Exploring the Use of Crypto currency in Light of *Shari'ah* Compliance

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Abstract

The rapid emergence and adoption of crypto currency as a digital financial instrument has sparked significant debate among scholars, particularly within the context of Islamic finance. This paper provides an overview of the usage of crypto currency through the lens of Shari'ah principles, examining its permissibility and alignment with core Islamic legal and ethical frameworks. This paper aims to analyze the currency in the *Shari'ah* because the protection of wealth is one of the objectives of *Shari'ah*, most important aspect related to crypto currency as well the divergent opinions surrounding the legitimacy and otherwise of transacting with crypto currency through the existing literatures and the *fatawa* of the Islamic scholars. It explored and as well shade light on the nature, advent, categories and peculiarities of the crypto currency. The findings of the study would benefit the Muslim investors and users of the crypto currency as well the Islamic banking and finance sector to either accept or reject it. The paper recommends that there is need for the Islamic institutions and scholars to come up with unanimous position on the crypto currency transactions basing their position on an in-depth analysis of Sharia injunctions over the subject matter.

Keywords: Crypto currency, Usage and *Shari'ah*

Introduction

Money as a medium of exchange, has changed its form many times throughout the history, and has begun to turn into digital form as an alternative to the current situation. Money in Islam is limited to either precious metal such as gold or silver, or commodities such as wheat, barley, dates or salt, which have shelf-life and could be used as money in case of shortage in precious metals.[1] The end goal of money in Islam is to sustain

[1]Alam, I. (2020). Money inIslam.International Journal of Islamic Economics (IJIE), Vol.02 No.01, Jan-Jun 2020

one's worldly affairs with a view to facilitate focus on the Hereafter. The Glorious Qur'an stated:

وَابْتَغِ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا وَأَحْسِنْ كَمَا أَحْسَنَ اللَّهُ إِلَيْكَ وَلَا تَبْغِ الْفَسَادَ فِي الْأَرْضِ إِنَّ اللَّهَ لَا يُحِبُّ الْمُفْسِدِينَ

> *But seek, with that (wealth) which Allah has bestowed on you, the home of the hereafter, and forget not your portion of lawful enjoyment in this world; and do good as Allah has been good to you, and seek not mischief in the land. Verily, Allah likes not the Mufsidun (those who commit great crimes and sins, oppression, tyrant, mischief-makers, corrupters.*[2]

At the time of revelation, some of the types of currencies were in use. In fact, the two verses of the Quran show that the previous nations also used Dirhams or silver coins as quoted below:

وَمِنْ أَهْلِ الْكِتَابِ مَنْ إِنْ تَأْمَنْهُ بِقِنْطَارٍ يُؤَدِّهِ إِلَيْكَ وَمِنْهُمْ مَنْ إِنْ تَأْمَنْهُ بِدِينَارٍ لَا يُؤَدِّهِ إِلَيْكَ إِلَّا مَا دُمْتَ عَلَيْهِ قَائِمًا ذَلِكَ بِأَنَّهُمْ قَالُوا لَيْسَ عَلَيْنَا فِي الْأُمِّيِّينَ سَبِيلٌ وَيَقُولُونَ عَلَى اللَّهِ الْكَذِبَ وَهُمْ يَعْلَمُونَ

> *Among the people of the scripture (Jews and Christians) is he who, if entrusted with a Qintar (a great amount of wealth), will readily pay it back to you and among them there is he who if entrusted with single Dinar (a Gold coin), will not repay it to you unless you come constantly stand demanding, because they say: there is no blame on us to betray and take the property of the illiterate (Arab). But they tell a lie against Allah while they know it.*[3]

Similarly, another verse said:

وَشَرَوْهُ بِثَمَنٍ بَخْسٍ دَرَاهِمَ مَعْدُودَةٍ وَكَانُوا فِيهِ مِنَ الزَّاهِدِينَ

> *And they sold him for a low price, for a few dirham (that is for a few silver coins) and they were of those who regarded him insignificant.*[4]

Imam Abd al-Barr states that Muslims of the prophetic era used the Roman Dinars and Persian Dirhams. Imam Ahmad also opined that currency and money can be identified by the agreement of the people. According to *Fuqaha* currency is defined as a medium of exchange that has four major

[2]Qur'an, 28:77 Qur'an 18:19. Khan, M.M. Interpretation of the meaning of the Noble Qur'an in English language; 2007, Riyadh, Darussalam Publishers and distributers
[3]Qur'an 3:75
[4] Qur'an 12:20

characteristics which include *Thamaniyya* (value), *Qabuliyyah* (acceptability) and Tasarruf (transferability).[5]

The newest type of money form is a crypto currency. It has been developed independent of any central authority. The origin of crypto currency can be traced to Satoshi Nakamoto, a pseudonymous developer in 2009. The usage areas of cryptocurrencies are increasing day by day and they have become a phenomenon in recent days. Crypto currency is currently at the frontier of financial development. It provides both opportunities and risks in financial markets and has attracted significant attention in recent years.[6]

Muslim scholars provide detailed information about the Islamic legal position on the usage of crypto currency among Muslims. They explore the two major views that include the permissibility and prohibition of the usage of crypto currency among the Muslims.

Shari'ah Definition of Currency/Money

al-Qardawi, explains that *mal* according to the native speakers of Arabic, everything which is desirable for human beings and they want to store and possess it, is considered as *mal*.[7] Ibn al-Athir stated that originally mal was limited to silver and gold, but its definition was gradually expanded to every physical thing which is desirable for humans to store and possess.[8] Shaykh Wahbah al-Zuhayli, says that linguistically *mal* refers to everything which is possessed and stored by humans, whether it is a corporeal (*ayn*) or (*manfaha*). For instance, gold, silver, animals, plants as well as riding a vehicle and living in a house are considered *mal* .But a thing which can neither be stored nor possessed cannot be considered as *mal:* a bird in the sky, a fish in the water, and unknown treasures inside the earth.[9]

The majority of jurists and scholars (including Maliki, Shafi, and Hanbali scholars) are of the view that mal is not limited to tangible things. The majority view is that *mal* also includes intangible things as well as benefits and rights with certain conditions. [10]Shaykh Zuhayli[11] explains the majority view of scholars is that mal refers to everything which has value and can be compensated if it is destroyed. Likewise, Al-Suyuti[12] quotes the definition of mal from Imam Shafi that *mal* refers to something which: has value, is used

[5]Ibn Qudamah, Abdullah Bin Ahamad, al-Mugni, Beirut Lebonan: Dar al-Kutub al-Ilmiyya, 2012; vol. 1 p. 123
[6] Acho,Yunusa. Cryptocurrency and Nigerian Economic.
[7]Al Qardawi, Yusuf. Fiqh al Zakah. King Abdulaziz University, (2000).
[8] Abubakar, M. M (2018)

[9]Abubakar, M. M (2018)
[10]Abubakar, 2021
[11]Al-Zuhayli, Wahbah, and Abdul Hayyie Al-Kattani. Fiqih Islam waadillatuhu. GemaInsani, (2010).
[12]Al-Suyuti, Jalal al-Din. "Al-Ashbahwa al-Naza'ir." Beirut: Dâr al-Kutûb al-'Ilmiyyah (1983).

as consideration in trade, must be compensated for if destroyed, and that people do not behave as if it is a valueless thing.

Allah the Almighty created *dinar* and *dirham* for circulation and to be an equitable and just standard between different assets. They are the means to all other assets; they are precious in themselves but not desired for themselves. Whereas in Islam, money is "like a mirror, which has no colour, but it reflects all colours…it is an instrument to lead to all objectives.[13] Ibn Taymiyyah states that the Sharia has not defined any specific condition nor definition for currency and money, and has instead left it to the '*Urf* and understanding of the people. Hence, the *Hanafī* jurists state that assets or commodities become money and currency by *Ta'āmul* (common usage) and *Iṣṭilāḥ* (common agreement). Imam Ahmad also opined that currency and money can be identified by the agreement of the people.[14]

Characteristics/ Features of money in Islam

The features of Money in Islam comprises the following:[15]

- Money is just a medium of exchange.
- It is nothing but a medium of exchange. It is only that and serves nothing but that. It is not a commodity to trade or rent. It is not an asset like other assets, nor a service like other services.
- Never sought for itself; rather, it is used as a means to gain commodities."
- Imam al-Ghazali (d.505 H) states: "Money is like a mirror which reflects everything but is not reflected itself. Another wisdom behind the creation of money is to act as a medium to all other assets for exchange purposes."[16]
- Imam Ibn al-Qayyim (d.751 H) states: "When money begins to be treated as a commodity and becomes the objective of transactions, the entire (economic) system will become corrupted and in crisis.[17]
- It should not be monopolized, as everyone is a stakeholder in money. No one party has a greater right over it than another; and no one party enjoys a privilege to control money at their own whims. This creates

[13]Al-Gazali, (2004). Abu Hamid Muhammad ibn Muhammad. (2004), 'Ihya' Ulum-Id-Din, trans. by Al-Haj MaulanaFazlul Karim, New Delhi: Islamic Book Service.4 Vols p. 90-91

[14]Ibn Qudamah

[15]Sarker, (2022), Major Difference between Islamic Banking and Conventional Bank. A paper presentation at central Shariah board Bangladash

[16] Al-Gazali, (2004). Abu Hamid Muhammad ibn Muhammad. (2004), 'Ihya' Ulum-Id-Din, trans. by Al-Haj Maulana Fazlul Karim, New Delhi: Islamic Book Service. 4 Vols p. 90-91

[17] Sarker, (2022), Major Difference between Islamic Banking and Conventional Bank. A paper presentation at central Shariah board Bangladash

an imbalance and an artificial imposition on money. The Qur'an specifically discourages monopoly position

- مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَى فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَى وَالْيَتَامَى وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

  Whatever Allah has restored to His Apostle from the people of the towns, it is for Allah and for the Apostle, and for the near of kin and the orphans and the needy and the wayfarer, so that it may not be a thing taken by turns among the rich of you, and whatever the Apostle gives you, accept it, and from whatever he forbids you, keep back, and be careful of (your duty to) Allah; surely Allah is severe in retributing (evil)[18]

- Money needs governance. The Imam and government were custodians and given the responsibility for the minting of new coins as stated by Imam Ahmad and Nawai. The scholars emphatically state that the *Shari'ah* does not permit the Imam and the authorities to manipulate the monetary system through debasement, coin clipping and by artificially increasing the supply of money.
- Profit on exchange of goods & services is the basis for earning profit.
- Balanced budget is the outcome of no expansion of money. Expansion of money takes place and thus no inflation is created.
- Due to control over inflation, no extra price is charged by the entrepreneur

Concepts of Crypto currency

Currency has been defined by various researchers and scholars. One of the common definitions is that, currency is a medium of exchange and measurement of economic value.[19]The term crypto is a root of cryptography and the word cryptography is derived from Greek language which is translated as 'hidden writing.[20]The word "crypto" refers to the encryption or cryptography that the instrument is built on and then added to a block chain database. The "currency" here refers to the recognition as medium of exchange amongst its users.[21]

[18] Qur'an, 59:17

[19]Shami, M. (2016).*Changes to financial transactions from shariah perspective*.1st edition.Al-Da'wa publishing and distribution house. Beirut

[20]Rosen, K. H. et al.. (2018)*Handbook of Discrete and Combinatorial Mathematics*, Second edition Boca Raton: CRC Press p199.

[21]Onagun, A. I. (2014). *The genesis of Cryptocurrency in Islamic economics: Shariah analysis* of HLC tokens

Historical Development of Crypto currency

The traditional practices of monetary and financial activities are changing rapidly due to the improvement in information technology as well as the information communication system. The Technology Acceptance Model (TAM) introduced by Davis in 1989 asserted the acceptance of advanced technology determined by the consumers based on the reliability, flexibility and the perceptions.[22]The idea of electronic money was started by Nick Sabo in 1990. He tried to introduce money on internet called 'Bit Gold'. However, his effort became fruitless. In 1998, 'Liberty Dollars' was introduced by an American called Bernard von NotHaus who was jailed for putting government in frightening condition. Wei Dai from China invented 'B-Money' also which was not accepted by both government and people. In 2007, security personnel from America introduced 'E-Gold'. Crypto currency is one sort of the electronic monies introduced.Its origin can be traced to Satoshi Nakamoto, a pseudonymous developer in 2009 when she created Bitcoin. This form of crypto currency uses SHA-256 a cryptographic function as its evidence of work scheme. Since then, different categories of cryptocurrencies have emerged.[23]

Features of Crypto currency

Lawal (2019) considered the under listed items as the features of crypto currency[24]

- Crypto currency is an electronic money: Crypto currency is a digital currency that does not have a physical presence just like the bank notes and coins.
- It is available in different forms such as Bitcoin, Litecoin, Ethereum and so forth.
- It cannot be damaged.
- It can be stored in hardware wallets, desktop wallet, fiat wallets, mobile wallets and online wallets.
- It serves as a medium of exchange and a store of value.
- It does not require a government or central planner: Crypto currency is not an official currency. For instance, it is not issued by an official body, such as: the central bank or a monetary authority within the state anyone can practice virtual currency mining, provided that he has the required technical skills for that.

[22]Echchabi, A. (2018). E-Banking Acceptance in Thailand : An Emphasis on Islamic Banks ' Customers. *European Journal of Islamic Finance Privacy*, *9*, 1–5.
[23]Lawal, 2019
[24]Lawal, 2019

- It does not require the activities of man as in the case of bank notes
- Its value is not stable

Classification of Crypto currency

As of January 2022, there are about fifteen thousand (15,000) types of Cryptocurrencies that are active and available over the internet.[25]

Bitcoin (BTC): Bitcoin is a digital currency with no central issuing authority or physical form. It is a crypto currency that uses cryptography techniques to guide encryption protocols which identify ownership and verify transactions details[26]

Lite-coin (LTC): Lite-coin (LTC) was launched by Charles Lie in 2011 and it is considered as silver to Bitcoin gold. This form of crypto currency makes use of script encryption algorithm which is contrary to SHA-256 adopted by Bitcoin.[27]

Ethereum (ETH): Ethereum is a virtual currency and a decentralized platform. It was introduced by Vitalik in 2015. It is a smart platform for concluding contracts; uses the Blockchain system; provides a high level of security and is used for concluding smart contracts.[28]

Ripples (XRP): This form of crypto currency was launched in 2012. It has a network that operates in real time world settlement which enables it to offer instant, certain and low cost international payments.[29]

Methods of Crypto currency Activation

From a user perspective, crypto is nothing more than a mobile app or computer program that provides a personal Bitcoin wallet and allows a user to send and receive Bitcoins.[30]Silva (2016) explained that crypto currency is a system characterized by a computer program with three main axes: first, a public system of registration of transaction, called blockchain, serving as an accounting book of its entries and exits; second, *a*n encryption algorithm called asymmetric encryption- associated with a proof-of-work which is used to validate operations with the currency; and the last one focused on a decentralized computer network according to the design of the users (also

[25]www.statista.com retrieved on 15/08/2025

[26]Abu-Bakar, 2017

[27]https://empirica.io/blog/different-types-cryptocurrency retrieved on 06/8/2022

[28]Khalaf, M. L. &Alnwairan, T. A., (2020).*Virtual Currencies and Stand of Islam on the Use of Such Currencies*.Journal of Critical Reviews ISSN- 2394-5125 VOL 7, ISSUE 15, 2020

[29]Empirica, 2018

[30]Abu-Bakar, 2017

called miners), which verify and validate transactions with the currency and update the public registry system – that is blockchain.[31]

Regulation of Crypto currency internationally

Bech and Garratt, mentioned that, Crypto currency is seriously gaining popularity in many countries all over the world which Nigeria is not an exception. Presently there is no international regulatory frame work for its operations as such each country is trying the best they can to regulate its activities. In USA for instance, crypto currency is being regulated by five different federal agencies with each agency having a different view points of perspectives. United Kingdom accepts the use of the currency but subject it to further security measures including anti-money laundering laws. Spain, on the other hand, acknowledged Bitcoin but under barter laws (Bech and Garratt, 2017).According to Scott (2016), Netherlands do not have regulation on the use of Cryptocurrencies [32]

Demarcations between Crypto currency and Central Bank Digital Currency (CBDC)

The demarcation between the crypto currency and Central Bank Digital Currency (CBDC), is that Unlike crypto currency, Central Bank Digital Currency, being a virtual currency backed by the central bank or the monetary authority of a country serves all the functions of money, such as a store of value, a unit of account, and a medium of exchange, facilitates the attainment of macroeconomic goals and financial stability. To ensure the safeguarding of the interest of the people, business enterprises, and the financial system of a country from a broader perspective, adequate regulatory measures regarding crypto currency are a must.

Crypto currency and Central Bank Digital Currency (CBDC) Security or legal Tender

At the most basic level, crypto currency can be compared to other currencies. The main distinction is that they are not affiliated with a nation, a bank, or a central organization. The use of cryptocurrencies by criminals has significantly increased. Since their inception, cryptocurrencies have been used in ever-evolving ways to exploit needs and fill them. It is impossible to overstate the impact that cryptocurrencies have had on the growth of malware, black markets, and attacker behavior. Cybercriminals will undoubtedly respond in more ways as markets evolve and adopt

[31]Silva, A. (2016) *Cryptocurrencies: International regulation and uniformization of practices*

[32]Bech, M., and Garrant, R. (2017).Central Bank Crypto-currencies. BIS Quarterly Review.

cryptocurrencies. Central Bank of Nigeria (CBN) Stated in Act number 20 stated that: The currency notes issued by the Bank shall be legal tender in Nigeria as their face value for the payment of any amount.[33]

Fiat and Crypto currency

Regardless of the form, money must fulfil three main functions. Firstly, it has to be accepted as a medium of exchange for the trade of goods and services. Secondly, it must be suitable as a medium to store value for saving wealth. Thirdly, it must act as a unit of account, to measure and compare the value of goods.[34]

cryptocurrencies are compared with gold, the oldest form of money, and with central bank-issued fiat currencies with regard to different traits of money. It can be seen, that the traditional types of money, gold and fiat money, fulfil all traits of money to a high or medium level. The fact, that cryptocurrencies are highly divisible and globally transferable leads to the conclusion that cryptocurrencies are highly suitable for the role as a medium of exchange.

Introduction of Crypto currency in Muslim Countries

In the Gulf region, Saudi Arabia and the UAE have launched, recently, a joint crypto currency which will be limited to banks during its first stages. The currency operates on the use of a distributed database between the central banks and the participating banks from both sides, among which are several *Shari'ah* compliant banks that have to observe directions set by their *Shari'ah* boards in this respect.[35]

These Muslim countries employed the use of Islamic trading and businesses that fully guided and approved by Islamic law and principles. The following are the Principles of Islamic Transactions:

Prohibition of interest: This implies that any return over and above the actual loan amount which is predetermined is prohibited. Practice of usury is forbidden in Islam because this practice causes oppression and inequality in society and the national economy itself. It would consequently cause the rich to get richer and the poor be poorer. The prohibition of interest derives its source from both the Quran and the Sunnah of the Prophet (SAW). The noble Quran states that

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِنْ كُنْتُمْ مُؤْمِنِينَ

[33]CBN ACT 2007

[34]Ammous, 2018

[35]Billa, M. M. (2019). *Modern Islamic Investment Management Principles and Practices. Islamic Economics* Institute King Abdulaziz University Jeddah, Saudi Arabia

O you who believe! Be afraid of Allah and give up the remains from Riba, if you are really believers.[36]

***Profit and loss sharing*:** Islamic transaction is based on the principle of profit and loss sharing which depicts a divergence from the conventional form of banking and finance.

Gambling (maysir), uncertainty/speculation (gharar) are prohibited: Islamic transaction prohibits transaction involving gambling. As it is clearly spelt out in the glorious Quran, in Surat al-Ma'idah which states that:-

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رِجْسٌ مِنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ لَعَلَّكُمْ تُفْلِحُونَ

O you who believe! Intoxicants (All kinds of alcoholic drinks) and gambling and Al-ansab and Al-Azlam (arrow for seeking luck of decision) are abomination of shaitan's (Satan's) handiwork. So avoid (strictly all) that abomination in order that you may be successful.[37]

***Unethical business or investment is prohibited**:* Islamic banking and finance is based on the principle which prohibits investments in unethical businesses or prohibited commodities. For example, trading in alcohol or pork is prohibited as stated in the Qur'an:

وَيْلٌ لِلْمُطَفِّفِينَ (١) الَّذِينَ إِذَا اكْتَالُوا عَلَى النَّاسِ يَسْتَوْفُونَ (٢) وَإِذَا كَالُوهُمْ أَوْ وَزَنُوهُمْ يُخْسِرُونَ

Woe to those who cheat the people who, when they receive
by measure from men, take full and otherwise when they
measure or weigh for others they cut (the measurement or weight)[38]

al-'Adl (Justice) Ethical traders must perform al-Adl, or justice. This means that traders must be temperate in all things without being only the benefitting side;give equal treatment or be fair to all customers, and give the rights to the right. In other words, justice means putting things in the right place. Allah (SWT) says:

إِنَّ اللَّهَ يَأْمُرُ بِالْعَدْلِ وَالْإِحْسَانِ وَإِيتَاءِ ذِي الْقُرْبَى وَيَنْهَى عَنِ الْفَحْشَاءِ وَالْمُنْكَرِ وَالْبَغْيِ يَعِظُكُمْ لَعَلَّكُمْ تَذَكَّرُونَ

[36]Qur 2:278
[37]Qur, 5:90
[38]Qur, 83: 1-3

> *Verily, Allah enjoins Al- Adl (justice) and Al- Ihsan (patient in performing duties) and giving help to the kin, and forbids Fahsha (evils) and Munkar, and Baghy (oppression). He admonishes you, that you may take heed.*[39]

Shari'ah **views on the Use of Crypto currency**

The permissibility of crypto currency under Islamic law is a subject of active scholarly debate, with contemporary Islamic jurists offering divergent opinions. As noted by Abubakar (2020), the discourse surrounding digital currencies such as Bitcoin has given rise to three general positions among scholars:

1. **Prohibitionist View (Ḥarām)**
2. **Permissibility View (Ḥalāl)**
3. **Suspensive or Conditional View**

the examination of crypto currency can be evaluated by considering the principles of *Fiqh*. For this kind of evaluation, it is necessary to answer the questions such as the philosophy of Cryptocurrencies, how it is produced, how it is used, what type of functions it performs? what kind of results it may have in the current financial system? what are the benefits and problems for the Muslim society?.

The **first group**, representing the prohibitionist stance, argues that cryptocurrencies are **ḥarām (forbidden)** due to multiple factors. This position is supported by numerous religious authorities and institutions across the Islamic world.

One prominent example is the **Darul Ihsan Centre** based in Durban, South Africa, which, alongside various scholars from **Turkey, India, the United Kingdom**, and notably the **Grand Mufti of Egypt**, have issued formal rulings declaring crypto currency impermissible under Shariah law.

Arguments for Prohibition

In Egypt, **Grand Mufti Shaykh Shawki Allam** has categorically declared Bitcoin and other cryptocurrencies as ḥarām. His position is grounded in several critical concerns:

- **Use in unlawful activities**: Cryptocurrencies can facilitate anonymous and untraceable transactions, making them appealing for illegal dealings such as drug trafficking, terrorism financing, and tax evasion.

[39]Qur, 16: 90

- **Lack of physical form and central authority**: These characteristics undermine state monetary sovereignty and obstruct governmental control over financial systems.
- **Potential for money laundering and fraud**: The anonymity associated with crypto-assets raises severe concerns regarding the enforcement of anti-money laundering (AML) and counter-terrorism financing (CTF) laws.
- **Volatility and speculation**: Cryptocurrencies are subject to extreme price fluctuations, rendering them unstable and encouraging speculative behavior, which Islam prohibits as *maysir* (gambling).

In **Turkey**, the **Directorate of Religious Affairs (Diyanet)** issued a fatwa stating that Bitcoin is not accepted religiously due to similar concerns. **Hayrettin Karaman**, an eminent Turkish scholar of Islamic law, reinforced this position by asserting that cryptocurrencies result in unjust enrichment and harm Muslim societies. He classifies such transactions under *maysir* due to their speculative nature and high risk of financial loss.

Similarly, the **Palestinian Fatwa Center** declared Bitcoin and its equivalents as ḥarām. The institution cited reasons such as:

- The anonymous identity of crypto currency issuers,
- The absence of governmental or central bank backing,
- High speculative risk due to lack of intrinsic value or controlling mechanisms,
- Classification of crypto trading as a form of gambling.

Professor Monzer Kahf and **Professor Ali Muhyealdin Al-Quradaghi**, two internationally recognized scholars in Islamic economics, have also declared cryptocurrencies impermissible. They argue that cryptocurrencies:

- Are not issued by sovereign states as legal tender,
- Do not fulfill traditional monetary functions, particularly stability and widespread acceptability,
- Foster excessive uncertainty (*gharar*) and lack *thamaniyyah* (intrinsic value).

In **Saudi Arabia**, senior religious figures have expressed similar reservations. For instance, in December 2017, **Sheikh Assim Al-Hakeem** described cryptocurrencies as ḥarām, calling them a gateway to money laundering, drug trading, and illicit smuggling activities.

Common Grounds for Prohibition Across Jurisdictions:

1. **Lack of broad public acceptance** and recognition as legal tender.
2. **Intentional avoidance of central authority**, challenging governmental monetary oversight.

3. **Absence of tangible presence**, undermining trust and tangibility—a key requirement in traditional Islamic contracts.
4. **Excessive volatility**, exposing users to unjustifiable risk.
5. **Concerns regarding ḥalāl/ḥarām ambiguity**, warranting caution (iḥtiyāṭ) in financial dealings.
6. **Lack of recognition by most nation-states**, affecting legitimacy and value stability.

In summary, scholars who prohibit crypto currency transactions often rely on analogical reasoning (*qiyās*) with banned economic practices like gambling (*maysir*), speculative trading, and the use of deceptive instruments. They advocate for a monetary system rooted in transparency, intrinsic value, and centralized governance—principles that they argue cryptocurrencies undermine.

The second group is of the view that crypto currency is accepted based on Islamic principles and therefore to them it is *halal* (permissible). According to this view, crypto currency is permissible
principally. Likewise, anything can be considered as money if it has these attributes:

1. treated as valuable thing among the people,
2. accepted as medium of exchange by all or substantial group of people,
3. it is a measure of value,
4. It serves as unit of accounts

Therefore, any crypto currency which fulfills these conditions (such as Bitcoin) is acceptable as money. This means that the rules of origin are permitted in financial and business transactions[40] In other words, everything is permitted unless a proposition is found that is contrary to Islamic principles. According to this principle, crypto currency is permitted.

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The basis of the contract is the pleasure of both parties.

Moreover, they suggest that it is *Halāl* to use Crypto currency. The ones who issued such *Fatwa* based their opinions on the following reasons

1- Under the rules of *Shari'ah*, things should be considered *Halal*, unless one discovers information about them making them *Harām*.
2- Bitcoin carries out the functions of paper money. It serves as a medium of exchange and a standard for value.

[40] -husaini, 2019

Thus, the *Hukum* (law) that applies to paper money applies to Bitcoin.

3- Bitcoin is considered a currency that enables one to purchase services, and

commodities. It can be exchanged with any other currency.

Bitcoin is a currency whose value is determined based on the market conditions. Thus, it is similar to gold and silver in this regard

Although there are some scholars who kept silence on the issue,

Islamic Approaches toward the Purification of Crypto currency Transaction

Despite strong reservations, some scholars and institutions advocate for **reformist approaches** rather than outright rejection of cryptocurrencies. They propose mechanisms to ensure that digital currencies can operate in a ***Shari'ah*-compliant** framework by purifying their structures and usage.

Key *Shari'ah*-Based Guidelines for Crypto Compliance:

- **Design and Governance**: All crypto currency products and services must be designed and managed in accordance with Islamic commercial law (*fiqh al-muʿāmalāt*), ensuring the avoidance of *riba*, *gharar*, and *maysir*.
- ***Shari'ah* Oversight**: Crypto currency operations must be continuously **monitored and screened** by qualified Islamic scholars and ***Shari'ah* supervisory boards**, ensuring compliance at every stage.
- ***Maqāṣid al-Sharīʿah* Alignment**: All policies and technical mechanisms must align with the **objectives of Islamic law**, namely the preservation of religion, life, intellect, lineage, and property.
- **Transparency and Traceability**: Platforms must ensure the traceability of transactions, discourage anonymity, and maintain full disclosure to prevent misuse and fraud.

These approaches are consistent with Islam's general stance on financial innovation: **permissibility by default**, provided no clear prohibition exists and ethical, moral, and legal safeguards are respected.

These scholars emphasize that, while the current models of crypto currency may violate Islamic principles, ***Shari'ah*-compliant digital currencies** could be developed through rigorous ethical and legal scrutiny.

Recommendation

Recommendations for an Islamic Approach to Crypto currency

In light of the divergent scholarly opinions and the rapid evolution of digital finance, this paper offers several key recommendations to guide the

development and regulation of cryptocurrencies in accordance with Islamic principles.

Embrace Constructive Engagement Rather Than Rejection: Rather than categorically rejecting cryptocurrencies, Islamic scholars and institutions should explore ways to engage with the technology constructively. A *ḥalāl*-compliant digital currency properly regulated and monitored could provide significant benefits to the global Muslim community.

Develop *Shari'ah*-Based Regulatory Standards: There is an urgent need for Islamic financial institutions, scholars, and standard-setting bodies (such as AAOIFI and IFSB) to:

- Develop **comprehensive Shariah-compliant frameworks** for crypto currency operations.
- Establish **criteria for permissibility**, covering issuance, storage, exchange, and investment mechanisms.
- Create **centralized Shariah boards** to monitor and certify compliance across platforms.

Encourage Research and Scholarly Consensus: Islamic scholars, economists, and technologists should collaborate to conduct **in-depth studies** on:

- The **economic, ethical, and legal implications** of crypto currency usage.
- The **potential benefits and harms** it poses to Muslim societies.
- The alignment of crypto currency mechanisms with ***maqāṣid al-sharīʿah***.

A unified scholarly stance, backed by empirical research, will provide clarity and consistency to Muslim communities globally.

Promote Technological Inclusion in Islamic Finance: Islam has historically embraced innovation that benefits humanity. Muslims must not lag behind in financial technology adoption. Embracing **fintech and blockchain-based solutions** could enhance transparency, reduce corruption, and improve financial inclusion—provided that these innovations are Islamically compliant.

Establish Centralized Oversight Authorities: To address concerns of decentralization and lack of accountability, the paper recommends:

- The formation of **Islamic digital currency authorities** under national central banks or Islamic financial councils.
- Ensuring that crypto currency ecosystems include **compliance mechanisms, dispute resolution structures**, and **data recovery protocols**.

This oversight can mitigate risks such as fraud, speculation, and misuse.

Conclusion

The debate over the permissibility of crypto currency in Islam reflects broader tensions between tradition and innovation. While several scholars and fatwa bodies categorically prohibit cryptocurrencies due to their speculative, anonymous, and decentralized nature, others argue that digital currencies if properly regulated and aligned with Islamic principles may be permissible.

The **central question is not whether crypto currency is inherently ḥarām or ḥalāl**, but rather under what **conditions and mechanisms** it can be used ethically and lawfully in accordance with Shariah. Islamic finance must respond to technological advancements with well-informed, principled, and context-sensitive rulings.

Therefore, the way forward lies in:

- **Developing a clear *Shariah* framework** for crypto currency use;
- **Encouraging scholarly consensus**;
- **Ensuring regulatory oversight and ethical safeguards**;
- And **fostering financial innovation** that advances the core objectives (*maqāṣid*) of Islamic law—justice, welfare, transparency, and economic balance.

Ultimately, a balanced and principled approach will ensure that Muslim societies are not left behind in the digital economy while staying true to the values and obligations of their faith

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