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The Algorithmic *Fiqh*: *Qiyas* and the Cryptocurrency Paradigm

Fatima Zohra Benali
University of Algiers, Algeria,
email: fz.benali@univ-alger.dz

Wildan Miftahussurur
Institut Agama Islam At-Taqwa Bondowoso, Indonesia,
email: wildanmiftahus@iai-attagwa.ac.id

Rijal Ali Santos
Mindanao State University - Islamic Studies Center,
Philippines,
email: ra.santos@msu.edu.ph

Zaenol Hasan
Ma'had Aly Salafiyah Syafi'iyah Sukorejo Situbondo,
Indonesia,
email: zaenhasan17@gmail.com

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Abstract:

This study examines the application of *qiyas* (analogical reasoning) in assessing the legality of cryptocurrency within Islamic law, particularly through the fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). As cryptocurrency emerges as a significant innovation in the economic sector, the research analyzes classical *fiqh* texts and draws analogies with paper money to identify essential criteria for cryptocurrency to be considered a legitimate medium of exchange, including being valuable, pure, transferable, and

Author correspondence email: fz.benali@univ-alger.dz

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beneficial. The findings indicate that while cryptocurrency lacks official backing, its value is derived from societal trust in blockchain technology. The study emphasizes the necessity for cryptocurrency transactions to comply with Sharia principles, avoiding elements of *riba*, *gharar*, and *maysir*. Additionally, it highlights the importance of collaboration among scholars, academics, and practitioners in Sharia economics to develop responsive fatwas and policies that address technological advancements and societal needs. Furthermore, to provide a broader perspective, examples from other countries, such as Malaysia, Algeria, and Morocco, can be referenced to understand how different Islamic authorities approach the regulation and assessment of cryptocurrency. For instance, Malaysia's Shariah Advisory Council has recognized cryptocurrencies under certain conditions, while Algeria has outright banned their use due to concerns over their volatility and speculative nature. Morocco, on the other hand, has issued warnings about the risks associated with cryptocurrency, despite the growing global interest in digital currencies. By examining these diverse approaches, the research can offer a more comprehensive understanding of how cryptocurrency fits within the frameworks of Islamic finance and law across different contexts. This research contributes to the discourse on integrating modern financial systems with Islamic principles, suggesting that cryptocurrencies can be utilized within Islamic economies if they adhere to Sharia guidelines. Ultimately, the study aims to provide practical guidance for Muslims in conducting economic activities in the digital era while leveraging technological progress to enhance welfare and prosperity.

Keywords:

Cryptocurrency; Islamic Law; Qiyas; DSN-MUI Fatwa; Sharia Compliance

Abstrak:

Penelitian ini mengkaji penerapan *qiyas* (penalaran analogi) dalam menilai keabsahan cryptocurrency dalam hukum Islam, khususnya melalui fatwa yang dikeluarkan oleh Dewan Syariah Nasional Majelis Ulama Indonesia (DSN-MUI). Seiring dengan kemunculan cryptocurrency sebagai inovasi penting dalam sektor ekonomi, penelitian ini menganalisis teks-teks fiqh klasik dan menarik analogi dengan uang kertas untuk mengidentifikasi

kriteria penting agar cryptocurrency dapat dianggap sebagai alat tukar yang sah, termasuk nilai, kemurnian, dapat dipindahtangankan, dan bermanfaat. Temuan penelitian menunjukkan bahwa meskipun cryptocurrency tidak memiliki dukungan resmi, nilainya berasal dari kepercayaan masyarakat terhadap teknologi blockchain. Penelitian ini menekankan perlunya transaksi cryptocurrency yang mematuhi prinsip-prinsip syariah, menghindari elemen *riba*, *gharar*, dan *maysir*. Selain itu, penelitian ini juga menyoroti pentingnya kolaborasi antara ulama, akademisi, dan praktisi ekonomi syariah untuk mengembangkan fatwa dan kebijakan yang responsif terhadap kemajuan teknologi dan kebutuhan masyarakat. Selanjutnya, untuk memberikan perspektif yang lebih luas, contoh dari negara lain seperti Malaysia, Algeria, dan Maroko dapat dijadikan referensi untuk memahami bagaimana otoritas Islam di berbagai negara mengatur dan menilai cryptocurrency. Misalnya, Dewan Penasihat Syariah Malaysia telah mengakui cryptocurrency dengan beberapa syarat, sementara Algeria melarang penggunaannya karena khawatir akan volatilitas dan sifat spekulatifnya. Sementara itu, Maroko mengeluarkan peringatan tentang risiko yang terkait dengan cryptocurrency, meskipun minat global terhadap mata uang digital terus berkembang. Dengan memeriksa pendekatan yang beragam ini, penelitian ini dapat memberikan pemahaman yang lebih komprehensif mengenai bagaimana cryptocurrency sesuai dengan kerangka ekonomi dan hukum Islam di berbagai konteks. Penelitian ini berkontribusi pada wacana tentang integrasi sistem keuangan modern dengan prinsip-prinsip Islam, dengan menyarankan bahwa cryptocurrency dapat digunakan dalam ekonomi Islam jika mematuhi pedoman syariah. Akhirnya, penelitian ini bertujuan memberikan panduan praktis bagi umat Islam dalam menjalankan kegiatan ekonomi di era digital sambil memanfaatkan kemajuan teknologi untuk meningkatkan kesejahteraan dan kemakmuran.

Kata Kunci:

Cryptocurrency; Hukum Islam; Qiyas; Fatwa DSN-MUI; Kepatuhan Syariah

Introduction

The rapid development of information and communication technology over the past few decades has

significantly impacted various aspects of life, including the economic sector. One of the innovations that has emerged is cryptocurrency, a form of digital currency that utilizes blockchain technology to facilitate secure and transparent transactions. While offering various conveniences, cryptocurrency also presents new challenges from a legal perspective, particularly within the framework of Islamic law (Aldohni, 2023a).

In this context, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) plays a crucial role in issuing fatwas that regulate the use of cryptocurrency in Indonesia (M. Asrorun Niam Sholeh et al., 2022a). These fatwas not only serve as guidelines for Muslims in conducting transactions but also reflect how the principles of Islamic law, particularly *qiyas* (analogical reasoning), are applied in a new and modern context.

Qiyas, as one of the methods of deriving Islamic legal rulings (*istinbat al-hukm*), plays a vital role in addressing various legal issues that arise with the progression of time. According to (Al Ghazali, 2020), *Qiyas* is the process of analogy used to determine the legal ruling for a new matter by referring to the ruling of an existing matter based on the similarity of '*Illat* (legal reasoning) between the two. In the context of cryptocurrency, the application of *qiyas* poses its own challenges, given the unique characteristics of this digital currency, which differ from traditional forms of transactions (Rabbani et al., 2020). Therefore, a methodological study on the application of '*Illat* in the DSN-MUI fatwa on cryptocurrency becomes highly relevant to undertake (Hidayatullah, 2020).

The DSN-MUI fatwa on cryptocurrency reflects an effort to address the Muslim community's need for clear guidelines in

conducting transactions using digital currencies. In this fatwa, the DSN-MUI conducts an in-depth analysis of various legal, economic, and social aspects related to cryptocurrency. One of the key aspects of concern is how *qiyas* is applied to determine the legal status of cryptocurrency in Islam. In this regard, the DSN-MUI must consider various factors, such as the nature and characteristics of cryptocurrency, its intended use, and the social and economic impacts it generates (H. AbdIllat , 2023).

The application of *qiyas* in the context of cryptocurrency also requires scholars and Muslim intellectuals to conduct comprehensive and critical studies. They must be able to identify relevant '*Illat*' (legal reasoning) and carry out thorough analyses to ensure that the fatwa issued is not only in accordance with Sharia principles but also relevant to the current societal conditions (Nuraeni & Abdullah, 2024). In this regard, it is important to understand that *qiyas* is not merely a tool for finding similarities but also a method that demands a deep understanding of the existing context and dynamics (Ridwan et al., 2024).

In this study, the author will delve into the transformation of *qiyas* in the modern era, particularly in the application of '*Illat*' (legal reasoning) in the DSN-MUI fatwa on cryptocurrency. (Ahmed et al., 2019) This research aims to provide a deeper understanding of how Islamic legal principles can be adapted and applied in new contexts, as well as to explore the challenges and opportunities faced by scholars in addressing rapid technological advancements. Thus, this study is expected to make a significant contribution to the development of Islamic legal science and offer guidance to Muslims in conducting transactions in the digital era (Hassan et al., 2020).

To achieve these objectives, this study will employ a qualitative approach with descriptive analysis. The data used in this research will include the DSN-MUI fatwa on cryptocurrency, literature related to *qiyas* and *'Illat* (legal reasoning), as well as interviews with experts and practitioners in the fields of Islamic law and Sharia economics. Through this approach, it is expected to gain a comprehensive understanding of the application of *qiyas* in the context of cryptocurrency and its implications for the practice of Islamic law in Indonesia (Mansur, 2023).

Overall, this study is expected to provide deeper insights into the transformation of *qiyas* in the modern era, as well as offer recommendations for developing fatwas and policies that are more responsive to technological advancements and societal needs. In doing so, it is hoped that Muslims can conduct their economic activities while adhering to Sharia principles and leveraging technological progress to enhance welfare and prosperity (Dahlan, 2025).

Overall, this study is expected to provide deeper insights into the transformation of *qiyas* in the modern era and offer recommendations for the development of fatwas and policies that are more responsive to technological advancements and societal needs (Asyiqin et al., 2024). Consequently, it is hoped that Muslims can carry out their economic activities while adhering to Sharia principles, as well as utilizing technological advancements to enhance welfare and prosperity (Elgharbawy, 2020).

Through this research, the author hopes to make a meaningful contribution to the discourse of Islamic law, particularly in addressing the challenges and dynamics arising

from technological advancements and the global economic landscape (Abalkhil, 2018). Consequently, it is expected that the DSN-MUI fatwa on cryptocurrency can serve as a relevant and beneficial reference for Muslims in conducting their economic activities in this digital era. This study will also explore how scholars can adapt to the rapid and complex changes in the financial world and how they can use *qiyas* to provide solutions that align with Sharia principles. (Shinkafi & Ali, 2018)

By examining the application of *qiyas* in the context of cryptocurrency, it is hoped that new models can be identified to address various legal issues that arise. This is important given that technological advancements are inevitable, and Muslims need clear guidelines to conduct transactions in a manner that aligns with Islamic teachings (Faizi, 2023). This study will also highlight the importance of collaboration between scholars, academics, and practitioners in the field of Sharia economics to foster a better understanding of the contemporary issues faced by the Muslim community (Gaol et al., 2022).

Ultimately, it is hoped that the results of this study will not only contribute academically but also serve as a practical reference for decision-making within the context of Islamic law and Sharia economics. In this way, this research is expected to have a positive impact on the Muslim community in addressing the challenges and opportunities presented by the digital era, as well as strengthening the position of Islamic law in the increasingly complex global context.

Methods

The design of this research is a Literature Review. A Literature Review is a description of theories, findings, and other research materials gathered from reference sources to serve as the foundation for the research activities. A literature review contains summaries, critiques, and the author's reflections on

several sources such as classical Islamic texts, articles, books, and information from the internet that are relevant to the topic being discussed. A good literature review should be relevant, up-to-date, and comprehensive. Theoretical frameworks, theoretical reviews, and literature reviews are some of the methods used in conducting a literature review (Thomas et al., 2020).

This literature review contains explanations or discussions of theories related to a finding or research topic. These theoretical explanations can serve as the theoretical foundation for creating academic works or as a basis for conducting research activities. Additionally, this research could be a development of previous studies or even an entirely new study conducted for the first time

The collection of data in the literature study consists of various sources such as journal articles, books, archives, regulations, and handbooks. These sources are used to assist the researcher in solving problems by reviewing various existing references. Through this literature study, the researcher employs the data collection method using a thematic structure.

The thematic structure is a method that groups and discusses research sources based on themes or topics. By organizing these themes, researchers can highlight important topics and strengthen the focus of their study. The data collection through the literature review method is carried out in several stages, including: searching for news sources, journals, and articles based on the main topics, grouping these sources based on relevance and publication year, and then arranging explanations and comparing related data (Martins et al., 2018).

Result and Discussion

***Qiyas* as a Legal Instrument in Shariah Assessment of Cryptocurrency**

Sheikh Abdul Wahab Khalaf mentions in his book *Ilmu Ushul Fiqh* that *Qiyas* is a method used to equate the basis of an

existing ruling to a situation that does not yet have a legal ruling. According to the scholars of *Ushul Fiqh*, *Qiyas* is defined as equating a case without an explicit legal text (*nash*) to a case that has a clear ruling in the text, because both cases share the same *Illat* (effective cause). (Wahab Khalaf, n.d.)

Qiyas, according to the scholars of *Ushul Fiqh*, is the process of equating a case that does not have a specific legal text (*nash*) with a case that does have a ruling mentioned in the text, because both cases share the same *Illat* (effective cause) or underlying reason for the ruling. This method allows for the application of an existing ruling to a new situation based on their shared characteristics. (Wahab Khalaf, n.d.)

This definition emphasizes that *Qiyas* functions to link two different cases that share a common *Illat* (effective cause), allowing the legal ruling that applies to the established case to be extended to the new case (Suratno & Ma'arif, 2024). Through this process, the reasoning behind the original ruling is applied to situations that did not exist at the time of the original text, ensuring that Islamic law remains relevant and adaptable to new circumstances.

In its methodology, *Qiyas* consists of four main components (Bay, 2012), as outlined:

Asal refers to something whose ruling has been stated in the text (*nash*) and is also known as *al-maqis 'alayh*, *al-mahmul 'alayh*, or *al-mushabbah bihi*. *Far'* refers to something that does not have a ruling explicitly mentioned in the text but is intended to be equated with the *Asal* in terms of its legal ruling; it is also called *al-maqis*, *al-mahmul 'alayh*, or *al-mushabbah*. *Hukum Asal* is the legal ruling mentioned in the text regarding the *Asal*, which is then applied to the individual. *Illat* is the characteristic that forms the basis of the legal ruling for the *Asal*, and based on the presence of this characteristic in the *Far'*, it is equated with the *Asal* in terms of the ruling. *Illat* is a crucial element in *Qiyas* because it serves as the primary reason or cause underlying the establishment of the ruling. In the context of *Ushul Fiqh*, *Illat* must

meet several conditions to be accepted as the foundation for a legal ruling in Qiyas (Bay, 2012).

The conditions of *Illat* mentioned by Sheikh Wahab Khalaf are four, as follows (Wahab Khalaf, n.d.):

First, the *Illat* must be apparent, meaning it must be a trait that is clearly visible and perceptible by the senses, as it serves as the determining factor of the ruling in a branch case. For example, in the case of *khamr* (intoxicants), its intoxicating nature can be sensed. Second, it must be standardized, meaning the trait must be measurable or have a certain nature that is limited and can be verified in the branch case, either explicitly or with minor differences. Third, it must be a relevant trait, meaning it should fulfill the legal objective by linking the ruling with the presence or absence of that trait, ultimately achieving the goals of *Shari'ah* in obtaining benefits or avoiding harm. Fourth, it must be present in the original case (*Asal*), meaning the trait must be consistent with the original case and capable of achieving the legal objectives found in the original ruling (AIBAK, 2008). However, in the process, the *Illat* must go through several phases to be confirmed as the basis for law. These phases are classified into three stages. To determine *Illat* in *Qiyas*, scholars use specific methods, such as:

The first step is *Tanqīḥ al-Manāṭ*, which involves selecting certain attributes found in the *Asal* (original case) and determining the most relevant attribute to be used as the *Illat* (legal cause). The second step is *Takhrīj al-Manāṭ*, where the *Illat* is determined through an understanding of the *nash* (textual evidence) or by the method of *istinbāt* (deduction of legal rulings). Lastly, *Tahqīq al-Manāṭ* ensures that the *Illat* exists in the *Far'* (new case). If the *Illat* is found, then the original ruling can be applied to the *Far'* (Wahab Khalaf, n.d.).

Transformation of Qiyas in Cryptocurrency

Cryptocurrency, as an innovation in the global financial system, has attracted the attention of many circles, including scholars and *fiqh* experts. By using the method of *qiyas* (analogy), we can analyze the legality of cryptocurrency in the context of Islamic law. In this article, we will delve deeper into cryptocurrency, analyze it from the perspective of classical Islamic texts, draw analogies with paper money, discuss the challenges faced, and present the opinions of scholars.

Cryptocurrency in the Perspective of Classical Islamic Texts

In the study of Islamic law, classical *fiqh* books provide essential guidance for assessing the legality of various forms of wealth, including cryptocurrency. Here are some important references from classical *fiqh* texts that are relevant in this context:

First, Fath al-Qarib Mujib. This book, written by Abi Suja', states that trade is allowed if the asset meets several criteria (Abi Suja', 1999), outlines several criteria for trade to be permissible in Islam. First, the asset must be valuable, meaning it has recognized worth in society. Cryptocurrencies like Bitcoin and Ethereum, which are widely accepted as both a medium of exchange and an investment vehicle, satisfy this criterion. Second, the asset must be pure, free from any forbidden elements. Cryptocurrencies, as digital assets, are inherently free from haram elements, though their usage must still be monitored to ensure compliance with Sharia principles.

Additionally, the asset must be transferable, meaning it should be able to be exchanged or transferred to another party. Blockchain technology, which underpins cryptocurrencies, facilitates secure and swift transfers of ownership, thereby meeting this requirement. Finally, the asset must be beneficial, offering some form of advantage to the owner. Cryptocurrencies are used in various ways, such as purchasing goods and services, making investments, and transferring money, fulfilling this criterion. According to research published in the *International*

Journal of Islamic Finance (Dahlan, 2025), cryptocurrencies have shown potential for both individual and institutional benefit while adhering to Sharia-compliant practices.

Second, Kifayatul Akhyar. In this book, Al-Khuli mentions that anything beneficial and possessable is allowed for trade (Al-Khuli, 2000). This concept extends to cryptocurrencies, as they hold significant utility in various economic activities such as payments, investments, and money transfers. The versatility of cryptocurrency as a means of conducting transactions further highlights its practical value in daily life. Additionally, cryptocurrency can be legitimately owned by individuals, granting users full control over their digital assets, enabling them to manage and utilize their holdings according to their preferences.

This aligns with Islamic principles of ownership and the freedom to utilize lawful assets. A study published in the *Journal of Islamic Business and Management* (Jailani & Muneeza, 2023) supports this perspective, emphasizing that the ownership and trade of cryptocurrencies, when conducted under Sharia-compliant conditions, can contribute to financial inclusion and economic development.

Third, Tuhfatul Muhtaj. This book, written by Al-Hawari, explains that valuable property is that which can be used and possessed legally (Al-Hawari, 2001). Blockchain technology plays a key role in ensuring legitimate ownership, as every transaction involving cryptocurrency is permanently and transparently recorded, providing clear proof of ownership. This feature is essential to meet the requirement that the traded asset must be legally possessable.

Furthermore, cryptocurrency holds recognized value among its users, being acknowledged as a legitimate asset for a variety of transactions, including purchases, investments, and transfers. This value recognition ensures that cryptocurrency fulfills the requirement of being a tradable asset. A recent study in from (Rabbani et al., 2020) supports this view, highlighting

how blockchain ensures both transparency and legal ownership, while also confirming the value of cryptocurrencies in the modern financial ecosystem.

Third, Al-Majmu' Syarh al-Muhadzdzab. An-Nawawi outlines the conditions for items that can be traded (Nawawi, 1995). Cryptocurrency meets the condition of transferability through blockchain technology, which allows for instant and efficient transactions between parties. This capability ensures that cryptocurrency can be easily exchanged, aligning with the requirement that the traded item must be transferable. Furthermore, cryptocurrency should be used in a manner that adheres to Sharia principles, avoiding practices such as *riba* (usury) and *gharar* (uncertainty) in transactions. When managed correctly, cryptocurrency can be a tool for lawful trade and investment, provided it is used in ways that align with Islamic ethical standards. A study published in the *Journal of Islamic Economic Studies* (Aryn et al., 2023) reinforces this point, indicating that with proper regulation, cryptocurrencies can be integrated into Sharia-compliant financial systems.

Fourth, Radd al-Muhtar. This book, written by Ibn Abidin, states that transactions involving valuable assets are allowed as long as there is no element of *gharar* (Ibn Abidin, 1999). This principle is crucial when considering cryptocurrency, which is often subject to high price volatility, potentially creating uncertainty in transactions. To ensure compliance with Islamic law, it is essential that cryptocurrency transactions are conducted transparently and not in a speculative manner, avoiding excessive uncertainty that could invalidate the trade. Furthermore, cryptocurrency can be considered a valid asset for transactions if it meets the established fiqh conditions, including the absence of *gharar*. By adhering to these principles, cryptocurrency can be used in a manner that aligns with Islamic commercial ethics. Research published (Mohd Noh et al., 2024) supports this perspective, noting that with proper regulation,

cryptocurrencies can be traded in a way that minimizes *gharar* and ensures Sharia compliance.

Analogy between Cryptocurrency and Paper Money

From the discussion of classical *fiqh* texts, an analogy can be drawn between cryptocurrency and paper money in several aspects:

First, Paper Money as a Modern Medium of Exchange: In *Fath al-Mu'in*, paper money is considered valuable due to societal consensus (Al-Maribari, 2018). The same applies to cryptocurrency, whose value is determined by the trust of the digital community. *Second*, Similar Function: Research by Kahn and Roberds shows that paper money has value because of institutional support and societal trust. Cryptocurrency, although not backed by traditional financial institutions, relies on blockchain technology to establish trust.(Kahn & Roberds, 2001). *Third*, Application of Sharia Principles to Cryptocurrency: Cryptocurrency can be accepted if used in compliance with Sharia principles, such as avoiding *riba* and *gharar* (Al-Qaradawi, 2013). *Last*, Blockchain Technology Support: Blockchain provides transparency and accountability in transactions, similar to how governments guarantee paper money (Böhme et al., 2015).

The discussion of the analogy between cryptocurrency and paper money from an Islamic legal perspective shows several important points,


Asal in Qiyas. Paper money is recognized as a valid medium of exchange due to societal consensus and the authority that issues it. Similarly, cryptocurrency gains value and acceptance through the trust of the digital community in the underlying blockchain technology. According to research by Wasiq (2022), cryptocurrency can be accepted as money if it meets the characteristics of legitimate currency, even though it is not

supported by an official authority like paper money (Wasiq, 2022).

Far'un in *Qiyas*. While cryptocurrency is not explicitly regulated in Islamic law, it shares similar functions with paper money as a medium of exchange in economic transactions. Research by Khan suggests that cryptocurrency can be accepted in buy-sell transactions as long as it does not involve elements of *riba*, *gharar*, and *maysir* (S. N. Khan, 2023a).

Hukum Asal (Original Law) in *Qiyas*. Paper money is considered valid for use as a medium of exchange in economic transactions. Similarly, cryptocurrency can be accepted as a valid medium of exchange in the Sharia economy if it adheres to Sharia principles, such as avoiding *riba* and *gharar*. According to Ahmed, the use of Bitcoin in buy-sell transactions is allowed as long as it does not involve *riba*, *gharar*, or *maysir* (AHMED, n.d.).

Illat in *Qiyas*. The *illat* of paper money is the acceptance of society towards the authority that issues it, providing certainty and stability. In the case of cryptocurrency, blockchain technology plays a role as a system that provides transparency, security, and accountability in digital transactions, which forms the basis of user trust. Research by Böhme et al. (2015) emphasizes that blockchain technology ensures the integrity and security of transactions, which is a critical aspect in fulfilling the

General Aspects		<ul style="list-style-type: none">•Paper Money: Value based on societal consensus.•Cryptocurrency: Value determined by digital community trust.•Functional Similarity: Both exchange instruments rely on trust.•Sharia Principles: Cryptocurrency is accepted if free from <i>riba</i> and <i>gharar</i>.•Blockchain Technology: Provides transparency in transactions.
		<ul style="list-style-type: none">•Origin (Maqasid): Paper money is valid, cryptocurrency depends on trust.•Comparison (Far'un): Cryptocurrency is similar to paper money in transactions.•Original Law (Hukum Asal): Paper money is valid, cryptocurrency is valid if it complies with Sharia principles.•Legal Reason (Illat): Paper money is valid due to societal acceptance, blockchain ensures transparency.

principles of justice and clarity in Islamic economics (Böhme et al., 2015).

Integration, Challenges, and Implications

The integration of cryptocurrency within Islamic law presents both complex opportunities and challenges. On one hand, cryptocurrency can provide broader financial access and innovation within the Islamic financial system. However, the main challenge is ensuring compliance with Sharia principles, such as the prohibition of *riba* (usury) and *gharar* (uncertainty), as well as the high price volatility that can create uncertainty in transactions.

An essential aspect of this integration is the need for a clear and comprehensive regulatory framework. A regulation that aligns with Sharia principles can help mitigate the risks of fraud and ensure that cryptocurrency transactions are conducted ethically and transparently. Research indicates that the use of blockchain technology can enhance security and transparency in Sharia-compliant financial transactions (Elbanna, 2024).

Moreover, the potential of cryptocurrency to enhance financial inclusion is significant, especially in countries with limited access to financial services. With appropriate regulation, cryptocurrency could become an effective tool for achieving economic justice and more equitable wealth distribution (Alam & Nazim Ali, 2021). However, challenges remain in ensuring that cryptocurrency usage does not violate Sharia principles.

The development of stablecoins also presents a promising solution to address volatility issues. Stablecoins, pegged to stable assets, offer a safer and Sharia-compliant option (S. Khan & Rabbani, 2022). Therefore, collaboration among academics, practitioners, and other stakeholders is crucial in creating a framework that supports the use of cryptocurrency in accordance with Islamic values.

Ongoing discussions among scholars and practitioners are also necessary to ensure that these developments are in line

with Sharia principles and can benefit society. With a cautious and collaborative approach, the integration of cryptocurrency into Islamic law could be a significant step forward in creating a more inclusive and sustainable financial system.

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Moreover, the potential for cryptocurrency to enhance financial inclusion is significant, particularly in countries with limited access to financial services. With the right regulation, cryptocurrency can become an effective tool for achieving economic justice and a more equitable wealth distribution (Jailani & Muneeza, 2023). However, challenges remain in ensuring that cryptocurrency usage does not violate Sharia principles.

The development of stablecoins also presents a promising solution to address volatility. Stablecoins, pegged to stable assets, offer a safer and Sharia-compliant option (Randeree, 2015). Therefore, collaboration between academics, practitioners, and other stakeholders is vital to create a framework that supports the use of cryptocurrency in line with Islamic values. (Cheah & Fry, 2015).

Ongoing discussions among scholars and practitioners are also necessary to ensure that these developments align with Sharia principles and can benefit society. With a cautious and collaborative approach, the integration of cryptocurrency into Islamic law can be a significant step forward in creating a more inclusive and sustainable financial system.

The integration of cryptocurrency into Islamic law offers innovative opportunities to expand financial access and enhance financial inclusion, especially in countries with limited access to

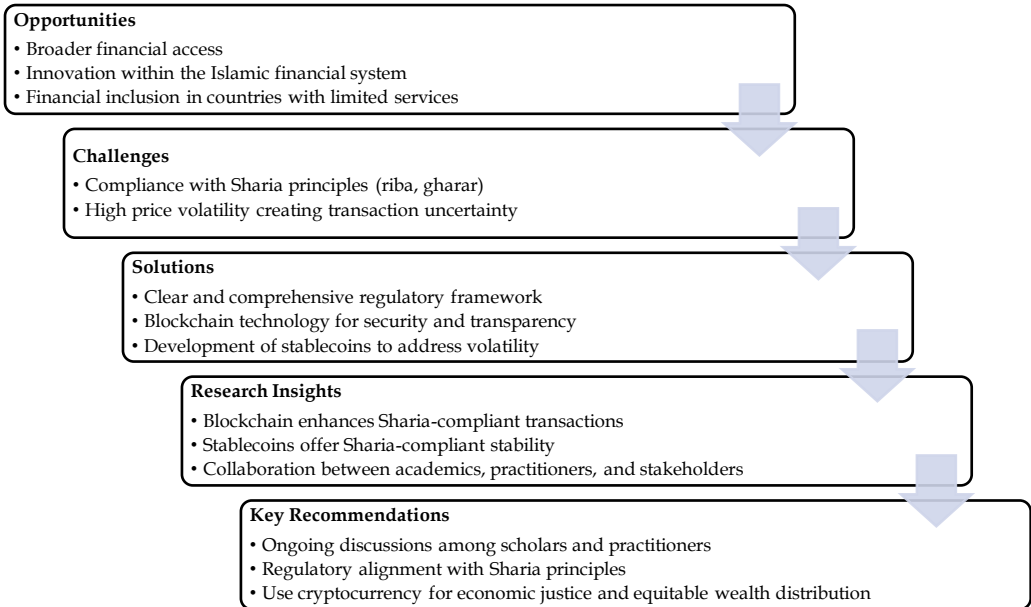
financial services. However, the main challenge faced is compliance with Sharia principles, such as *riba* (usury) and *gharar* (uncertainty), as well as the high price volatility that can create uncertainty in transactions. To address these challenges, a clear and comprehensive regulatory framework is needed to ensure that cryptocurrency transactions are conducted ethically and transparently (Qadri & Bhatti, n.d.).

The use of blockchain technology can enhance security and transparency in Sharia-compliant financial transactions, helping to reduce the risk of fraud. Additionally, the development of stablecoins as a more stable alternative can address the volatility issues often faced by cryptocurrencies. With proper regulation, cryptocurrency can serve as an effective tool for achieving economic justice and more equitable wealth distribution (Alam & Nazim Ali, 2021).

Collaboration between academics, practitioners, and other stakeholders is crucial in creating a framework that supports the use of cryptocurrency in line with Islamic values. Ongoing discussions among scholars and practitioners are also needed to ensure that this development aligns with Sharia principles and benefits society. With a careful and collaborative approach, the integration of cryptocurrency into Islamic law can be a significant step forward in creating a more inclusive and sustainable financial system. Research on the use of blockchain technology to enhance transparency and reduce the risk of fraud in Sharia-compliant finance has also shown positive results (Elbanna, 2024).

In addition, other studies have also noted that stablecoins, pegged to stable assets, can provide a solution to the price volatility that is a major challenge in cryptocurrencies (Lovink, 2002). This is also in line with the view that with proper regulation, cryptocurrency can become an effective tool for achieving a more equitable wealth distribution, especially in

countries with limited access to financial services (Aryn et al., 2023).



This study explores the compatibility of cryptocurrency with Islamic law, using both the qiyas and ilhaqi methods. The qiyas method draws analogies from the Qur'an and Hadith, while the ilhaqi method uses Islamic law books of the four fiqh schools. A recent fatwa from East Java PWNU compares cryptocurrency to *sil'ah* (commodities), noting that if the essential characteristics of a commodity are not met, its use as a medium of exchange is impermissible. Meanwhile, Yogyakarta PWNU compares cryptocurrency directly to *tsaman* (a medium of exchange) and concludes that it fulfills the requirements, making it permissible under Islamic law (Aldohni, 2023b).

An example of a cryptocurrency aligning with Islamic principles is OneGram, a gold-backed cryptocurrency. Its backing by tangible assets—gold—meets the criteria for both *sil'ah* and *tsaman*. (M. Asrorun Niam Sholeh et al., 2022b) One Gram illustrates how cryptocurrency can be integrated into Islamic finance, preserving Sharia values while leveraging

modern financial systems. Its value remains stable due to its gold backing, which mitigates the volatility often found in other cryptocurrencies, thus ensuring Sharia-compliance (Lawal, 2019). The broader discussion on cryptocurrency within Islamic economies emphasizes the need for regulatory frameworks that recognize these digital assets as commodities and mediums of exchange. Such regulations would ensure cryptocurrencies remain Sharia-compliant, which is essential for broader acceptance in Muslim-majority countries. Blockchain technology contributes to Sharia compliance by ensuring high transparency, reducing the risks of fraud and manipulation. (Alifudin et al., 2020)

Research indicates that cryptocurrencies are permissible within Islamic law if they meet the requirements outlined in classical *fiqh*, such as being valuable, transferable, pure, and beneficial. Several studies have argued that cryptocurrencies may be integrated into Islamic economies if they adhere to these Sharia principles (Nasri & Adiba, 2023). Scholars have also explored the challenges posed by cryptocurrencies, such as decentralization and volatility, and proposed solutions like stablecoins to improve Sharia-compliance. (Rabbani et al., 2020)

The volatility of cryptocurrencies presents a significant challenge for Islamic finance, as Sharia prohibits excessive uncertainty (*gharar*). Given that many cryptocurrencies experience considerable price fluctuations, their permissibility within Islamic finance is questioned. Stablecoins, which are pegged to stable assets, have been proposed as a solution to this issue, offering a more stable option that aligns with Islamic principles (Sarma & Chuen, 2021; Khan & Al-Shammari, 2023).

Blockchain technology plays a vital role in ensuring the integrity and transparency of cryptocurrency transactions. Its decentralized nature allows for greater accountability, essential for maintaining Sharia compliance. (Hassan et al., 2022). Blockchain's potential to combat fraud and enhance security is

critical for ensuring the credibility of cryptocurrency markets within Islamic finance (Elbanna, 2024).

While many scholars assert that cryptocurrencies can be integrated into Islamic finance, others stress the importance of establishing comprehensive regulatory frameworks that ensure digital currencies comply with Sharia law (Asl et al., 2024; S. N. Khan, 2023b). These frameworks would provide clarity and legal certainty for businesses and investors engaging with cryptocurrencies. Furthermore, cryptocurrencies have the potential to promote financial inclusion, an important aspect of Islamic finance, by providing access to financial systems for underserved populations (Alam & Nazim Ali, 2021).

Ethical concerns about cryptocurrency use, such as its impact on wealth distribution, have been discussed in relation to Islamic economic justice. While cryptocurrencies may exacerbate wealth inequality, if properly regulated, they could contribute to a more equitable distribution of wealth in accordance with Sharia principles (Qadri & Bhatti, n.d.). Recent fatwas issued by the MUI and NU regarding gold-backed cryptocurrencies like OneGram indicate the ongoing debate and regulatory efforts in this area (Kirana et al., 2023; M. Asrorun Niam Sholeh et al., 2022b).

Conclusion

This research demonstrates that the application of the qiyas method in the context of cryptocurrency can provide a deeper understanding of the legality and acceptance of cryptocurrency within the framework of Islamic law. By analyzing cryptocurrency through the perspective of classical fiqh texts, the study finds that cryptocurrency can be considered a legitimate medium of exchange if it meets essential criteria established in fiqh, such as being valuable, free from haram elements, transferable, and beneficial.

Through the analogy with paper money, the research underscores that although cryptocurrency is not backed by an official authority, its value is determined by societal trust in the

underlying blockchain technology. Thus, cryptocurrency can be accepted in Sharia economic transactions as long as it does not involve elements of *riba*, *gharar*, and *maysir*.

Furthermore, the study emphasizes the importance of collaboration among scholars, academics, and practitioners in the field of Sharia economics to develop fatwas and policies that are responsive to technological advancements and societal needs. Consequently, it is hoped that the DSN-MUI fatwa on cryptocurrency can serve as a relevant and beneficial reference for Muslims in conducting economic activities in the digital era.

Ultimately, this research contributes to the discourse of Islamic law by showing how Islamic legal principles can be adapted and applied in new contexts, as well as identifying the challenges and opportunities faced by scholars in addressing rapid technological advancements. This study is expected to provide practical guidance for Muslims in conducting transactions that align with Sharia principles while leveraging technological progress to enhance welfare and prosperity.

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