

Between Sharia Compliance and Digital Speculation: Cryptocurrency Discourse in Contemporary Indonesian Islamic Economic Thought

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ABSTRACT

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The rapid growth of cryptocurrency has triggered significant debate within Islamic legal and economic discourse, particularly in Indonesia as the world's largest Muslim-majority country. This study examines the theological, juridical, and economic dimensions of cryptocurrency from the perspective of Islamic law (fiqh mu'āmalāt) and its practical implications within Indonesia's regulatory and financial ecosystem. Using qualitative doctrinal and normative analysis supported by institutional documents, fatwas, and regulatory frameworks, this research analyzes how Indonesian Islamic authorities, including the Indonesian Ulema Council (MUI), interpret cryptocurrency in relation to the principles of gharar (uncertainty), maysir (speculation), riba (usury), and mal (recognized wealth). The findings reveal that cryptocurrency in Indonesia is positioned within a dualistic framework: as a tradable digital commodity under state law, yet religiously restricted as a currency due to excessive speculation and volatility. The study also identifies emerging Sharia-compliant blockchain innovations and highlights the tension between technological innovation and classical Islamic jurisprudence. The research contributes to contemporary Islamic economic scholarship by contextualizing cryptocurrency within Indonesia's socio-legal landscape and proposing a maqāṣid al-sharī'ah-based evaluative framework for digital assets.



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Introduction

The emergence of cryptocurrency has reshaped the architecture of global finance, introducing decentralized systems that challenge traditional monetary institutions and regulatory frameworks. Since the launch of Bitcoin in 2009, digital currencies have evolved into a complex ecosystem encompassing blockchain technology, decentralized finance (DeFi), tokenized assets, and smart contracts. While much of the global discourse surrounding cryptocurrency focuses on technological innovation, financial inclusion, and speculative investment, in Muslim-majority societies the debate extends beyond economics into theology and jurisprudence. The permissibility of cryptocurrency in Islam is not merely a financial question but a matter of Sharia compliance, ethical governance, and socio-economic justice.

Indonesia presents a particularly significant context for examining this issue. As the world's largest Muslim-majority country, with over 230 million Muslims, Indonesia possesses one of the most dynamic Islamic economic ecosystems globally. Islamic banking, sukuk markets, zakat institutions, halal certification industries, and Islamic microfinance have expanded steadily over the past two decades. Simultaneously, Indonesia has experienced rapid growth in digital financial adoption. Cryptocurrency trading platforms have attracted millions of Indonesian investors, particularly among younger demographics. This dual expansion—Islamic economic institutionalization and digital financial innovation—creates a unique intersection where classical Islamic jurisprudence confronts contemporary technological disruption.

The fundamental question underlying the cryptocurrency debate in Islam revolves around its ontological and juridical status. In Islamic jurisprudence (*fiqh mu'āmalāt*), economic transactions are permissible by default (*al-aṣl fī al-mu'āmalāt al-ibāḥah*) unless explicitly prohibited. However, transactions must avoid elements of *riba* (interest or usury), *gharar* (excessive uncertainty), and *maysir* (gambling or speculation). Furthermore, the object of exchange must constitute lawful wealth (*māl mutaḳawwam*) and possess recognized value within society. Cryptocurrency challenges these foundational criteria. It lacks physical form, operates without central authority, and exhibits extreme price volatility. Its valuation is primarily driven by market perception rather than intrinsic asset backing, raising questions regarding stability, transparency, and fairness.

Classical Islamic scholars conceptualized money primarily as gold (*dinar*) and silver (*dirham*), both of which possessed intrinsic value. Over time, jurists expanded their understanding to include fiat currency based on state authority and social acceptance (*'urf*). This evolution demonstrates that Islamic monetary theory is not rigid but responsive to socio-economic transformations. Nevertheless, cryptocurrency differs from fiat currency in that it is decentralized and not issued by a sovereign authority. Its legitimacy derives from blockchain-based consensus mechanisms rather than government backing. This distinctive characteristic complicates analogical reasoning (*qiyās*) within Islamic legal methodology.

In Indonesia, the debate has been shaped significantly by the Indonesian Ulema Council (Majelis Ulama Indonesia, MUI). In 2021, the MUI issued a fatwa declaring cryptocurrency impermissible as a currency due to elements of *gharar* and *maysir*, yet permissible as a tradable digital commodity under certain regulatory conditions. This nuanced position reflects an attempt to reconcile religious principles with economic realities. Under Indonesian national law, cryptocurrency is not recognized as legal tender; only the Indonesian Rupiah holds that status. However, the Commodity Futures Trading Regulatory Agency (BAPPEBTI) classifies cryptocurrency as a digital commodity that can be legally traded within regulated exchanges. Thus, a dual framework has emerged: religious caution alongside state-regulated permissibility.

This duality highlights a broader epistemological tension within contemporary Islamic economics. Islamic economic thought emphasizes justice (*'adl*), transparency (*bayān*), and public welfare (*maṣlaḥah*). Economic activity should contribute to real-sector productivity and equitable wealth distribution rather than speculative accumulation. Cryptocurrency markets, however, are frequently characterized by high volatility, rapid price fluctuations, and

speculative trading behaviors. Retail investors often engage in short-term trading strategies motivated by potential high returns rather than long-term productive investment. Such practices risk resembling *maysir*, which Islamic law explicitly prohibits due to its association with unjust enrichment and social harm.

At the same time, cryptocurrency technology offers potential benefits aligned with Islamic economic objectives. Blockchain's transparency can reduce fraud and enhance trust in financial transactions. Decentralized systems may mitigate dependence on interest-based financial intermediaries, potentially supporting anti-*riba* objectives. Smart contracts could automate compliance with Sharia-based financing structures such as *murābahah* (cost-plus sale), *mushārahah* (partnership), and *wakālah* (agency contracts). Furthermore, blockchain applications in *zakat* distribution and *waqf* management demonstrate innovative possibilities for Islamic social finance.

The Indonesian context intensifies the urgency of resolving these tensions. Indonesia aspires to become a global hub of Islamic finance while simultaneously promoting digital economic transformation. Young Muslim investors increasingly participate in cryptocurrency markets, influenced by global digital trends and social media narratives. This demographic shift raises concerns regarding financial literacy, ethical investment awareness, and exposure to speculative risk. If unregulated or misunderstood, cryptocurrency participation could undermine Islamic economic values centered on risk-sharing, real asset backing, and socio-economic justice.

Scholarly opinions on cryptocurrency within the global Islamic community remain divided. Some contemporary jurists argue that cryptocurrency constitutes legitimate wealth (*māl*) based on societal recognition and utility. They contend that volatility alone does not invalidate an asset's permissibility, as many commodities historically experienced price fluctuations. Others maintain that the absence of intrinsic value, combined with speculative market behavior, renders cryptocurrency incompatible with Islamic financial ethics. These divergent views reflect methodological differences in interpreting Islamic legal sources and applying them to modern financial instruments.

This study seeks to analyze cryptocurrency within Indonesia's Islamic economic discourse by integrating doctrinal jurisprudence, regulatory analysis, and *maqāṣid al-sharī'ah* (objectives of Islamic law) evaluation. Rather than adopting a binary permissibility framework, this research examines cryptocurrency as a dynamic phenomenon whose legitimacy depends on function, structure, and socio-economic impact. The *maqāṣid* perspective emphasizes the preservation of wealth (*ḥifẓ al-māl*), prevention of harm (*daf' al-ḍarar*), and promotion of justice (*iqāmat al-'adl*). These principles provide a holistic framework for evaluating digital assets beyond literal analogies with classical monetary forms.

By situating cryptocurrency within Indonesia's socio-legal environment, this study contributes to broader debates in Islamic economics concerning technological innovation and ethical adaptation. The Indonesian case demonstrates that Islamic jurisprudence is neither inherently resistant to innovation nor uncritically accepting of market trends. Instead, it operates through principled evaluation, balancing openness to beneficial innovation with caution against harm and injustice.

The rapid expansion of cryptocurrency in Indonesia presents both opportunity and challenge for Islamic economic thought. The central issue is not merely whether cryptocurrency is halal or haram, but how Islamic principles can guide digital financial innovation toward ethical, transparent, and socially beneficial outcomes. This research aims to provide a comprehensive analysis that bridges classical jurisprudence and contemporary digital reality, offering insights relevant not only to Indonesia but also to global discussions on Islam and emerging financial technologies.

Method

This study employs a qualitative normative-doctrinal research design to examine the legal and economic status of cryptocurrency within Islamic thought in Indonesia. The research integrates classical Islamic jurisprudence, contemporary regulatory analysis, and a *maqāsid al-sharī'ah* framework in order to provide a comprehensive evaluation of digital assets from both theological and institutional perspectives.

The first stage of analysis focuses on doctrinal examination of *fiqh al-mu'āmalāt*. Classical and contemporary juristic literature is reviewed to identify key principles governing financial transactions, particularly the concepts of *mal* (recognized wealth), *thaman* (currency), *bay'* (sale contract), *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (speculation). These principles serve as normative benchmarks for assessing whether cryptocurrency fulfills the legal requirements of lawful economic exchange in Islamic law. Textual analysis is conducted through thematic categorization, identifying how jurists conceptualize value, ownership, risk, and legitimacy.

The second stage adopts a socio-legal approach by examining Indonesia's regulatory and religious responses to cryptocurrency. Official documents issued by Bank Indonesia, the Commodity Futures Trading Regulatory Agency (BAPPEBTI), and the Indonesian Ulema Council (MUI) are analyzed to understand how state policy and religious fatwa interact in governing digital assets. This analysis highlights the coexistence of civil legality and religious caution within Indonesia's dual regulatory structure.

The final analytical framework employs *maqāsid al-sharī'ah* as an evaluative tool. Cryptocurrency is assessed in relation to the objectives of preserving wealth (*ḥifẓ al-māl*), preventing harm (*daf' al-ḍarar*), and promoting justice and public benefit (*maṣlaḥah*). Through this multidimensional methodology, the study bridges classical jurisprudential reasoning with contemporary economic realities in Indonesia's digital financial landscape.

Results and Discussion

1. The Ontological Status of Cryptocurrency as *Māl* (Recognized Wealth)

The first analytical finding concerns the juridical classification of cryptocurrency within Islamic legal theory. Classical jurists defined *māl* as anything that possesses value (*qīmah*) and can be lawfully owned and utilized. While early Islamic monetary systems were based on gold (*dīnār*) and silver (*dirham*), juristic reasoning evolved to accommodate fiat money due to social recognition (*'urf*) and state authority. This historical flexibility indicates that Islamic law does not restrict the concept of wealth to tangible commodities alone.

Cryptocurrency, although intangible and digitally encoded, fulfills several functional criteria of *māl*. It can be owned, transferred, stored, inherited, and exchanged. Its valuation is determined by market consensus, similar to fiat currency whose worth depends largely on public trust rather than intrinsic commodity backing. From this perspective, cryptocurrency may qualify as legally recognized wealth if societal acceptance is established.

However, a critical distinction emerges between recognition as *māl* and recognition as *thaman* (legal tender or currency). While cryptocurrency may function as tradable wealth, its extreme volatility challenges its suitability as a stable medium of exchange and store of value. Stability is central in Islamic monetary theory because money should facilitate exchange without becoming an object of speculative accumulation. Therefore, the findings suggest that cryptocurrency more closely resembles a high-risk digital commodity than a stable currency under Islamic jurisprudence.

2. Cryptocurrency and the Prohibition of Gharar and Maysir

A central concern in Islamic finance is the avoidance of excessive uncertainty (*gharar fāḥish*) and gambling-like speculation (*maysir*). The empirical characteristics of cryptocurrency markets reveal high price volatility, speculative trading behavior, and frequent use of leverage or derivatives. These features intensify uncertainty and often detach transactions from real-sector productivity.

In Indonesia, the Indonesian Ulema Council (MUI) identified these elements as primary reasons for restricting cryptocurrency as a payment instrument. The concern is not merely technical volatility but behavioral speculation. Many retail investors engage in short-term trading driven by rapid profit expectations rather than underlying utility. This behavior parallels speculative gambling, where gains are derived from price fluctuation rather than productive economic contribution.

Islamic jurisprudence differentiates between acceptable business risk (*khatar yasīr*) and excessive uncertainty that invalidates contracts. Moderate risk is inherent in trade, but risk that dominates the contract's nature may render it impermissible. The findings indicate that current cryptocurrency practices in Indonesia frequently exceed acceptable risk thresholds, especially in unregulated or highly speculative platforms. Consequently, while blockchain technology itself is neutral, market practices surrounding cryptocurrency often conflict with Sharia principles.

3. The Indonesian Regulatory Compromise

Indonesia adopts a dual regulatory structure. Under national law, cryptocurrency is not recognized as legal tender; only the Indonesian Rupiah is valid for payment transactions. However, through the Commodity Futures Trading Regulatory Agency (BAPPEBTI), cryptocurrency is classified as a digital commodity that may be traded on licensed exchanges.

This regulatory compromise reflects pragmatic economic governance. The state acknowledges investor demand and the inevitability of digital financial innovation, yet it safeguards monetary sovereignty by prohibiting cryptocurrency as currency. From an Islamic

legal perspective, this framework aligns partially with the MUI fatwa, which allows cryptocurrency trading under regulated conditions but prohibits its use as money.

The coexistence of religious caution and state permission creates a layered governance model. Investors may legally trade cryptocurrency, yet must individually assess Sharia compliance. This situation highlights the plural nature of Indonesia's financial regulation, where civil legality does not automatically equate to religious permissibility. The findings suggest that Indonesia's approach attempts to balance innovation with systemic stability.

4. Maqāṣid al-Sharī'ah and Wealth Preservation (*Hifz al-Māl*)

Evaluating cryptocurrency through the maqāṣid al-sharī'ah framework shifts the discussion from formal legality to ethical outcomes. One of the primary objectives of Islamic law in economic matters is the preservation of wealth (*hifz al-māl*). Wealth should be protected from unjust loss, fraud, and destructive speculation.

Cryptocurrency presents both potential and risk in this regard. On one hand, blockchain technology enhances transparency, reduces intermediary manipulation, and enables decentralized recordkeeping. These characteristics may strengthen financial trust and reduce corruption. On the other hand, the absence of centralized oversight in many global exchanges exposes investors to fraud, hacking, and market manipulation.

In Indonesia, regulatory supervision mitigates some risks by requiring licensed platforms and compliance standards. Nevertheless, volatility remains a structural issue. From a maqāṣid standpoint, preservation of wealth requires relative stability and informed participation. The findings indicate that without adequate financial literacy and regulatory enforcement, cryptocurrency participation may undermine wealth preservation rather than promote it.

5. Financial Inclusion and Technological Innovation

Cryptocurrency and blockchain technology also offer innovative pathways consistent with Islamic economic objectives. Decentralized systems can facilitate cross-border transactions without interest-based intermediaries. Smart contracts can automate Sharia-compliant financing structures such as *murābahah*, *ijārah*, and *mushārahah*. Additionally, blockchain applications in zakat and waqf management may increase transparency and efficiency in Islamic social finance.

Indonesia's rapidly growing digital economy creates fertile ground for such innovation. Islamic fintech startups have begun exploring asset-backed tokens and Sharia-screened digital platforms. These developments demonstrate that the issue is not technology itself but its application. When blockchain infrastructure is aligned with real economic assets and transparent governance, it may enhance Islamic financial systems rather than contradict them.

Thus, the findings reveal a nuanced reality: cryptocurrency as speculative trading asset remains problematic, yet blockchain-based digital finance offers transformative potential within Islamic economic ethics.

6. Ethical Investment versus Digital Speculation

Islamic economics emphasizes productive investment tied to tangible economic activity. Speculative accumulation detached from real assets risks creating artificial bubbles and wealth concentration. Cryptocurrency markets often exhibit rapid price cycles disconnected from underlying economic productivity.

In Indonesia, young investors dominate cryptocurrency participation. Social media influence, fear of missing out (FOMO), and rapid-return narratives shape market behavior. This cultural phenomenon raises ethical concerns. Islamic finance prioritizes long-term value creation, risk-sharing, and distributive justice. Excessive focus on digital speculation may divert resources from productive sectors.

However, the findings also reveal that not all cryptocurrency participation is speculative. Long-term holding strategies and asset-backed tokens represent lower-risk engagement models. The ethical challenge lies in distinguishing between speculative gambling behavior and legitimate investment supported by risk awareness and asset backing.

7. Toward a Sharia-Compliant Digital Asset Framework

The discussion suggests that a binary halal–haram classification oversimplifies the issue. Cryptocurrency exists along a spectrum of permissibility depending on structure, usage, and regulatory context. A Sharia-compliant framework would require:

- a) Regulatory supervision to minimize fraud and manipulation.
- b) Asset-backed or utility-based tokens linked to real economic activity.
- c) Prohibition of excessive leverage and derivative speculation.
- d) Investor education to reduce gambling-like behavior.
- e) Transparency consistent with maqāṣid objectives.

Indonesia's experience demonstrates that Islamic economic discourse can adapt to technological change through principled evaluation. Rather than rejecting digital innovation, Islamic jurisprudence seeks to reform and regulate it according to ethical guidelines.

The results indicate that cryptocurrency in Indonesia occupies a hybrid position. It qualifies as tradable digital wealth under certain conditions but fails to meet the criteria of stable currency within Islamic law. The primary concerns revolve around volatility, speculative dominance, and potential harm to wealth preservation. Nevertheless, blockchain technology presents opportunities aligned with Islamic economic justice if structured within regulatory and ethical safeguards.

Therefore, the debate is not solely about permissibility but about governance, structure, and intention. Cryptocurrency's future in Indonesian Islamic economics will depend on its transformation from speculative digital instrument toward transparent, asset-based, and socially beneficial financial innovation.

Conclusion

This study demonstrates that cryptocurrency in Indonesia occupies a complex and evolving position within Islamic economic discourse. The analysis reveals that cryptocurrency may be recognized as *māl* (legitimate wealth) due to its capacity for ownership, transferability,

and market valuation. However, its classification as lawful currency (*thaman*) remains highly problematic within Islamic jurisprudence. The absence of intrinsic backing, extreme volatility, and dominant speculative trading patterns challenge its compatibility with the foundational principles of stability, transparency, and justice emphasized in *fiqh al-mu'āmalāt*.

The findings further indicate that the primary Sharia concerns surrounding cryptocurrency revolve around *gharar* (excessive uncertainty) and *maysir* (speculative gambling). In the Indonesian context, religious authorities have responded cautiously, permitting cryptocurrency trading as a regulated digital commodity while rejecting its use as a payment instrument. This position aligns with the state's regulatory approach, which allows supervised trading under the authority of commodity regulators but preserves monetary sovereignty by restricting legal tender status to the national currency. The coexistence of religious caution and civil legality reflects Indonesia's plural governance structure and demonstrates a pragmatic attempt to balance innovation with systemic stability.

From a *maqāṣid al-sharī'ah* perspective, cryptocurrency presents both risks and opportunities. While speculative trading threatens the objective of preserving wealth (*hifz al-māl*), blockchain technology offers potential benefits for transparency, financial inclusion, and efficiency in Islamic social finance. Therefore, the permissibility of cryptocurrency cannot be determined through a rigid binary framework. Its ethical status depends on structure, usage, regulatory safeguards, and alignment with public benefit (*maṣlaḥah*).

Ultimately, the Indonesian experience illustrates that Islamic economic thought remains adaptive and evaluative rather than static. The future of cryptocurrency within Islamic finance will depend on its transformation from a predominantly speculative digital asset into a regulated, asset-backed, and socially responsible financial instrument consistent with the objectives of Sharia.

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