ZIJIS
ZABAGS INTERNATIONAL JOURNAL OF ISLAMIC STUDIES
ISSN 3063-8933

Cryptocurrency system as a digital currency in Islamic economics

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Article Info:
Article history: Received, 10/03/2025, | Revision, 20/04/2025, | Accepted, 01/05/2025, | Vol (2), Issue (1), (May, 2025)
e-ISSN 3063 – 8933 | doi: https://doi.org/10.61233/zijis.v2i1.36

Abstract:
The rise of digital technologies has propelled cryptocurrency as a global financial innovation offering efficiency, transparency, and decentralized transactions. Its adoption, however, remains contentious in Indonesia, where regulations restrict its use as legal tender, and in Islamic economics, where concerns persist over speculative behavior, gharar, and maysir. This study aims to examine how cryptocurrency systems function as digital currencies and assess their compatibility with Islamic economic principles. Employing a qualitative phenomenological approach, data were gathered through interviews, observation, and documentation, then validated via triangulation. Findings indicate that cryptocurrency is predominantly used as a speculative investment rather than a medium of exchange, driven by anticipated economic gains amid persistent price volatility and regulatory uncertainty. From a Sharia perspective, most informants view its use as problematic, though some support conditional acceptance subject to governance aligned with maqasid al-sharia. This study contributes to Islamic economics by integrating users' empirical experiences with normative analysis and offers practical implications for regulators and Islamic financial institutions in formulating policies for digital assets in the contemporary era.

Keywords:
Cryptocurrency; Digital currency; Islamic economics.

INTRODUCTION

The development of digital technology in the last two decades has brought about major changes in the global financial system through the emergence of cryptocurrencies. Since its introduction by Satoshi Nakamoto in 2009 through the Bitcoin white paper, cryptocurrency has become a global phenomenon that has changed the paradigm of money, investment, and payment systems. Based on blockchain technology, these digital currencies enable transparent, secure, and decentralized transactions without the intermediary of traditional financial institutions (Arutunyan, Kudryavtseva, & Skhvediani, 2018). At the global level, its adoption continues to increase despite price volatility and regulatory uncertainty (Baur, Hong, & Lee, 2018). In Indonesia, attention to this phenomenon is growing, especially with Bank Indonesia's initiative through the Garuda Project that gave birth to the concept of Central Bank Digital Currency (CBDC) in the form of Digital Rupiah (Bank Indonesia, 2023).

However, the rapid development of cryptocurrencies has not been matched by an adequate regulatory framework and academic studies. The public has begun to utilize it as an investment and transaction instrument, while national regulations emphasize that the only legal tender is the Rupiah in accordance with Law Number 7 Year 2011. This poses a legal dilemma, especially from an Islamic perspective, as cryptocurrencies are considered to have high speculative potential and are prone to abuse (Millah, 2025). In terms of accounting, IFRS still faces challenges in determining the accounting treatment of these digital assets. The IFRS Interpretation Committee (2019) categorizes them as intangible assets (IAS 38) or inventories (IAS 2) when held for trading. The gap shows the urgency of research that reviews cryptocurrencies from an Islamic economic perspective that emphasizes the principles of fairness, transparency, and the prohibition of usury and gharar (Bhiantara, 2018).

This study uses a phenomenological approach to understand the experiences and perceptions of cryptocurrency users, especially in relation to Islamic economic principles. This approach allows researchers to explore the subjective meanings experienced by users and relate them to the concepts of fiqh muamalah that emphasize the clarity of contracts, fairness, and honesty of transactions (Choudhury, 2017). This study also takes into account the views of scholars and religious institutions such as the Indonesian Ulema Council (MUI), which states that the use of cryptocurrencies as a medium of exchange does not meet sharia principles (Firmansyah, 2023). Thus, this study not only discusses the technical aspects of cryptocurrency but also examines its implications for Islamic normative values.

The purpose of this study is to answer two main questions: (1) how the cryptocurrency system works as a digital currency, and (2) what is the Islamic economic analysis of its use. Using a phenomenological qualitative approach, this research combines primary data from interviews with cryptocurrency users as well as secondary data in the form of academic literature, regulations, and religious fatwas. This research is expected to fill the research gap that has been dominantly focused on technological and regulatory aspects, while the dimensions of Islamic economic law are rarely touched (Zaenal & Aulia, 2018). Thus, this study provides a conceptual contribution to the Islamic economic literature as well as a practical contribution for regulators and Islamic financial institutions in responding to the crypto phenomenon.

Conceptually, cryptocurrency is understood as a blockchain-based digital currency that offers decentralization and cryptography-based security. However, from the perspective of fiqh muamalah, their use needs to be studied based on the principles of fairness, clarity of contracts, and the prohibition of riba, gharar, and maysir. By combining a phenomenological approach and Islamic legal analysis, this research seeks to deeply understand the user experience and assess the compatibility of crypto transactions with Sharia principles. This synthesis confirms that the study of cryptocurrencies requires a multidisciplinary approach that connects aspects of technology, regulation, and Islamic ethics, in order to provide a scientific basis for the development of a digital financial system that is in line with Sharia values.

METHOD

This research uses a qualitative approach with a phenomenological strategy that aims to understand the subjective experiences of cryptocurrency users from an Islamic economic perspective. Phenomenology was chosen because it is able to explore the meaning contained in the practice of using cryptocurrency as a digital currency, by placing individual experiences at the center of the analysis (Creswell & Poth, 2018). The research data consisted of primary and secondary data. Primary data was obtained through in-depth interviews with informants who are active users of cryptocurrencies, both as investment instruments and as a means of digital transactions, as well as through observations of the practice of using cryptocurrencies on digital platforms. The main instruments in data collection were semi-structured interview guidelines and field observation notes, which allowed researchers to explore informants' experiences in depth. Secondary data was obtained from academic literature, regulations, fatwas, and official documents related to cryptocurrency and Islamic economics. The inclusion criteria in this study are informants who have direct experience in using cryptocurrencies for at least one year, while the exclusion criteria are individuals who only have theoretical knowledge without practical experience (Patton, 2015).

The unit of analysis in this study is Muslim individuals in Indonesia who use cryptocurrencies, either for investment or transaction purposes, taking into account their social, economic, and religious backgrounds. The data analysis technique was conducted using the triangulation method, which combines the results of interviews, observations, and documentation to increase the validity and reliability of the findings (Kuckartz & Rädiker, 2019). Data analysis was conducted thematically with the steps of data reduction, categorization, interpretation, and preparation of phenomenological narratives. To support the analysis process, qualitative software was used in the process of coding, grouping themes, and visualizing relationships between concepts (Flick, 2018). Thus, this research integrates the phenomenological approach with triangulation techniques and software-assisted thematic analysis, resulting in a comprehensive understanding of the cryptocurrency system as a digital currency from an Islamic economic perspective.

RESULTS AND DISCUSSION

Results

The results of this qualitative research with a phenomenological approach produced several main themes obtained through the process of coding, categorization, and triangulation of data from interviews, observations, and documentation:

The first issue that arises is the motivation for using cryptocurrency among Indonesian Muslims. Informants stated that the main reasons they use cryptocurrencies are the potential for high investment returns, ease of access through digital applications, as well as the flexibility of cross-border transactions. Secondary data supports this finding, where the number of crypto investors in Indonesia reached 21.27 million people in 2024 with a transaction value of IDR 426.69 trillion (Bappebti, 2024). In addition, more than 60% of crypto investors in Indonesia are under 30 years old, indicating the dominance of the younger generation in the adoption of these digital assets (Katadata, 2024).

The second is the perception of risk and security. Informants emphasized that price volatility is the main factor that raises doubts about using cryptocurrencies as a medium of exchange. Some informants also expressed concerns about the risk of hacking and losing digital assets due to weak security protection. This is in line with research showing that cryptocurrencies have high speculative characteristics and are prone to be used for illegal activities (Cryptocurrency Transaction Concept Analysis, 2020). Another study confirmed that although blockchain technology offers transparency, cybersecurity risks remain a significant challenge (Rahman & Kassim, 2021).

The third is compatibility with Islamic economic principles. Most informants expressed confusion regarding the legal status of cryptocurrencies in Islam. Some consider it haram because it contains elements of gharar and maysir, while others see the potential benefits if properly regulated. The results of triangulation show that there are two major groups of views: those who reject it because of its speculative nature, and those who support it under the condition of strict Sharia regulation (Pros and Cons, 2023). Another study using the maqashid sharia approach also found that cryptocurrency can be considered as a new financial instrument, although it still raises debates among scholars (Setiawan, 2025).

The fourth is the practice of using cryptocurrency in daily life. Informants revealed that the use of cryptocurrencies is more directed towards trading activities and short-term investments, rather than as a means of payment. This is reinforced by observational data showing that in Indonesia, cryptocurrency is treated more as a trading commodity than as an official currency (Statista, 2025). Other research confirms that the investment behavior of young Muslims in cryptocurrency is driven more by speculative factors than Sharia understanding (Sadiah, 2021).

The fifth is the regulatory and policy response. Informants mentioned that Bank Indonesia's ban on the use of cryptocurrencies as a means of payment creates legal uncertainty, although on the other hand Bappebti has regulated cryptocurrencies as legal commodities for trading. This creates ambiguity at the practical level, where people continue to use cryptocurrencies despite their unclear legal status (Bitcoin Usage Analysis, 2023). Another study highlighted that inconsistent regulation is one of the main barriers to cryptocurrency adoption in developing countries (Corbet, Lucey, & Yarovaya, 2019).

The sixth is the subjective experience of Muslim users. Informants stated that despite legal doubts, they continue to use cryptocurrencies due to economic benefits and global trends. Some informants also mentioned a moral dilemma between following religious fatwas and economic needs. Previous research shows that millennial Muslims' response to cryptocurrency is influenced by a combination of religious, economic and social factors (Hazmi, 2023). Data triangulation results show that user experience is not only influenced by formal regulations, but also by personal interpretations of sharia principles (Nur Kholid, 2022).

Discussion

The results of this study confirm that the use of cryptocurrency in Indonesia, especially among the Muslim community, is interpreted more as a speculative investment instrument than as a legal tender. This finding is in line with the formulation of the research problem, which focuses on how the cryptocurrency system works and its analysis from an Islamic economic perspective. Empirically, the majority of informants emphasize economic motivation in the form of potential short-term profits, although accompanied by awareness of the risks of price volatility and regulatory uncertainty. This shows a gap between the original purpose of cryptocurrency as an efficient digital payment system and the actual practice that emphasizes the commodity aspect of investment (Baur, Hong, & Lee, 2018). Within the framework of Islamic law, this condition poses a dilemma because the dominant speculative practices potentially contain elements of gharar and maysir, which are prohibited in sharia transactions (Rahman & Kassim, 2021).

Interpretation of these findings within the theoretical framework of fiqh muamalah shows that cryptocurrencies have not fully met the requirements of a valid contract in Islam. The principle of clarity of the transaction object (ma'qud 'alaih) and the certainty of the exchange rate are often not fulfilled due to extreme price fluctuations. Some contemporary scholars consider that cryptocurrency can be categorized as mal (treasure) because it has an exchange value and can be utilized, but its unstable nature raises doubts about its use as a means of payment (Huda, 2020). From the perspective of maqashid sharia, cryptocurrency can be considered if it can fulfill the purpose of protecting property (hifz al-mal) and avoiding unfair losses (Setiawan, 2025). Thus, a phenomenological interpretation of user experience reveals a push-pull between practical needs and normative compliance.

When compared with previous studies, the results of this research show both similarities and differences. Sadiah (2021) found that young Muslims are driven more by speculative factors than Sharia understanding, which is in line with the findings of this study. However, other studies have shown that blockchain as a technology has great potential to increase transparency and accountability in Islamic finance, so it can be utilized to strengthen the halal payment system (Rahman & Kassim, 2021). Comparative studies of Islamic law also show that there are differences in views between schools of thought regarding the status of cryptocurrencies, where some reject them due to their speculative nature, while others open up space for acceptance under the condition of strict regulation (Muyassar, 2022). This difference shows that academic discourse is still open and dynamic.

The scientific contribution of this article lies in the integration of the phenomenological approach with Islamic legal analysis. Most previous studies have only emphasized normative or technical aspects, while this study puts user experience at the center of the analysis. As such, this article enriches the literature by providing an empirical picture of how Muslim communities interpret cryptocurrencies in their daily practices, while assessing their compatibility with sharia principles. This contribution is important because it can serve as a basis for the development of contemporary fiqh muamalah theory that is more responsive to the development of digital financial technology (Choudhury, 2017).

However, this study has limitations that need to be acknowledged proportionally. First, the limited number of informants means that the results of this study cannot be widely generalized. Second, the research focus on the Indonesian context limits the scope of analysis, so the results may differ if applied to other countries with different financial regulations and cultures. Third, the phenomenological approach used emphasizes the depth of subjective understanding, so it does not provide a quantitative picture of the scale of cryptocurrency use in society (Sriutami, Wira, & Novia, 2023). This limitation opens up opportunities for further research with mixed methods or quantitative approaches to expand the scope of analysis.

The implication of this research for regulators is the need for consistent regulatory clarity between Bank Indonesia and Bappebti. The ambiguity of the legal status of cryptocurrencies as commodities but not legal tender creates confusion in the community. Clearer regulations based on sharia principles can help provide legal certainty while protecting consumers from speculative risks (Islamijah, 2023). For Islamic financial institutions, this research provides recommendations to explore the utilization of blockchain technology in creating halal financial instruments that comply with maqashid sharia.

In addition, this research also has academic implications. First, this research emphasizes the importance of a multidisciplinary approach in studying the phenomenon of digital finance, by combining the perspectives of technology, regulation and Islamic law. Secondly, this research encourages the development of phenomenological methodology in Islamic economic studies, which is still rarely used. Third, this research opens space for the development of contemporary fiqh muamalah theory that is more adaptive to technological innovation (Kuntarno, 2021). Thus, this research can be a foothold for future studies that want to examine the integration between digital financial technology and sharia principles.

Finally, a recommendation for future research is the need for a cross-country comparative study on the acceptability of cryptocurrencies in the perspective of Islamic law, so as to gain a broader understanding of the varied views of scholars and regulators. In addition, quantitative research on the economic impact of cryptocurrency use among Muslim communities is also needed to complement these qualitative findings. For policymakers, this study recommends the development of a regulatory framework that not only protects consumers, but also encourages digital technology-based Islamic financial innovation (Setiawan, 2025). As such, this study makes significant practical and theoretical contributions in understanding the position of cryptocurrencies in contemporary Islamic economics.

CONCLUSION

This research shows that cryptocurrency as a digital currency has unique characteristics that distinguish it from conventional financial instruments, especially in terms of decentralization, transparency, and transaction efficiency. However, the research also confirms that its practical use in Indonesia is more directed towards speculative investment activities rather than as a means of payment. This raises a dilemma in the perspective of Islamic economics, because although cryptocurrencies have potential as a modern financial instrument, their volatility and regulatory uncertainty cast doubts on their compatibility with Sharia principles. Thus, this research successfully answers the formulation of the problem regarding how the cryptocurrency system works and provides a critical analysis of its position within the framework of Islamic economic law.

The contributions of this research are both theoretical and practical. Theoretically, this research enriches Islamic economic literature by integrating a phenomenological approach to understand the experiences of cryptocurrency users, while linking it to the framework of fiqh muamalah and maqashid sharia. Practically, this research provides input for regulators and Islamic financial institutions to formulate clearer and more consistent policies regarding the use of cryptocurrencies, as well as encourage the utilization of blockchain technology in creating halal financial instruments that suit the needs of the Muslim community.

As an implication, this research opens up room for a wider range of follow-up studies, both through quantitative approaches to measure the economic impact of cryptocurrency use among Muslim communities, as well as through cross-country comparative studies to understand the variations in the views of scholars and regulators. In addition, this study recommends the development of a regulatory framework that not only protects consumers from speculative risks but also encourages digital technology-based Islamic financial innovation, so as to address both the challenges and opportunities offered by the development of cryptocurrencies in the era of globalization.

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