

# Study of Theories Related to Digital Currency Islamic Coin Trading in The Modern Era According to The Perspective Of Islamic Law

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## ABSTRACT

This scientific work discusses the topic of digital currency trading in the perspective of Islamic law in the modern era. The presence of digital currencies such as Bitcoin, Ethereum, and various other crypto assets has changed the global financial landscape and challenged traditional legal norms, including in the context of Islamic law. The study delves into the concepts and principles of Islamic law relevant to digital currency trading. In addition, the author will also discuss the views of various scholars and religious authorities in Islam related to digital currency trading. The researcher also examined the comparison between trading digital currencies with conventional financial instruments, such as stocks and fiat currencies, in the context of Islamic law. In an effort to understand whether digital currency trading can be adapted to sharia principles, such as evaluating the elements of riba (interest), gharar (uncertainty), and maisir (gambling) in this trading activity. The results of this research will provide a better understanding of how Islamic law can adapt to modern financial innovations, particularly in the context of digital currency trading. It will also provide guidance for market participants, regulators, and scholars in formulating views and policies related to digital currencies within the framework of Sharia.

## KEYWORDS

*currency; digital; trading; sharia; law*

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## Introduction

In the modern era, digital currency trading has become a topic that attracts significant global attention. Digital currencies such as Bitcoin, Ethereum, and Litecoin have gained increasing popularity in recent years. In addition, there are also Islamic-based digital currencies, one of which is IslamicCoin. However, IslamicCoin currently exists only in several countries and has not yet gained widespread recognition in Indonesia. In Indonesia, digital currencies are increasingly used for investment and trading purposes. Nevertheless, their use remains controversial because they are not officially regulated by the government and are not recognized as legal tender.

Digital currencies are known for their security, transparency, and ability to facilitate transactions without requiring banking institutions as intermediaries. Initially, digital currencies were developed to simplify transactions and serve as investment instruments. Over time, however, some companies have begun to accept them as a payment method. For example, Tesla and several other large corporations have announced that they accept Bitcoin as a form of payment.

Several benefits and risks associated with the use of digital currencies have been discussed in the literature. Suominen, Alam et al. (2021) explain that blockchain technology has the potential to improve the efficiency of global financial markets through the development of digital currencies. Similarly, Hidayatulloh and Nurwadani (2020) highlight the benefits of digital currencies in international transactions, including the reduction of transaction costs and exchange rate risks. However, Jain, Kumawat, and Singh (2021) argue that digital currencies are vulnerable to cyberattacks and theft and are characterized by high exchange rate volatility. Furthermore, research conducted by Baek, Elbeck, and Gordon (2021) indicates that digital currencies remain unstable and tend to exhibit unpredictable price movements.

The risks associated with digital currencies also raise concerns from the perspective of Islamic teachings. According to a fatwa issued by the Indonesian Council of Ulama (Majelis Ulama Indonesia/MUI), the uncertainty of digital currency values and the involvement in speculative transactions may pose risks to users and potentially violate Islamic principles. To further understand the Islamic perspective on digital currencies, various studies and scholarly discussions have been conducted by Muslim scholars. For instance, Othman et al. (2020) conclude that the use of digital currencies remains a debated issue within Islamic law and requires deeper scholarly examination to determine its permissibility.

Within the framework of Islamic teachings, important questions arise regarding the legal status of digital currency trading. Is digital currency trading permissible according to Islamic law? Is it considered halal or haram? What criteria determine whether trading practices comply with Islamic principles? Some Muslim scholars argue that the use of digital currencies in trade and investment may be permissible provided that they comply with established Sharia principles. These principles include the validity and clarity of transactions as well as the certainty of the exchange value of the digital currency being used. In addition, Sharia principles require the avoidance of speculative activities and the presence of clear investment objectives.

Several studies have also explored arguments supporting the permissibility of digital currencies in Islamic economic practices. Hussain and Abbas (2019), for example, conclude that the use of digital currencies in trade and investment may be allowed within Islamic law provided that the transactions comply with Sharia principles and avoid speculative practices. Similarly, Ahmad (2018) states that digital currency trading can be permissible in Islamic law



as long as it does not violate the principles of *riba* (usury), *gharar* (excessive uncertainty), and *maisir* (gambling).

Farooq (2018) also argues that cryptocurrencies could be accepted within the Islamic financial system if they are properly regulated. Meanwhile, Ibrahim and Omar (2019) emphasize the importance of maintaining a balance between technological innovation and Sharia principles in the application of cryptocurrencies. Based on these perspectives, it can be concluded that the use of digital currencies within the framework of Islamic law remains a controversial issue. Nevertheless, the view that allows digital currencies in trade and investment may be adopted as long as they adhere to established Sharia principles. Therefore, legal analysis of digital currency trading from an Islamic perspective is essential to provide clarity and ensure certainty in such transactions.

In this context, this article examines theoretical perspectives related to IslamicCoin digital currency trading in the modern era, with particular emphasis on Islamic legal principles. The study explains the definition of digital currencies and introduces the concept of IslamicCoin as an Islamic alternative in digital currency trading. Accordingly, this research aims to analyze the legal status of digital currency trading from the perspective of Islamic law. The study explores fundamental principles of Islamic economics and compares them with the characteristics of digital currency trading. In addition, the research examines Islamic scholarly opinions and fatwas related to digital currency trading. Through this approach, the article aims to provide a deeper understanding of IslamicCoin trading and how it can be analyzed within the framework of Islamic legal thought.

This study is expected to contribute to a clearer understanding of the legal status of digital currency trading from the perspective of Islamic law. Furthermore, it is intended to provide guidance for Muslim investors and traders in conducting digital currency trading in accordance with Sharia principles. It may also serve as a reference for regulators in formulating policies related to digital currency trading, particularly IslamicCoin, in Indonesia.

## Method

This study adopts a descriptive qualitative research approach aimed at generating analytical descriptions derived from textual data that constitute the focus of the research (Creswell & Poth, 2018). The qualitative approach is considered appropriate because the study seeks to explore theoretical perspectives and legal interpretations related to digital currency trading, particularly IslamicCoin, from the standpoint of Islamic law. Through this approach, the researcher is able to examine concepts, doctrines, and legal interpretations that emerge from Islamic legal sources and contemporary academic literature.

The collected data are analyzed using a juridical approach in order to evaluate the conformity of digital currency trading practices with the principles of Islamic law. This approach involves identifying relevant Islamic legal provisions and examining whether the mechanisms and characteristics of digital currency trading align with fundamental Sharia principles such as the prohibition of *riba* (usury), *gharar* (excessive uncertainty), and *maisir* (gambling). The juridical analysis also considers contemporary scholarly opinions, fatwas, and academic discussions related to the permissibility of cryptocurrency transactions within Islamic jurisprudence.

The data used in this research consist of secondary data sources categorized into several types of legal materials. Primary legal materials include authoritative Islamic sources such as the Qur'an, hadith, and fatwas issued by Islamic scholars and institutions related to



cryptocurrency and digital financial transactions. Secondary legal materials consist of academic books, scholarly journal articles, and previous research discussing cryptocurrency, blockchain technology, Islamic economics, and Islamic financial law. In addition, tertiary materials are used to support the interpretation of concepts and terminology related to digital currency trading and Islamic legal principles.

Data collection in this study was conducted through literature review and documentation techniques. The researcher systematically collected relevant literature and documents, followed by a process of data reduction by selecting and classifying materials that are directly related to the research focus. This process allows the researcher to identify the most relevant theoretical frameworks and legal perspectives that contribute to the analysis of IslamicCoin trading within the context of Islamic law.

To draw conclusions from the descriptive analysis, the study applies a theoretical framework consisting of grand theory, middle-range theory, and applied theory as proposed by Asep Ausop (2018). The grand theory employed in this study relates to the broader framework of Islamic economic principles and Islamic jurisprudence governing financial transactions. The middle-range theory focuses on theories related to digital currency systems, cryptocurrency trading, and blockchain technology within contemporary financial systems. Meanwhile, the applied theory is used to analyze the practical implementation of IslamicCoin trading in relation to Sharia compliance and Islamic legal considerations. Through the integration of these theoretical levels, the study aims to provide a comprehensive analysis of digital currency trading practices within the framework of Islamic law.

## Results and Discussion

### Results

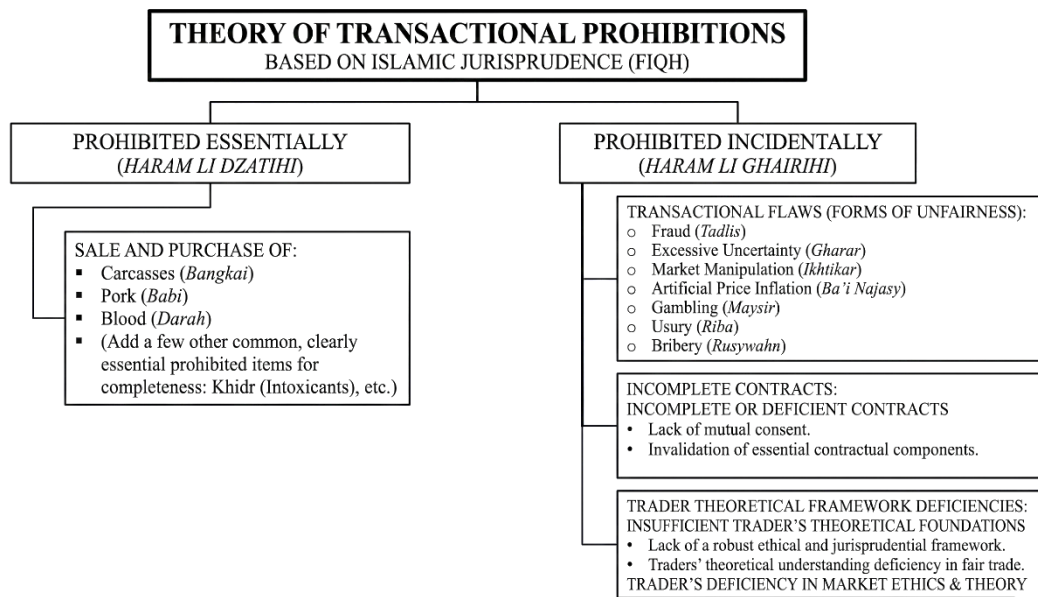
The development of financial technology has significantly transformed the global financial system, particularly through the emergence of digital currencies. Digital currencies operate using cryptographic technology and blockchain networks that enable secure, transparent, and decentralized transactions. Unlike conventional fiat currencies issued by central banks, digital currencies function through decentralized systems that allow peer-to-peer transactions without requiring financial intermediaries.

The rise of cryptocurrencies such as Bitcoin and Ethereum has accelerated the adoption of digital currencies as investment instruments and alternative payment systems. These cryptocurrencies have gained popularity due to their efficiency, accessibility, and potential for high financial returns. However, their rapid development has also generated debate, particularly in relation to regulatory frameworks and ethical considerations.

Within the context of Islamic economic practices, concerns have emerged regarding the compatibility of cryptocurrency transactions with Islamic legal principles. Issues such as price volatility, speculative trading behavior, and the absence of centralized authority have raised questions among Muslim scholars about whether cryptocurrencies comply with the ethical and legal standards of Islamic finance.

Figure 1. Scheme of Haram li dzatihi and Haram li ghairihi transactions





As a response to these concerns, the concept of Islamic-based digital currencies has been introduced, one of which is IslamicCoin. IslamicCoin is designed as a cryptocurrency that aims to integrate blockchain technology with Islamic ethical values. The system is developed within the Haqq Network ecosystem, which promotes financial transactions that align with Islamic principles of fairness, transparency, and social responsibility.

A distinctive feature of IslamicCoin is its integration of philanthropic mechanisms within its digital financial system. A portion of the value generated within the ecosystem is allocated to charitable purposes through Islamic philanthropic channels. This mechanism reflects the broader objective of Islamic economics, which emphasizes social welfare and equitable wealth distribution.

Through this framework, IslamicCoin attempts to present an alternative model of digital finance that aligns technological innovation with Islamic ethical principles. The emergence of such initiatives indicates the growing interest in developing financial technologies that are compatible with the values of Islamic economics.

### Discussion

#### Islamic Legal Analysis of Digital Currency Trading

From the perspective of Islamic law, financial transactions must comply with fundamental principles that ensure justice, transparency, and ethical conduct in economic activities. Islamic economic teachings prohibit financial practices that involve riba (usury), gharar (excessive uncertainty), and maisir (gambling). These principles form the normative foundation for evaluating contemporary financial innovations, including digital currencies and cryptocurrency trading.

The prohibition of riba is clearly articulated in the Qur'an. Surah Al-Baqarah (2:275) states that Allah has permitted trade but prohibited usury. This verse establishes a clear distinction between lawful commercial exchange and exploitative financial practices that generate unjust profit through interest. In the context of cryptocurrency trading, the absence of interest-based mechanisms in blockchain transactions may indicate potential compatibility





with Islamic financial principles. However, this compatibility must still be evaluated in relation to other prohibitions within Islamic law.

Another important principle in Islamic financial jurisprudence is the prohibition of gharar. Gharar refers to excessive uncertainty or ambiguity in contractual agreements that may lead to unfair outcomes for one of the contracting parties. In cryptocurrency markets, price volatility and the lack of intrinsic value often become central concerns for scholars who question the legitimacy of digital currency trading. When digital currency transactions are conducted without clear underlying value or involve uncertain contractual conditions, they may be considered inconsistent with Islamic legal principles.

In addition, Islamic law prohibits maisir, which refers to speculative activities that resemble gambling. Many cryptocurrency markets are characterized by high levels of speculation, where investors attempt to profit from short-term price fluctuations rather than long-term productive investment. From the perspective of Islamic economics, such speculative behavior may contradict the ethical objectives of economic activity, which emphasize real economic value creation and social welfare.

Nevertheless, contemporary Islamic scholars have presented diverse perspectives regarding the permissibility of cryptocurrency trading. Some scholars argue that digital currencies can be considered permissible if they fulfill the requirements of lawful trade within Islamic law. These requirements include transparency in transactions, mutual consent between parties, and the absence of elements that lead to exploitation or deception. When digital currencies function primarily as digital assets or mediums of exchange rather than speculative instruments, they may be more consistent with Islamic financial ethics.

The emergence of IslamicCoin represents an effort to reconcile technological innovation with Islamic economic principles. IslamicCoin is developed within the Haqq Network ecosystem, which emphasizes ethical finance and social responsibility. One of the distinctive features of IslamicCoin is the integration of charitable mechanisms within its financial structure, where a portion of the ecosystem's value is allocated for philanthropic activities. This mechanism reflects Islamic economic principles that emphasize social welfare and equitable distribution of wealth.

From the perspective of Islamic finance theory, financial systems must not only ensure transactional legality but also contribute to broader socio-economic objectives. According to Islamic economic scholars, including Umer Chapra, the ultimate objective of Islamic economic systems is the realization of justice, equitable wealth distribution, and social well-being. Digital financial innovations therefore need to be evaluated not only from the perspective of legality but also in terms of their broader impact on society.

This perspective is closely related to the concept of Maqasid al-Shariah, which refers to the higher objectives of Islamic law. Classical scholars such as Al-Ghazali explain that Islamic law aims to protect five fundamental aspects of human welfare: religion (din), life (nafs), intellect ('aql), lineage (nasl), and wealth (mal). Within the context of digital financial systems, the protection of wealth becomes particularly relevant. Financial technologies should therefore promote economic stability, protect individuals from financial harm, and encourage responsible financial behavior.

When analyzed through the Maqasid al-Shariah framework, the development of Islamic-based digital currencies such as IslamicCoin may offer potential benefits. Blockchain technology can enhance transparency and reduce the risk of fraud in financial transactions. Furthermore, the integration of charitable mechanisms within the ecosystem supports social



redistribution and community welfare, which aligns with the ethical objectives of Islamic economics.

However, the successful implementation of Islamic digital currencies requires appropriate governance and regulatory frameworks. Without clear regulations and ethical standards, digital currency markets may still be vulnerable to speculative manipulation, fraud, and financial instability. Therefore, collaboration between Islamic scholars, financial regulators, and technology developers is essential to ensure that digital financial innovations remain consistent with Islamic ethical values.

In conclusion, the debate surrounding cryptocurrency trading in Islamic law reflects the broader challenge of integrating technological innovation with religious and ethical principles. While certain characteristics of digital currencies raise concerns related to speculation and uncertainty, the development of Islamic-oriented financial technologies such as IslamicCoin demonstrates the potential for harmonizing modern financial systems with Islamic economic values. Continuous scholarly research and regulatory development are therefore necessary to ensure that digital currency systems contribute positively to economic development while remaining aligned with the principles of Islamic law.

## Conclusion

The rapid development of digital financial technology has introduced new forms of economic transactions, particularly through the emergence of digital currencies and cryptocurrencies. This study examined digital currency trading, specifically IslamicCoin, from the perspective of Islamic law in order to understand its compatibility with the fundamental principles of Islamic economic teachings. The findings indicate that digital currencies represent an important financial innovation that offers potential benefits in terms of transaction efficiency, transparency, and accessibility through blockchain technology.

However, from the perspective of Islamic law, the permissibility of digital currency trading remains a subject of scholarly debate. Islamic financial principles emphasize the prohibition of *riba* (usury), *gharar* (excessive uncertainty), and *maisir* (gambling). These principles serve as fundamental criteria in evaluating modern financial transactions. Cryptocurrency trading often raises concerns related to high price volatility and speculative trading behavior, which may potentially conflict with these principles if not properly regulated.

The emergence of Islamic-based digital currencies such as IslamicCoin represents an attempt to integrate technological innovation with Islamic ethical values. IslamicCoin is designed to operate within a financial ecosystem that promotes transparency, fairness, and social responsibility. The inclusion of philanthropic mechanisms within its system reflects the broader objectives of Islamic economics, which emphasize social welfare and equitable wealth distribution.

From the perspective of Islamic finance theory and the concept of *Maqasid al-Shariah*, financial innovations should contribute to the protection of wealth and the promotion of social justice within society. Blockchain technology, when implemented within an ethical and regulated framework, has the potential to support these objectives by enhancing transparency and reducing the risk of fraud in financial transactions. Therefore, the development of Islamic-oriented digital currencies may provide an alternative financial model that aligns technological advancement with Islamic moral and legal principles.

Nevertheless, the successful implementation of Islamic digital currencies requires comprehensive regulatory frameworks, clear governance structures, and continuous





scholarly evaluation. Collaboration between Islamic scholars, financial institutions, and policymakers is necessary to ensure that digital financial innovations remain consistent with Islamic legal and ethical standards.

Future research is recommended to further explore the practical implementation of Islamic-based digital currencies within real financial markets, as well as their economic, social, and regulatory implications. Such studies would contribute to a deeper understanding of how emerging financial technologies can be integrated into the framework of Islamic economics while maintaining compliance with Sharia principles.

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