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Bitcoin in Islamic Jurisprudence: Between Innovation and Speculation

Jundullah Rifqi Prasmanto[1*], Anang Ma'ruf[2], Muhammad Fathurrahman Assidiq[3], Muhammad Faiz Diyaulhaq[4]

[1] Department of Management. Universitas Ary Ginanjar. Indonesia
[234] Department of International Relations. Bandırma 17 Eylül Üniversitesi. Turkey

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ABSTRACT

This study examines the status of Bitcoin and its underlying blockchain technology from the perspective of Islamic law. The research utilizes a qualitative library-based method, analyzing primary sources of Islamic jurisprudence alongside recent academic studies. It explores key Shariah principles such as mal mutaqawwam, maysir, gharar, and riba, in assessing Bitcoin's permissibility. The findings reveal that while Bitcoin's volatility, speculation, and lack of intrinsic value raise concerns under Islamic finance, the asset does not inherently involve interest (riba). Furthermore, the research distinguishes between the controversial nature of Bitcoin and the positive potential of blockchain technology, which aligns with the objectives of maqasid al-shariah, particularly in promoting transparency, financial inclusion, and ethical conduct. The study concludes that while Bitcoin may remain contentious, blockchain offers significant opportunities for Shariah-compliant financial innovation when supported by appropriate regulation and ethical oversight.

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* *Corresponding author: jundullahrifqi.prasmanto@students.esqbs.ac.id*

INTRODUCTION

The development of Bitcoin, a decentralized digital asset introduced by the anonymous Satoshi Nakamoto in 2009, has significantly altered the global financial ecosystem. By functioning on a peer-to-peer network without reliance on a central authority, Bitcoin allows users to carry out transactions with considerable autonomy and anonymity (**Blossom Finance, 2018**). This innovation challenges long-standing financial norms related to money, regulation, and value exchange. Despite its revolutionary potential, Bitcoin has provoked intense scholarly and ethical scrutiny, particularly regarding its alignment with Islamic legal

and financial systems. As an asset that is both decentralized and highly volatile, Bitcoin raises concerns within Islamic jurisprudence, which governs economic behavior according to moral and legal principles rooted in Shariah law (**The Malaysian Reserve, 2021**).

Islamic finance mandates that all economic activities uphold justice, transparency, and the avoidance of exploitative practices. Core prohibitions include *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling). Any financial transaction must avoid these elements to be deemed Shariah-compliant (**Sami, 2025**). A key issue raised by scholars involves Bitcoin's volatility, which subjects it to price swings that can lead to extreme gains or losses, mirroring gambling-like behavior. This speculative characteristic aligns it with *maysir*, potentially disqualifying it from Islamic financial practices (**Maulidizen, 2019a**). Riswanti and Al-Banna (2022) argue that such volatility undermines Bitcoin's function as a stable medium of exchange and casts doubt on its Shariah legitimacy (**Riswanti, et.al, 2022**).

In addition to speculation, the concept of gharar—which denotes excessive ambiguity—also poses a challenge. Bitcoin lacks intrinsic value, operates without centralized governance, and is susceptible to misuse in illegal transactions. These aspects contribute to a level of uncertainty that Yuspin and Salsabella suggest may render it incompatible with Islamic legal norms. Although Bitcoin itself does not involve riba, its use in derivative instruments or certain financial services, such as crypto lending or interest-based platforms, may indirectly introduce interest-bearing elements (**Yuspin, et.al, 2021**). This potential association with riba requires critical scrutiny in light of Islamic financial ethics (**Sami, 2025**).

Nevertheless, some scholars argue that Bitcoin's underlying technology—blockchain—aligns with Shariah values such as transparency and trust. Because blockchain maintains an immutable record of transactions, it can reduce fraud and increase accountability. The Islamic Economist asserts that blockchain has transformative potential in improving Islamic finance's ethical standards (**Trabanco, 2023**). The discussion over whether Bitcoin represents a positive innovation *(bid'ah hasanah)* or a negative disruption *(bid'ah dalalah)* reflects the tension within Islamic jurisprudence regarding technological change. Some innovations are embraced when they serve the public interest, while others are rejected for deviating from core Islamic teachings (**Wikipedia, 2025**).

Further complicating this discourse is the lack of scholarly consensus. While certain fatwas declare Bitcoin impermissible due to its speculative nature, others find it acceptable under specific regulatory or ethical conditions. This divergence illustrates the evolving and interpretative nature of Islamic legal thought. Indonesia, the most populous Muslim-majority country, exemplifies this complexity (**Maulidizen, et.al., 2024**). The Indonesian Ulema Council (MUI) has expressed strong reservations, issuing fatwas that declare cryptocurrencies non-compliant with Shariah principles, particularly due to gharar and maysir concerns. Meanwhile, financial actors in Indonesia explore blockchain technologies for use in Shariah-based applications, reflecting a regulatory environment that is both cautious and curious (**Trabanco, 2023**).

Evaluating Bitcoin within Islamic finance thus requires a multi-disciplinary framework that considers economic, legal, and technological perspectives. Applying the lens of Maqasid al-Shariah, or the objectives of Islamic law, can illuminate Bitcoin's broader societal implications—both positive and negative. One such principle is maslahah, which promotes public benefit. If Bitcoin can demonstrably contribute to financial inclusion, reduce costs, or enhance social justice, some scholars may argue for its conditional permissibility, provided adequate safeguards are in place (**Trabanco, 2023**).

Conversely, the doctrine of sadd al-dhara'i cautions against actions that could facilitate unethical behavior. Given Bitcoin's potential role in illegal trade or market manipulation, Islamic law may prioritize preventing harm over embracing technological novelty. In light of these contradictions, continued ijtihad, or independent scholarly reasoning, is essential. Scholars must combine insights from fiqh, economics, and computer science to formulate balanced views that account for contemporary realities (**Yuspin, et.al, 2021**). Empirical research using models such as ARCH-GARCH has helped assess the financial risk and volatility of cryptocurrencies. These studies support informed Shariah rulings by providing data-driven evidence, helping scholars assess practical rather than purely theoretical risks (**Riswanti, et.al, 2022**).

Technological tools such as CryptoHalal, an AI-driven platform that classifies cryptocurrencies based on Shariah compliance, exemplify how innovation can serve Islamic ethics. These platforms empower Muslim investors to make informed decisions consistent with their beliefs (**Al-Khalifa, 2022**). Because Bitcoin operates globally, Islamic scholars and financial regulators must collaborate across jurisdictions to establish shared guidelines (**Azhari, et.al., 2024**). This coordination can ensure that Shariah-compliant fintech products maintain consistency and integrity across markets.

Education also plays a vital role. Muslim communities must be equipped with the knowledge and tools to navigate the complex world of digital finance in a way that aligns with their religious values (**Yuspin, et.al, 2021**). This study thus seeks to explore Bitcoin's standing within Islamic jurisprudence, assessing whether it qualifies as a legitimate financial innovation or falls into the category of prohibited speculation. Through critical analysis of fatwas, legal texts, and empirical evidence, the research will offer a comprehensive evaluation of Bitcoin's Shariah compatibility. Ultimately, the study aims to enrich the broader conversation on technology and Islamic law, providing insights that help bridge the gap between ethical finance and digital innovation.

RESEARCH METHOD

This study employs a qualitative library research approach, which is suitable for normative and doctrinal inquiries concerning Islamic jurisprudence and financial ethics. Library research involves the systematic collection, review, and synthesis of textual sources such as classical fiqh literature, contemporary scholarly interpretations, fatwas, and peer-reviewed journal articles (**Zed, 2004**). Through this method, the research aims to explore the Shariah status of Bitcoin by engaging with both foundational Islamic legal texts and modern economic discourse.

The data collection method used in this research is documentary analysis, which entails identifying, categorizing, and interpreting relevant written materials. The primary sources include classical Islamic legal works such as *al-Muwafaqat* by al-Shatibi and Bidayat al-Mujtahid by Ibn Rushd, as well as contemporary fatwas and resolutions issued by bodies such as the Indonesian Ulema Council (MUI), the International Islamic Fiqh Academy (IIFA), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (**IIFA, 2021; AAOIFI, 2022**). In addition to primary jurisprudential sources, the research also draws on secondary literature from peer-reviewed journals, academic books, and conference papers on topics such as Bitcoin's technical structure, economic implications, and legal challenges (**Yuspin & Salsabella, 2023; Sekaringsih & Al-Banna, 2022**). These sources were accessed

through academic databases including Google Scholar, JSTOR, ScienceDirect, and official Islamic finance repositories.

The data analysis technique utilized is qualitative content analysis, which focuses on interpreting the meanings and thematic patterns found within the texts. The analysis is organized around key Shariah concepts such as *riba* (usury), *gharar* (excessive uncertainty), *maysir* (speculation), and *bid'ah* (innovation). Each theme is evaluated in relation to Bitcoin's characteristics to assess whether the cryptocurrency aligns with or violates Islamic legal principles (**El-Gamal, 2006; Kamali, 2008**). To strengthen the normative analysis, the study applies the framework of *Maqasid al-Shariah*—the objectives of Islamic law—particularly the protection of wealth *(hifz al-mal)*, prevention of *harm (dar' al-mafasid)*, and promotion of public benefit *(maslahah)* (**Dusuki & Abozaid, 2007**). By situating Bitcoin within this broader ethical and legal framework, the study seeks to determine whether it can be justified as a permissible innovation or must be rejected as a harmful speculative instrument.

The research also incorporates comparative analysis of fatwas and scholarly opinions from various regions, including Southeast Asia, the Middle East, and international Islamic financial institutions. This comparative lens helps to illustrate the diversity and evolution of Islamic legal thought regarding financial technology (**Rahman, 2021**). Ultimately, this methodology enables a comprehensive evaluation of Bitcoin's position in Islamic law by integrating classical jurisprudential reasoning with contemporary economic and technological realities.

RESULT AND DISCUSSION

Bitcoin's Status as a Medium of Exchange in Islamic Law

The advent of Bitcoin as a decentralized digital currency has revolutionized the way transactions are conducted, prompting widespread interest across various sectors, including Islamic finance. However, its legitimacy under Islamic law is far from settled. A central point of contention among scholars revolves around whether Bitcoin qualifies as *mal mutaqawwam*—an asset considered lawful, valuable, and tradable under Shariah principles (**Maulidizen, 2019b**).

In classical Islamic jurisprudence, *mal mutaqawwam* refers to any property or wealth that possesses value, is recognized by society, and whose use is permitted under Islamic law. Crucially, such an asset must have *'ayn* (tangible substance) or at least intrinsic utility, ensuring it contributes real benefit to economic transactions (**El-Gamal, 2006**). This foundational requirement sets the stage for a major debate: can Bitcoin, an intangible, decentralized, and non-government-backed digital currency, meet these traditional criteria?. Skeptics argue that Bitcoin lacks intrinsic value. Unlike gold or silver—which have both physical substance and historical recognition—or even fiat money, which is backed by the state, Bitcoin's value is determined solely by market speculation and user consensus. As it is neither pegged to a physical commodity nor regulated by a sovereign authority, critics argue it cannot be deemed *mal mutaqawwam* and thus fails the Shariah test for legitimacy in trade and investment (**Yuspin & Salsabella, 2023**).

On the other hand, a growing body of scholars asserts that value in Islamic economics is not solely dependent on tangibility or state endorsement. Value, they argue, can also stem from widespread acceptance and functionality within a given community. From this perspective, if people recognize Bitcoin as a medium of exchange and use it in everyday transactions, it can assume the role of lawful wealth. This is consistent with the evolution of

money in Islamic history, where the usage of different materials—be it shells, salt, or paper—was justified based on societal consensus and practical utility (**Dusuki & Abozaid, 2007**).

Indeed, Islamic finance has shown a pragmatic adaptability throughout history. The adoption of paper money—despite its lack of intrinsic value—became acceptable in the Muslim world largely because of its ubiquity, stability through legal backing, and practical role in trade. This historical precedent suggests a flexible approach could also be applied to Bitcoin, albeit with caution (**Kamali, 2008**). A distinctive feature of Bitcoin is its decentralized structure. It operates on blockchain technology, enabling peer-to-peer transactions without intermediaries or central banks. While this ensures transparency and lowers transaction costs, it also permits anonymity and the potential for misuse. Transactions on the blockchain are nearly impossible to reverse, which presents both technical and ethical concerns within Islamic finance, which emphasizes justice, mutual consent, and risk mitigation (**Nurhisam, 2017**).

Another key issue is the lack of regulatory oversight and legal recognition in most jurisdictions. In Islamic financial ethics, legitimacy is intertwined with legality and compliance with state regulations. When Bitcoin operates outside official financial systems, its position becomes more precarious within Islamic jurisprudence. The ambiguity of laws surrounding cryptocurrency, especially in Muslim-majority countries, further complicates its status (**Setiawan, 2025**). Bitcoin's volatile nature and speculative tendencies are often likened to *maysir* (gambling), which is strictly prohibited in Islam. The dramatic fluctuations in Bitcoin's value can result in significant financial losses, driven more by market sentiment than economic fundamentals. This introduces unacceptable levels of risk and uncertainty *(gharar)* into transactions—both of which are forbidden under Shariah (**Riswanti & Al-Banna, 2022; Yuspin & Salsabella, 2023**).

Moreover, Bitcoin's anonymity has raised alarms over its potential use in illicit activities such as money laundering, tax evasion, and terrorist financing. These associations threaten the moral framework that underpins Islamic financial law, which emphasizes ethical dealings and the prevention of harm to individuals and society (**Al-Bahouth & Al-Najjar, 2023**). Nevertheless, the blockchain technology underpinning Bitcoin presents opportunities for Islamic finance. Its immutable ledger and traceability of transactions align with the Islamic values of transparency, accountability, and trust. Scholars argue that, independent of Bitcoin's value, the blockchain infrastructure may serve as a tool to enhance integrity in Shariah-compliant financial systems (**Trabanco, 2023**).

The divergence in scholarly opinion reflects the complexity of the issue. Some Islamic jurists have issued fatwas against Bitcoin, citing speculation and gharar as key objections. Others argue that under specific conditions—such as reduced volatility, regulation, and ethical oversight—it may be considered halal. This reflects a broader understanding that Islamic rulings can vary based on time, place, and context (**Rahman, 2021**). Exploring the debate through the framework of *Maqasid al-Shariah*—the higher objectives of Islamic law—can yield further insights. If Bitcoin promotes financial inclusion, reduces barriers to entry, and empowers the unbanked, it may serve the objectives of justice *('adl)*, welfare *(maslahah)*, and equity. However, this benefit must be balanced against the risk of harm, making it crucial to assess its societal impact holistically (**Dusuki & Abozaid, 2007**).

The principle of *maslahah* (public interest) is often invoked to justify legal flexibility in cases where there is no direct textual prohibition. If Bitcoin's adoption could lead to reduced transaction costs and improved access to finance, it could potentially be seen as serving the common good. Yet, this argument hinges on proper regulatory safeguards to prevent

exploitation (Setiawan, 2025). Conversely, the principle of *sadd al-dhara'i*—blocking the means to harm—warns against permitting practices that could lead to unethical outcomes. Scholars using this principle stress the need to err on the side of caution given Bitcoin's potential use in fraudulent or destabilizing activities (Kamali, 2008).

Given the fast-paced evolution of digital finance, it is increasingly clear that static legal opinions may not suffice. The complexity of the issue calls for ongoing ijtihad (independent legal reasoning) and interdisciplinary collaboration among Islamic scholars, economists, and technologists. Only through such engagement can coherent and contextually relevant Shariah rulings emerge (El-Gamal, 2006). Empirical approaches are beginning to complement classical jurisprudence. Studies employing econometric models like ARCH-GARCH have been used to quantify the volatility and risk of cryptocurrencies, offering objective data to support legal assessments (Riswanti & Al-Banna, 2022). These models help scholars evaluate whether Bitcoin's risk profile is acceptable under Islamic ethics.

Moreover, the development of intelligent decision-support systems such as CryptoHalal reflects the growing intersection between technology and Shariah compliance. These platforms analyze and classify cryptocurrencies according to Islamic legal standards, providing guidance to Muslim investors navigating this new financial terrain (Haq & Ali, 2018). Considering Bitcoin's global usage, harmonizing Islamic legal perspectives across jurisdictions becomes essential. Cross-border collaboration between scholars, financial authorities, and fintech experts can contribute to establishing standardized guidelines and regulatory frameworks, paving the way for Shariah-compliant digital assets (Rahman, 2021).

Bitcoin's status in Islamic law remains a multifaceted and evolving issue. While challenges such as volatility, anonymity, and lack of intrinsic value pose obstacles, the transformative potential of digital currency cannot be ignored. The key lies in balancing innovation with ethical integrity—ensuring that financial technology upholds the core principles of Islamic economics: justice, transparency, and the promotion of human welfare.

Speculation and Volatility Raise Concerns over Gambling (Maysir)

One of the primary objections to the permissibility of Bitcoin within Islamic finance pertains to its speculative nature and extreme price volatility. Bitcoin's price is notoriously unstable, often experiencing dramatic fluctuations within short timeframes. These fluctuations are frequently driven not by intrinsic value or real economic activity but by speculative market sentiment, media influence, and investor psychology (Riswanti & Al-Banna, 2022). As such, Bitcoin behaves less like a stable medium of exchange and more like a high-risk investment asset, which in Islamic jurisprudence raises significant concerns.

In Islamic finance, the concept of *maysir*—often translated as gambling or speculation—is strictly forbidden. *Maysir* refers to transactions where the outcome is highly uncertain and one party benefits at the expense of another, typically through unjust enrichment without equivalent countervalue. Islamic law condemns such practices as they contradict principles of fairness, risk-sharing, and value-based exchange (El-Gamal, 2006). Bitcoin, especially when used for short-term speculative trading, exhibits traits that resemble gambling more than productive investment. Traders often buy and sell based on short-term price swings with no intention of holding the asset or using it for actual exchange or economic activity. This behavior aligns closely with *maysir*, where gains are achieved through chance and risk-taking rather than through value creation or real exchange. As Riswanti and Al-Banna (2022)

highlight, such speculative practices may lead to unjust outcomes, including substantial financial loss, which is antithetical to the ethical foundations of Shariah.

However, the permissibility of Bitcoin is not universally condemned across all use cases. A more nuanced approach considers the intent *(niyyah)* and manner of Bitcoin's utilization. Some scholars argue that long-term holding of Bitcoin—particularly for purposes such as wealth preservation, remittances, or facilitating cross-border payments—may not fall under the category of *maysir*, especially when the investment is informed and based on utility rather than pure speculation (**Yuspin & Salsabella, 2023**). This reflects a broader principle in Islamic jurisprudence, where the fiqh ruling of a transaction can change depending on its context and objectives.

Furthermore, the element of *gharar* (excessive uncertainty) is often intertwined with *maysir*. Volatility exacerbates the level of uncertainty in Bitcoin transactions, making outcomes unpredictable and risk-heavy. In Islam, uncertainty in contracts and trade is discouraged because it creates potential injustice and misalignment of expectations between parties (**Kamali, 2008**). High volatility in crypto markets can lead to outcomes where neither party can reasonably anticipate the consequences of the trade, thus violating Shariah principles.

Despite these concerns, proponents of Bitcoin argue that volatility is a feature not exclusive to cryptocurrencies but also present in early phases of other financial instruments, including equities and commodities. From this perspective, volatility alone does not constitute *maysir* unless paired with intention to speculate and absence of productive activity. For instance, investments made with the objective of long-term asset appreciation or utility-based usage—such as hedging against inflation or facilitating access to financial services—may be viewed more favorably from a Shariah standpoint (**Dusuki & Abozaid, 2007**).

This debate reveals a critical need for contextual Islamic legal reasoning *(ijtihad)* when dealing with modern financial technologies. Blanket rulings that declare Bitcoin either fully halal or haram may ignore the diversity of use cases and investor behavior. Thus, Shariah scholars and financial experts must work together to establish clear guidelines distinguishing permissible and impermissible forms of crypto engagement, particularly with regard to speculation and intent (**Rahman, 2021**). Tools such as Shariah-screening mechanisms and decision-support technologies like CryptoHalal are being developed to help investors discern between ethical investment behavior and prohibited speculation. These tools assess factors such as volatility, holding period, intent, and market behavior to determine whether a particular cryptocurrency investment aligns with Islamic principles (**Haq & Ali, 2018**).

While the speculative nature and high volatility of Bitcoin raise valid concerns under the prohibition of *maysir*, a one-size-fits-all approach may be insufficient. The intent behind transactions, their underlying purpose, and the time horizon of holding Bitcoin must all be considered. This nuanced approach allows for a more balanced Islamic legal discourse that acknowledges technological change while preserving the core values of justice, transparency, and risk-sharing in financial transactions.

Bitcoin and Gharar: Evaluating Excessive Uncertainty in the Absence of Regulation and Intrinsic Value

In Islamic commercial law, one of the foundational principles governing the permissibility of transactions is the prohibition of *gharar*—a concept that refers to excessive uncertainty, ambiguity, or deception in contracts. The existence of *gharar* can invalidate a transaction under

Shariah, as it potentially leads to unjust outcomes and undermines the mutual consent and clarity that Islamic law mandates in trade dealings (**Kamali, 2008**).

Bitcoin, as a decentralized and non-sovereign digital asset, introduces substantial levels of gharar due to several of its defining features. *Firstly*, it operates on a peer-to-peer blockchain network without the backing of a central authority or regulatory body. This lack of centralized oversight means there is no institution to guarantee transaction security, enforce contracts, or provide legal recourse in case of disputes. In jurisdictions where cryptocurrency is either unregulated or only partially acknowledged, users are exposed to elevated risks associated with theft, fraud, and market manipulation (**Yuspin & Salsabella, 2023**).

The anonymity of Bitcoin transactions further compounds this uncertainty. While blockchain transactions are transparent in their recording, the identities of the parties involved remain pseudonymous. This anonymity can be exploited for unlawful purposes, such as money laundering or financing prohibited activities, which introduces further ethical and legal concerns under Islamic financial ethics (**Al-Bahouth & Al-Najjar, 2023**). In Islamic law, ethical transparency and accountability are critical components of a valid transaction, both of which are undermined by the anonymity inherent in Bitcoin.

Furthermore, the absence of intrinsic value in Bitcoin raises doubts regarding its classification as a stable asset under Islamic law. Unlike traditional currencies, which are typically backed by governments or tangible assets, Bitcoin derives its value solely from market perception and speculative interest. As a result, its price is highly volatile, and its economic foundation is seen by some scholars as lacking substantive reality *(haqiqah)*, thereby increasing the uncertainty surrounding its use as a medium of exchange (**Dusuki & Abozaid, 2007**). This environment of ambiguity mirrors the classic examples of *gharar* discussed by early Islamic jurists, such as the sale of a fish not yet caught or the sale of goods not yet in possession. The prohibition of such transactions is based on the potential for dispute, loss, and exploitation resulting from informational asymmetries or unknown outcomes. Bitcoin's regulatory ambiguity, its unpredictable value, and the technical complexity surrounding its use echo these concerns (**El-Gamal, 2006**).

From a Shariah perspective, financial transactions must fulfill conditions of mutual consent *(ridha)*, legal clarity *(tafahum)*, and certainty of outcome. The speculative and unregulated nature of Bitcoin often violates these conditions, especially when used for short-term investment or profit-making purposes. The absence of institutional safeguards increases the risk that one party may benefit unjustly at the expense of another—outcomes antithetical to Islamic principles of fairness and equity in trade (**Kamali, 2008**). Nevertheless, there is an emerging discourse within Islamic finance that considers the possibility of mitigating *gharar* through technological innovation. For instance, smart contracts and decentralized applications (DApps) built on blockchain technology can enhance transparency, ensure automatic fulfillment of contractual terms, and reduce human error or dishonesty. These tools may provide partial remedies to the *gharar* associated with conventional cryptocurrency transactions (Rahman, 2021).

In addition, proponents argue that *gharar* is not an absolute prohibition but rather context-dependent. As contemporary scholars note, *gharar yasir* (minor uncertainty) is tolerated in Islamic contracts, especially when unavoidable in modern economic transactions. Thus, if the level of uncertainty in Bitcoin usage can be reduced through due diligence, regulation, and security measures, it may be argued that the remaining uncertainty is within acceptable Shariah thresholds (**Dusuki & Abozaid, 2007**). Moreover, the broader *maqasid al-shariah* (objectives of Islamic law)—such as the promotion of economic justice, facilitation of

trade, and protection of wealth—must also be weighed. If Bitcoin, when properly regulated and used responsibly, can enhance financial inclusion and access to financial services, then a case could be made for its conditional acceptance in Islamic finance, despite some residual uncertainty (**Setiawan, 2025**).

Ultimately, the permissibility of Bitcoin from the standpoint of *gharar* remains an evolving debate. While significant challenges persist due to regulatory voids, volatility, and anonymity, ongoing scholarly engagement and technological advances may allow for the development of frameworks that align its usage more closely with Shariah principles. Until such structures are firmly in place, caution remains the prevailing approach among most Islamic jurists and financial institutions.

Bitcoin and Riba: Evaluating Interest-Free Nature and Risks of Secondary Financial Applications

In Islamic finance, one of the most firmly established prohibitions is the prohibition of *riba*, which generally refers to any guaranteed interest on loans or unjustified increase in a trade or business contract (**Maulidizen, 2018**). *Riba* is considered fundamentally unjust as it creates imbalances in financial transactions and is condemned in multiple Quranic injunctions. Consequently, any financial instrument or transaction model that entails or facilitates interest-bearing outcomes is deemed non-compliant with Shariah (**El-Gamal, 2006**).

Bitcoin, in its essence as a decentralized digital currency or virtual asset, does not inherently involve *riba*. It does not generate interest by itself, nor does its basic structure require the payment or receipt of interest. Unlike conventional bank deposits or bonds, Bitcoin holdings do not accrue value through predefined interest mechanisms. This feature makes Bitcoin fundamentally neutral in relation to the concept of riba (**Yuspin & Salsabella, 2023**). However, the neutrality of Bitcoin in terms of *riba* is not absolute. While the asset itself does not generate interest, its secondary uses in modern financial systems can easily lead to *riba*-based arrangements. For instance, the rise of cryptocurrency lending platforms—some of which offer fixed or variable interest on Bitcoin deposits—introduces the very dynamics that Islamic finance seeks to avoid. These platforms mimic conventional banking models by paying returns on crypto savings or charging interest on loans, which violates the foundational principles of Islamic finance (**Rahman, 2021**).

Moreover, financial instruments such as Bitcoin-based derivatives, futures contracts, or margin trading often involve elements of speculation, interest, and leverage, which can entangle them in both *riba* and *maysir* (gambling). Such practices are generally prohibited in Islamic jurisprudence due to their reliance on excessive risk and unjust enrichment without productive economic activity (**Riswanti & Al-Banna, 2022**). The possibility of Bitcoin being used as an underlying asset in interest-bearing products also necessitates strong oversight mechanisms from Islamic financial institutions. It is critical for Shariah boards and compliance officers to evaluate not just the digital currency itself, but also the structures within which it is applied. A Bitcoin wallet used for peer-to-peer halal trade differs significantly, in Islamic legal terms, from a Bitcoin holding that earns interest on a centralized exchange or is leveraged for speculative trading (**Setiawan, 2025**).

To uphold Shariah compliance, Islamic finance practitioners must adopt a principle-based approach rather than relying solely on the asset's inherent characteristics. The principle of *sadd al-dhara'i*—blocking the means to *harm*—suggests that even permissible tools must be regulated or restricted if they are consistently employed in impermissible ways. Accordingly,

if Bitcoin usage in financial markets frequently results in exposure to *riba*-based mechanisms, then stricter measures or even conditional prohibitions may be justified (**Kamali, 2008**). From another perspective, some scholars advocate for the development of Shariah-compliant financial frameworks that utilize Bitcoin without incorporating interest. For instance, blockchain-based smart contracts can be designed to facilitate Islamic financing modes such as *mudarabah* (profit-sharing) or *murabaha* (cost-plus sale), thus maintaining fidelity to Islamic ethical standards while embracing innovation (**Haq & Ali, 2018**).

Furthermore, the neutrality of Bitcoin regarding *riba* presents an opportunity for Islamic fintech entrepreneurs to design interest-free digital financial ecosystems. Platforms like CryptoHalal aim to help users screen cryptocurrencies and associated services for Shariah compliance, avoiding transactions that involve *riba*, *maysir*, or *gharar* (**Al-Bahouth & Al-Najjar, 2023**). Ultimately, the status of Bitcoin in Islamic finance hinges not only on its internal characteristics but also on the intentions and mechanisms of its application. The *Maqasid al-Shariah* (objectives of Islamic law)—which prioritize justice, transparency, and wealth circulation—must guide the evaluation of Bitcoin's use cases. If employed ethically and under proper oversight, Bitcoin can potentially serve as a tool for financial inclusion without contradicting Islamic legal norms (**Dusuki & Abozaid, 2007**).

Therefore, Islamic scholars and financial experts must continuously engage in *ijtihad* (independent reasoning) to monitor evolving uses of cryptocurrencies. As the crypto-financial landscape becomes more complex and integrated into global finance, the potential for *riba*-related misuse increases—making scholarly vigilance and institutional governance essential to safeguarding Islamic financial integrity (**Maulidizen, et.al., 2022**).

Harnessing Blockchain for Shariah-Compliant Innovation: Opportunities Beyond Bitcoin

The rise of Bitcoin as a decentralized digital currency has been met with considerable scrutiny in Islamic finance due to its speculative nature, volatility, and lack of intrinsic value. However, beneath the controversies surrounding Bitcoin lies a transformative technological foundation: blockchain. Islamic scholars and fintech practitioners increasingly recognize the potential of blockchain technology to support ethical and Shariah-compliant financial innovation (**Trabanco, 2023**).

Blockchain is essentially a distributed ledger system that ensures transparency, immutability, and security in recording transactions. These attributes resonate strongly with the ethical framework of Islamic finance, which emphasizes transparency *(shafafiyyah)*, mutual consent *(taradhi)*, and avoidance of ambiguity *(gharar)* in contractual dealings (**Kamali, 2008**). By providing a decentralized and verifiable record of transactions, blockchain can help eliminate many of the inefficiencies and unethical practices prevalent in conventional financial systems. One of the primary objectives of Islamic law, or *maqasid al-shariah*, is the protection of wealth *(hifz al-mal)*. Blockchain supports this goal by offering tamper-proof records, reducing the risk of fraud and embezzlement. Additionally, smart contracts—programmable protocols built on blockchain networks—can automate financial agreements while ensuring adherence to pre-defined Shariah conditions (**Haq & Ali, 2018**).

In traditional Islamic contracts such as *murabaha* (cost-plus financing) or sukuk (Islamic bonds), compliance with Shariah rules is often dependent on manual supervision and documentation. With blockchain, these contracts can be executed via smart contracts that automatically enforce compliance criteria, improving efficiency and reducing human error or

manipulation. This innovation holds the promise of transforming how Islamic financial products are structured and delivered (**El-Gamal, 2006**). Furthermore, blockchain facilitates real-time auditing and traceability, allowing regulators and Shariah auditors to monitor transactions in a transparent and tamper-resistant environment. This feature is particularly useful for ensuring that funds are not diverted to non-halal activities or misused, reinforcing the principle of ethical responsibility in Islamic financial dealings (**Al-Bahouth & Al-Najjar, 2023**).

One of the biggest challenges in Islamic finance is the inclusion of unbanked and underbanked populations. Blockchain-based financial applications—particularly when integrated with mobile technologies—can dramatically expand financial access. By removing intermediaries and reducing transaction costs, blockchain can contribute to financial inclusion, a core aim of *maqasid al-shariah*, particularly in underserved Muslim-majority regions (**Dusuki & Abozaid, 2007**). While Bitcoin has raised questions of permissibility, its underlying blockchain infrastructure has enabled the creation of new financial ecosystems that do not necessarily inherit the speculative or volatile nature of cryptocurrencies. This distinction allows scholars to separate the technological utility of blockchain from the economic behavior of particular digital assets like Bitcoin (**Rahman, 2021**).

Several Islamic fintech startups have already begun to integrate blockchain to develop halal-certified solutions. Platforms such as HalaChain and Blossom Finance have explored the use of blockchain in Islamic social finance, such as zakat collection and waqf management, allowing for transparent allocation and tracking of charitable funds (**Setiawan, 2025**). Moreover, blockchain has the capacity to modernize sukuk issuance, making them more accessible and liquid. By tokenizing these instruments, Islamic financial institutions can lower issuance costs, increase investor participation, and facilitate cross-border investment while maintaining compliance with Islamic contractual principles (**Yuspin & Salsabella, 2023**).

From a legal standpoint, blockchain aligns with Islamic finance's emphasis on documented and witnessed transactions, similar to the Quranic command to record debts (Qur'an 2:282). The immutable nature of blockchain records fulfills this requirement in a technologically advanced way, providing an ideal platform for recording complex multi-party transactions. Despite its promise, blockchain is not without risks. Issues such as cybersecurity threats, regulatory uncertainty, and technical scalability must be addressed. However, these are largely technological and administrative challenges, rather than theological or ethical impediments. As such, they do not inherently compromise Shariah compliance, but rather necessitate careful implementation and governance (**Maulidizen, 2019c**).

Islamic scholars have increasingly endorsed a functionalist view when assessing financial innovations, focusing on outcomes and alignment with Shariah objectives rather than form. Within this framework, blockchain is seen as a tool—neutral in itself—but capable of supporting *halal* or *haram* ends depending on its application (**Kamali, 2008**). Thus, the discourse is shifting from a narrow debate over cryptocurrency permissibility to a broader conversation about how digital technologies can be harnessed to realize the ethical goals of Islamic economics. As such, blockchain represents a convergence point between tradition and technology, offering opportunities for a more inclusive, transparent, and ethical financial future. Although Bitcoin itself remains controversial in some Shariah circles, the blockchain technology that underpins it is widely seen as a vehicle for Shariah-compliant innovation. When appropriately adapted and governed, blockchain offers immense potential for

advancing Islamic finance in ways that adhere to the foundational values of justice, equity, and economic welfare.

CONCLUSION

This research concludes that Bitcoin, as a decentralized digital currency, presents both challenges and opportunities within the framework of Islamic law. Its high price volatility, speculative trading, and lack of intrinsic value pose serious concerns related to *maysir* (gambling), *gharar* (uncertainty), and the absence of regulatory oversight. These issues have led many Islamic scholars to question its permissibility as *mal mutaqawwam* (Shariah-compliant wealth). However, the debate remains dynamic and context-dependent. While speculative and short-term investment in Bitcoin may contravene Islamic principles, its use in real economic functions such as cross-border transactions and remittances may be viewed more favorably under certain conditions, especially when supported by clear intention and low risk. Importantly, this research highlights that Bitcoin does not inherently involve *riba* (interest), although *riba* can be introduced through certain applications such as lending or derivatives. Therefore, stringent oversight is necessary to ensure that its usage complies with Islamic financial ethics. Furthermore, the underlying blockchain technology offers promising potential for Shariah-compliant financial innovation. It supports transparency, security, and traceability, aligning with the objectives of *maqasid al-shariah*, including wealth protection *(hifz al-mal)* and financial inclusion. Blockchain can thus serve as a valuable tool for developing ethical, accountable, and inclusive financial systems within the Islamic economy. While Bitcoin's status in Islamic law remains controversial, blockchain technology offers a constructive path forward. A cautious but forward-looking approach—grounded in *ijtihad* and guided by the principles of *maslahah* and *sadd al-dhara'i*—is essential for navigating the intersection between Islamic jurisprudence and financial innovation in the digital age.

LIMITATIONS AND FUTURE RESEARCH RECOMMENDATIONS

Despite offering a comprehensive conceptual and doctrinal assessment of Bitcoin's status within Islamic jurisprudence, this study is subject to several limitations. *First,* the research adopts a purely qualitative and library-based methodology, which, while effective for exploring normative Islamic legal thought, does not incorporate empirical data such as field surveys or interviews with financial practitioners, investors, or Shariah scholars. As a result, the study lacks direct insight into the lived experiences and practical considerations of Muslim communities interacting with cryptocurrencies.

Second, the analysis primarily focuses on Bitcoin, without extending its evaluation to other forms of cryptocurrencies or digital assets such as stablecoins, central bank digital currencies (CBDCs), or tokenized financial instruments, which may have different risk profiles and legal implications under Shariah law. This narrow scope limits the generalizability of the findings across the broader landscape of digital finance. *Third*, while the study references fatwas and scholarly opinions from various Islamic jurisdictions, it does not engage in a systematic comparative legal analysis of national regulatory frameworks or explore the institutional responses of Islamic financial authorities in detail. The dynamic nature of fintech regulation and the diversity of legal systems across the Muslim world call for a more granular approach to comparative policy analysis. *Fourth*, although the research discusses the potential of blockchain technology in advancing Shariah-compliant finance, it does not empirically assess existing blockchain-based financial products or platforms that claim to operate in accordance with Islamic principles.

Based on these limitations, the following directions are recommended for future research:

1. Empirical Research on User Perception

Conduct qualitative and quantitative studies involving Muslim investors, financial regulators, and Shariah boards to assess real-world usage, concerns, and levels of acceptance of Bitcoin and other cryptocurrencies in Islamic finance.

2. Comparative Legal Analysis
   Explore and compare the regulatory responses of various Muslim-majority countries and Islamic financial institutions to cryptocurrencies and blockchain technology, with a focus on legal harmonization and fatwa alignment.
3. Assessment of Other Crypto Assets
   Broaden the scope to include analysis of different types of digital assets such as stablecoins, utility tokens, and CBDCs, examining their Shariah compatibility through the lenses of risk, value, and purpose.
4. Case Studies of Islamic Fintech Platforms
   Investigate how existing Islamic fintech initiatives and blockchain-based platforms apply Shariah principles in their design and operations, especially regarding transparency, risk-sharing, and prohibition of *riba* and *gharar.*
5. Interdisciplinary Models and Tools
   Develop AI-based Shariah screening tools, decision-support systems, or risk assessment models that combine Islamic legal principles with data science to support ethical investment in digital finance.

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