonomi Syariah*, 8(2), 78–95. <https://jurnal.uin-palangkaraya.ac.id/Maslahah/article/download/10566/3532>
- Rosly, S. A. (2005). *Critical issues on Islamic banking and financial markets*. Dinamas Publishing.
- Usmani, M. T. (1998). *An introduction to Islamic finance*. Kluwer Law International.
- Warde, I. (2010). *Islamic finance in the global economy*. Edinburgh University Press.
- Zubaida, S. (2005). *Law and power in the Islamic world*. I.B. Tauris.