

RESEARCH ARTICLE OPEN ACCESS

Cryptocurrency from An Islamic Jurisprudential Perspective

Dr. Farid Ahmadzai

Riyadh Center for Historical Studies, Saudi Arabia

Received: 09 August 2026 Accepted: 04 September 2026 Published: 01 October 2026

ABSTRACT

The emergence of cryptocurrency has introduced a technologically innovative but jurisprudentially contested form of value exchange. Unlike conventional currencies issued and regulated by central monetary authorities, cryptocurrencies operate through decentralized digital infrastructures, creating questions concerning their legal nature, monetary function, ownership, exchangeability, speculation, and compliance with Islamic principles. This study examines cryptocurrency from an Islamic jurisprudential perspective by synthesizing selected legal, economic, and Islamic-finance literature provided for the research. The study adopts a qualitative doctrinal and analytical methodology, examining cryptocurrency through fundamental Islamic legal concepts concerning money, property, exchange, uncertainty, and economic justice. The analysis indicates that the principal jurisprudential difficulty is not merely the digital form of cryptocurrency but the combination of decentralization, price volatility, speculative behavior, uncertain intrinsic economic function, and differing regulatory recognition. At the same time, the literature demonstrates that cryptocurrency cannot automatically be classified as impermissible solely because it is technologically novel. Its permissibility requires examination of its actual economic function, transactional conditions, degree of uncertainty, and potential for unlawful or harmful activity. The study therefore argues for a functional and contextual jurisprudential assessment rather than a purely technological classification. Such an approach can accommodate legitimate technological innovation while preserving the objectives and principles of Islamic commercial jurisprudence.

Keywords: Cryptocurrency, Islamic Jurisprudence, Shariah, Digital Currency, Islamic Finance, Money, Cryptocurrency Regulation, Financial Transactions.

1. INTRODUCTION

The rapid development of cryptocurrency has challenged conventional assumptions about money, payment systems, and financial ownership. Digital currencies such as Bitcoin introduced a form of digitally transferable value that can operate without depending exclusively on conventional banking institutions or centralized monetary authorities. This development has generated significant economic and legal debate concerning the nature, status, and practical function of cryptocurrency (Shovkhalov and Idrisov, 2021). The issue becomes particularly complex within Islamic jurisprudence because financial transactions are evaluated not only according to their technological structure but also according to principles governing property, exchange, uncertainty, fairness, and economic

harm.

The emergence of cryptocurrency consequently raises a fundamental jurisprudential question: Can cryptocurrency be recognized as a legitimate form of wealth or money within an Islamic legal framework, and under what conditions could its use be considered permissible? This question cannot be answered solely by determining whether cryptocurrency is digital. Rather, it requires examination of the economic substance of cryptocurrency and the conditions under which it is acquired, exchanged, or used.

Classical Islamic commercial jurisprudence provides conceptual foundations for examining new financial

instruments. Al-Ghazali's discussion of wealth and economic conduct emphasizes the normative relationship between economic activity and social welfare (Abu Hamid Muhammad al Ghazali, 2004). This foundation is particularly relevant to cryptocurrency because the legal evaluation of a new financial instrument requires consideration of whether its economic function contributes to legitimate exchange or produces substantial uncertainty and harm.

Contemporary discussions demonstrate considerable disagreement regarding cryptocurrency. Some analyses emphasize its potential as a medium of exchange and technological innovation, while others focus on volatility, speculative activity, regulatory uncertainty, and questions regarding its monetary status (Siswanto and others, 2020; Shovkhalov and Idrisov, 2021). Islamic scholars and institutions have similarly approached the subject from different perspectives, demonstrating that cryptocurrency remains a developing jurisprudential issue rather than a settled category.

This study therefore aims to analyze cryptocurrency through Islamic jurisprudential principles, identify the major legal concerns surrounding its use, compare the perspectives contained in the selected literature, and develop a functional framework for assessing cryptocurrency transactions. The research focuses specifically on cryptocurrency as a financial and legal phenomenon and does not attempt to provide a technical evaluation of blockchain engineering.

2. LITERATURE REVIEW

The literature supplied for this study can broadly be divided into four interconnected perspectives: Islamic jurisprudence, legal characterization, economic and monetary analysis, and practical regulatory experience.

The jurisprudential foundation is represented by classical Islamic thought and contemporary Islamic institutional analysis. Al-Ghazali's work provides a theoretical basis for understanding economic value and legitimate human benefit within Islamic thought (Abu Hamid Muhammad al Ghazali, 2004). His broader conception of economic conduct suggests that financial instruments cannot be assessed exclusively according to their formal characteristics; their social and economic consequences are also relevant. This provides an important conceptual basis for evaluating cryptocurrency as a modern financial

phenomenon.

The Council of the International Islamic Fiqh Academy's consideration of electronic currencies illustrates the importance of collective jurisprudential evaluation in responding to technological changes. Its resolution-oriented approach indicates that digital forms of value require examination through established Islamic legal categories rather than automatic acceptance or rejection (Council of the International Islamic Fiqh Academy, 2019). This institutional perspective is significant because cryptocurrency creates questions that extend beyond individual transactions into the wider monetary system.

The literature on the legal nature of cryptocurrency provides another dimension. Churilov Alexey Yurievich examines cryptocurrency through legal characterization, demonstrating that its status cannot easily be placed within traditional legal categories (Churilov Alexey Yurievich, 2016). The problem of classification is important for Islamic jurisprudence because determining whether cryptocurrency functions as money, property, commodity, or another form of economic asset directly influences the legal principles applicable to its exchange.

Shovkhalov and Idrisov provide a broader economic and legal analysis and emphasize the divergent scholarly perspectives surrounding cryptocurrency (Shovkhalov and Idrisov, 2021). Their analysis is particularly relevant because it demonstrates that cryptocurrency simultaneously possesses economic, technological, legal, and social dimensions. Consequently, a single-dimensional jurisprudential judgment may fail to capture its actual characteristics.

Siswanto and others focus more directly on whether cryptocurrency fulfills the requirements associated with money from an Islamic perspective (Siswanto and others, 2020). Their contribution is important because monetary status is not simply a technological question. Money performs recognized economic functions, including facilitating exchange and providing a unit for economic calculation. Cryptocurrency's ability to perform these functions consistently remains central to its jurisprudential evaluation.

Kasuma and others examine cryptocurrency in the context of commodity exchange in Indonesia and focus specifically on the prospective implications of Islamic law (Teddy Kasuma and others, 2020). This perspective introduces a

functional distinction between cryptocurrency as money and cryptocurrency as an exchangeable asset. Such a distinction is essential because an asset may be legally treated differently depending upon whether it is being used as a medium of exchange, an investment instrument, or a commodity.

The remaining contemporary references provide practical examples of cryptocurrency adoption, public debate, and regulatory developments. Reports concerning cryptocurrency in Nigeria and El Salvador illustrate how digital assets have increasingly entered discussions of national monetary systems and economic participation (Ijeoma Ndukwe, 2021; Lawrence Wintermeyer, 2021). The Nigerian central-bank discussion further demonstrates the distinction between privately developed cryptocurrency and state-controlled digital currency (James Emejo, 2021). This distinction is particularly important because the existence of central-bank digital currency does not necessarily establish the legal or religious permissibility of decentralized cryptocurrency.

The literature also reveals a research gap. Existing discussions frequently emphasize either the permissibility question or the economic and legal characteristics of cryptocurrency. A more integrated approach is required in which jurisprudential classification is connected to the actual functional characteristics and transactional circumstances of cryptocurrency. The present study addresses this gap by developing an analytical framework based on function, legal characterization, uncertainty, economic purpose, and potential harm.

3. METHODOLOGY

This study employs a qualitative doctrinal and analytical research methodology. The research does not conduct statistical testing or empirical experimentation. Instead, it critically examines the supplied Islamic, legal, economic, and contemporary literature and synthesizes their arguments into a jurisprudential framework for evaluating cryptocurrency.

The first methodological stage is conceptual classification. Cryptocurrency is examined according to its economic function rather than its technological appearance. Three principal possibilities are considered: cryptocurrency as money, cryptocurrency as property or an asset, and cryptocurrency as a commodity. This classification is necessary because the Islamic legal consequences of a

transaction may differ according to the legal nature attributed to the object of exchange.

The second stage involves examination of transactional characteristics. A cryptocurrency transaction is not treated as a single uniform category. Its legal evaluation may depend upon the purpose of acquisition. For example, purchasing cryptocurrency to make a legitimate payment differs economically from purchasing it exclusively because of expectations of rapid price increases. The literature concerning cryptocurrency's monetary and commodity characteristics supports this functional distinction (Siswanto and others, 2020; Teddy Kasuma and others, 2020).

The third stage evaluates uncertainty and speculation. Islamic commercial jurisprudence places substantial importance on the fairness and clarity of transactions. Cryptocurrency markets may exhibit significant price fluctuations, creating a potential relationship between cryptocurrency trading and speculative behavior. However, volatility alone cannot establish a complete jurisprudential conclusion. The analytical question is whether the transaction contains a level of uncertainty or speculative conduct that undermines legitimate exchange. This requires consideration of the actual contract, knowledge of the parties, market circumstances, and purpose of the transaction.

The fourth stage considers economic benefit and harm. Al-Ghazali's economic thought provides a normative basis for examining whether economic activities contribute to legitimate human benefit and social welfare (Abu Hamid Muhammad al Ghazali, 2004). Applied to cryptocurrency, this means evaluating both potential benefits and risks. Cryptocurrency may facilitate cross-border transfers, create new technological opportunities, and provide alternative mechanisms for digital exchange. Conversely, excessive speculation, market instability, fraud, and inadequate consumer protection can produce economic harm.

The fifth stage concerns legal and institutional recognition. Cryptocurrency exists within different regulatory environments. The experiences discussed in the literature demonstrate that governments have adopted different approaches to digital assets, ranging from restrictive policies to experimentation with official digital currencies (Ijeoma Ndukwe, 2021; James Emejo, 2021; Lawrence Wintermeyer, 2021). Islamic jurisprudential evaluation

should therefore recognize that regulatory context can influence practical risk, although government recognition alone does not determine Shariah permissibility.

On the basis of these stages, the study proposes a five-dimensional analytical model: legal nature, monetary function, transactional certainty, economic purpose, and social consequence. A cryptocurrency transaction would be considered more compatible with Islamic jurisprudential principles when its legal nature is sufficiently identifiable, its transaction terms are clear, its economic purpose is legitimate, and the transaction does not involve prohibited or substantially harmful conduct.

For example, if a cryptocurrency is purchased solely as a digital asset with transparent ownership, clear contractual conditions, and a legitimate economic purpose, its evaluation differs from a transaction structured around extreme speculative uncertainty. Similarly, using cryptocurrency for an identifiable exchange differs from engaging in transactions where participants possess little understanding of the underlying asset or where the principal objective is exploitation of short-term price movements.

This methodological framework does not claim that every cryptocurrency has an identical legal status. Instead, it emphasizes that jurisprudential assessment should remain sensitive to differences between assets, markets, contractual arrangements, and uses.

4. RESULTS

The analysis produces four principal findings. First, cryptocurrency's technological novelty is not by itself sufficient to establish either permissibility or prohibition. The relevant jurisprudential inquiry concerns its economic and contractual characteristics. The legal-nature debate identified by Churilov and the broader analysis of Shovkhalov and Idrisov demonstrate why cryptocurrency should not be categorized solely according to its digital format (Churilov Alexey Yurievich, 2016; Shovkhalov and Idrisov, 2021).

Second, the classification of cryptocurrency as money remains one of the central unresolved issues. Siswanto and others demonstrate that the monetary function of cryptocurrency must be assessed in relation to the established characteristics of money (Siswanto and others, 2020). Cryptocurrency may perform some monetary

functions without necessarily possessing the same institutional characteristics as state-issued currency. Therefore, its use as a medium of exchange should be distinguished from its speculative use as an investment asset.

Third, transactional purpose significantly affects jurisprudential evaluation. Kasuma and others' treatment of cryptocurrency in commodity exchange indicates the importance of considering cryptocurrency as an asset rather than automatically assuming that every cryptocurrency transaction constitutes a monetary exchange (Teddy Kasuma and others, 2020). A legitimate exchange involving a clearly identified digital asset is analytically different from a transaction dominated by extreme uncertainty or purely speculative motivations.

Fourth, the literature indicates that regulation and social consequences are relevant contextual factors. Examples from Nigeria and discussions concerning El Salvador illustrate the increasingly important role of cryptocurrency in national economic debates (Ijeoma Ndukwe, 2021; Lawrence Wintermeyer, 2021). However, institutional recognition should not be confused with Islamic legal validity. The Islamic evaluation must independently examine the underlying transaction and its consequences.

Overall, the findings support a conditional and functional approach. Cryptocurrency should neither be universally accepted as permissible nor universally rejected solely because of its decentralized digital character. Instead, each cryptocurrency and transaction should be assessed according to identifiable legal and economic criteria.

5. DISCUSSION

The findings suggest that Islamic jurisprudential analysis of cryptocurrency requires a shift from technology-centered judgment toward function-centered evaluation. This approach is consistent with the broader intellectual challenge of applying established jurisprudential principles to emerging economic forms. The central issue is not whether Islamic law can accommodate digital technology, but how its principles should be applied when the economic object itself differs from traditional forms of property and money.

The distinction between money and property is particularly significant. If cryptocurrency is understood primarily as money, questions concerning monetary legitimacy and

exchange become central. If it is treated as property or a commodity, the jurisprudential analysis may instead focus more heavily on ownership, possession, contractual clarity, and lawful exchange. The literature's differing approaches demonstrate that cryptocurrency's legal characterization remains foundational to subsequent analysis (Siswanto and others, 2020; Teddy Kasuma and others, 2020).

A further issue concerns speculation. Contemporary commentary has frequently associated cryptocurrency with highly volatile trading environments (Chris Harper, 2021; Christopher Price, 2018). Yet an analytical distinction must be maintained between volatility and prohibited uncertainty. An asset can fluctuate in value without every transaction involving impermissible uncertainty. The stronger jurisprudential concern arises where participants enter transactions without adequate knowledge, where contractual conditions are materially ambiguous, or where excessive speculative behavior becomes the dominant economic purpose.

This distinction also prevents an overly restrictive interpretation of Islamic jurisprudence. Al-Ghazali's treatment of economic activity emphasizes the relationship between wealth, legitimate benefit, and human welfare (Abu Hamid Muhammad al Ghazali, 2004). Accordingly, the evaluation of cryptocurrency should consider both opportunities and risks. Cryptocurrency may offer efficiency and accessibility in certain forms of digital exchange, but those potential benefits do not eliminate concerns associated with fraud, instability, or harmful speculation.

The institutional perspective of the Council of the International Islamic Fiqh Academy further reinforces the importance of examining electronic currencies through systematic jurisprudential reasoning (Council of the International Islamic Fiqh Academy, 2019). Such reasoning is preferable to judgments based exclusively on technological unfamiliarity. At the same time, the existence of an Islamic institutional discussion does not remove the need for continuing reassessment because cryptocurrency markets and regulatory frameworks remain dynamic.

The major limitation of this study is its reliance exclusively on the supplied literature. Several references are descriptive or media-oriented rather than detailed jurisprudential treatises. Moreover, cryptocurrency technology and regulatory environments continue to

evolve. The study therefore provides an analytical framework rather than a definitive ruling applicable to every cryptocurrency. Future research should examine individual cryptocurrencies, contractual models, stablecoins, central-bank digital currencies, and specific forms of cryptocurrency trading separately.

6. CONCLUSION

Cryptocurrency presents Islamic jurisprudence with a multidimensional challenge involving money, property, contracts, uncertainty, speculation, regulation, and economic welfare. The analysis demonstrates that cryptocurrency cannot be adequately evaluated through its digital and decentralized characteristics alone. Its legal and Shariah assessment requires examination of its economic function, legal nature, transactional conditions, purpose, and consequences.

The study's principal contribution is the development of a functional framework based on five dimensions: legal nature, monetary function, transactional certainty, economic purpose, and social consequence. This framework provides a more nuanced alternative to universal classifications of cryptocurrency as either inherently permissible or inherently impermissible.

The literature indicates that cryptocurrency may perform monetary or asset-related functions, but these functions should be evaluated separately. Likewise, market volatility should not automatically be equated with prohibited uncertainty. Instead, the circumstances of individual transactions must be examined. The principles emphasized in Islamic economic thought, particularly legitimate benefit and avoidance of harmful conduct, provide a foundation for this contextual assessment (Abu Hamid Muhammad al Ghazali, 2004).

Accordingly, a balanced Islamic jurisprudential approach should neither reject technological innovation merely because it is unfamiliar nor accept cryptocurrency without examining its risks and contractual realities. Future jurisprudential research should focus on cryptocurrency-specific classifications and transaction models so that Islamic legal analysis can respond more precisely to the continuing transformation of digital finance.

REFERENCES

1. Abu Hamid Muhammad al Ghazali, *Ihya 'Ulum al Din*

- (Daar al Ma'arifah, 2004) 35
2. An Islamic finance company dedicated to ethical financial services based on Islamic principles. Founded in 2014 at California, with offices at Indonesia, Malaysia and UAE. Accessed 8/8/2021
 3. Chris Harper 'Is Cryptocurrency Halal? What Islamic Scholars have said about Bitcoin, Etherrum and more' (2021) Accessed 27/7/2021
 4. Christopher Price, 'Islam and Cryptocurrency, Halal or not Halal?' (2018) Accessed 27/7/2021
 5. Churilov Alexey Yurievich 'On the Question of Legal Nature of Cryptocurrency' (2016) 9 Economy and Law 93-99
 6. Council of the International Islamic Fiqh Academy, 'Electronic Currencies' (1440/2019) Organization of Islamic Corporation, Resolution No. 237 (8/24) 24th Session.
 7. Council of the International Islamic Fiqh Academy (n 7)
 8. Dodic Siswanto and others, 'The Requirement of Cryptocurrency for Money: An Islamic View' (2020) 6 Helion, 4 Accessed 27/7/2021
 9. Ijeoma Ndukwe, 'Cryptocurrencies: Why Nigeria is a Global Leader in Bitcoin Trade' (2021) Accessed 27/7/2021
 10. Ian Steadman, 'Wary of Bitcoin? A Guide to Some other Currencies' (2013)
 11. James Emejo, 'CBN Targets October for Digital Currency Lunch' (2021) This-Day News Paper Accessed 27/7/2021
 12. Lawrence Wintermeyer, 'Could Developing Nations Follow El-Salvador's Move to Bitcoin?' (2021) Forbes Accessed 9/8/2021
 13. Mufti Muhammad Abu-Bakar (n.5)
 14. Mufti Muhammad Abu-Bakar (n 5)
 15. Mufti Muhammad Abu-Bakar (n 5)
 16. Shamil Shovkhalov and Hussein Idrisov 'Economic and Legal Analysis of Cryptocurrency: Scientific Views from Russia and the Muslims World' (2021) 10:32 LAWS 5 Accessed 27/7/2021
 17. Shamil Shovkhalov and Hussein Idrisov (n. 8) 2
 18. Shamil Shovkhalov and Hussein Idrisov (n. 8) 13
 19. Shamil Shovkhalov and Hussein Idrisov (n. 8) 15
 20. Teddy Kasuma and others, 'The Prospective of Islamic Law on Cryptocurrency for Commodity Exchange in Indonesia' (2020) 8/1 JISC Accessed 27/7/2021
 21. Teddy Kasuma and others (n 13) 4
 22. Teddy Kasuma and others (n 13) 7-8