

Assessing Crypto-Zakat's Legal and Sharia Validity in Indonesia's Digital Economy

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Abstract

Purpose: This study investigates the legal and Sharia perspectives on the use of cryptocurrency in Indonesia's digital economy, with a focus on its potential application for zakat payments.

Methodology/Approach: The study adopts a legal-normative and doctrinal approach, analyzing Indonesian regulations and fatwas from major Islamic organizations. Secondary sources, including academic articles and classical Islamic jurisprudence, are reviewed to understand the intersection of cryptocurrency with both legal frameworks and Sharia law.

Results/Findings: The findings reveal that while Indonesian law acknowledges cryptocurrency as a digital asset, it is not recognized as legal tender. In terms of Sharia law, there are differing opinions, with some Islamic scholars viewing cryptocurrency as haram due to the uncertainty (*gharar*) involved, while others accept it as a permissible asset if backed by tangible goods. However, the use of cryptocurrency for zakat payments is not authorized, though crypto-assets themselves could be subject to zakat if they meet specific conditions.

Conclusion: For cryptocurrency to be utilized for zakat, a comprehensive regulatory framework aligning both legal and Sharia principles must be established. Close collaboration among legal authorities, religious scholars, and zakat institutions is crucial.

Limitations: The study is based on a theoretical analysis and lacks empirical data from zakat institutions, which limits its applicability in real-world scenarios.

Contribution: This research adds to the field of Islamic digital finance by offering a dual legal-religious perspective and providing recommendations for the integration of cryptocurrency into Indonesia's zakat system.

Keywords: *Crypto Asset, Crypto Currency, Crypto Zakat, Digital Asset, Indonesia Zakat*

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1. Introduction

As Internet access continues to expand globally, we are witnessing a significant shift in how financial transactions are conducted (Bibi, 2025). Developments in financial technology have led to a rise in digital payment systems, transforming the global economy into a more connected and digitized network (Sitthipon et al. 2023). This move toward a more connected, digital economy is especially visible in Indonesia, where the digital economy is projected to grow significantly. By 2030, key sectors are expected to reach remarkable values: Rp 1,908 trillion in e-commerce, Rp 575 trillion in online travel, Rp 191 trillion in online media, Rp 401 trillion in ride-hailing, and Rp 324 trillion in fintech (Sacipto et al., 2023). Historically, physical money, such as coins and banknotes, has played a central role in

economic exchange (Bibi, 2025). However, in today's digital landscape, cryptocurrency has gained substantial attention (Sitthipon et al., 2023). The development of fintech has created new opportunities for cryptocurrencies to be used as payment methods. The increase in digital economic activity is also reflected in growing consumer spending through the use of digital currencies (Sacipto et al., 2023).

Recent data show strong growth in cryptocurrency ownership. Coinvestasi reported an increase from 420 million global crypto owners in 2022 to 562 million in 2023, a 33% rise. Tokocrypto and BeInCrypto confirmed similar figures, with ownership reaching 580 million by the end of 2023. Regionally, Asia leads in crypto adoption, with ownership rising from 268.2 million to 326.8 million, a 21.8% increase in ownership. In Indonesia, 20.1% of internet users aged 16–24 years owned cryptocurrency as of January 2023. The number of crypto investors reached 18.51 million by the end of 2023, with transactions valued at IDR 83.8 trillion in 2022. This shows a strong interest in new financial innovations, especially among young investors (Setiawan 2025).

However, this growth is not without challenges, particularly in Muslim-majority countries. Religious and ethical concerns have led to mixed responses from the public. For example, according to the Library of Congress, countries such as Algeria, Egypt, Morocco, and Pakistan banned cryptocurrencies in 2018. Others, including Indonesia, Iran, and Bangladesh, have imposed partial or indirect restrictions (Hasan, Syuhada, & Indira, 2023). In the Indonesian context, the Indonesian Ulama Council (MUI) has issued a fatwa to haram (forbidden) the use of cryptocurrencies (Majelis Ulama Indonesia 2021). This prohibition covers their use as a means of transaction, investment, or tradable commodity because of their incompatibility with the key principles of Islamic finance (Sacipto et al., 2023). Major Islamic organizations like Muhammadiyah and Nahdlatul Ulama have issued similar positions

However, Faizi (2023) noted that the MUI fatwa is not legally binding and does not carry formal enforcement power, as it represents a religious opinion rather than state law. While it serves as a legal and moral guideline for Muslims in Indonesia, individuals are not legally required to follow it. As a religious opinion shaped by local and temporal contexts, fatwā can lead to differing interpretations among scholars regarding the legal status of cryptocurrencies (Huda et al., 2025). These variations reflect differences in understanding, cultural perspectives, and the evolving nature of digital financial practices (Faizi, 2023). For instance, The Fatwa Center of the South African Islamic Seminar, Dār al-‘Ulūm Zakariyya, has taken the position that Bitcoin meets the requirements to be considered as money; therefore, it is permitted for trading (Kusuma, 2020).

The topic of cryptocurrency has sparked controversy in the Islamic world, with differing opinions and ongoing debate. However, this lack of agreement is not unique to the Islamic world; it reflects a global situation. Currently, there is no universal consensus on the matter, and no single, widely accepted “fatwa represents all Islamic scholars’ views on cryptocurrency (Shovkhalov & Idrisov, 2021). While some Muslim-majority countries have banned cryptocurrencies, others have embraced innovation to create cryptocurrencies that meet the Sharia criteria. For instance, In Malaysia, HelloGold launched GOLDX, a Sharia-compliant cryptocurrency backed by gold, approved by scholars at Amanie Advisors (Kusuma, 2020). Similarly, OneGram in Dubai and X8X have introduced asset-backed cryptocurrencies designed to meet Islamic financial standards(Faizi, 2023). These examples demonstrate the potential for innovation within Islamic finance, where digital assets can align with religious principles if they are properly structured (Anisak & Bakhri, 2024).

Within this context, there is increasing interest in the potential application of cryptocurrency in Islamic philanthropic instruments, namely zakat and waqf. As a digital asset that can store and transfer value (Wardoyo & Hapsari, 2023), cryptocurrency presents the possibility of being used to pay zakat (almsgiving) or to establish waqf (charitable endowments). However, this potential application raises important questions regarding proper asset valuation, Sharia compliance, transparency, and regulatory frameworks needed to support such practices. For digital assets, such as cryptocurrencies, to be used in religious financial obligations, comprehensive guidelines must be established to ensure that they align with both Islamic legal principles and national regulatory standards (Syafil, 2025). With proper regulation and oversight, cryptocurrency could offer a new avenue for managing and distributing zakat

and waqf in the digital era (Tame, Marlissa, & Ngutra, 2025). From the perspective of Islamic finance, financial technology innovations should be welcomed as long as they align with the core goals of the Islamic economic system: justice, welfare, and societal benefit. These goals aim to achieve *falah* (well-being in this life and the hereafter) through *hayah tayyibah* (a good life), which underlies the spirit of Islamic law (*masalih al-'ibad*) (Prasetiyo & Janah, 2022).

2. Literature Review and Hypothesis Development

The previous scholarly discussion surrounding the use of cryptocurrency for Zakat payments and the classification of crypto-assets as zakat able wealth is characterized by a significant divide in Islamic jurisprudence. One conservative school of thought, exemplified by scholars such as Tektona and Safilia (2020) and institutions such as the Indonesian Ulema Council (2021), argues that cryptocurrency is *haram* and therefore cannot be used as a means of zakat payment or considered an object of zakat. This perspective deems cryptocurrency *haram* (forbidden) primarily because of its inherent characteristics, which are seen to contain elements of *gharar* (excessive uncertainty or risk), volatility, and a lack of a central, physical, or stable underlying value, making it susceptible to speculation.

Consequently, they conclude that crypto-assets cannot be considered legitimate property (*mal*) suitable for Zakat, either as a means of payment or an object of obligation. Supporting this view, Kusuma (2020) highlighted the foundational legal principle that any transaction that involves gambling, excessive ambiguity, deception, or bribery/corruption is null and void, strictly prohibited, and legally classified as (prohibited for external reasons). He further argued that this virtual currency is deemed to still contain elements of because the nature of Bitcoin trading is akin to betting, which is gambling. Consequently, using Bitcoin virtual currency as a commodity in a *shari'ah*-compliant derivative contract is prohibited, meaning its prohibition stems from external factors rather than the asset itself.

In contrast, scholars such as Muneeza, Bin-Nashwan, Abdel Moshin, Mohamed, and Al-Saadi (2023) maintain an open stance, emphasizing that the permissibility of using cryptocurrency for Zakat is viable as long as it achieves Shariah compliance. This interpretation often recognizes crypto-assets as a form of digital wealth or tradeable commodities rather than currency. Muneeza et al. (2023) state that contemporary scholars acknowledge divergent views regarding the permissibility of cryptocurrencies. However, research on evaluating the existing practices of certain companies has concluded that there is room to pay Zakat using cryptocurrencies and from investments made in crypto-assets.

The critical condition is that these assets must be screened and classified as sharia-compliant. Once this is done, they are qualified to be included in one's wealth subject to Zakat payment. Similarly, studies by Taufiqurrohman (2022), Firman (2025), and Uljanah and Revitalina (2025) conclude that crypto-assets can fulfil the traditional Islamic legal requirements for a wealth object, such as full ownership (*al-milk at-tām*), having an exchangeable value, and attaining the threshold (*nisab*) over the holding period (*haul*). These progressive views often draw analogies (*qiyas*) between crypto-assets and established zakatable assets, such as gold, silver, or commercial goods.

Taufiqurrohman (2022) cited Yusuf Qardawi's opinion that the growth and income potential of an asset, which crypto demonstrates, is sufficient justification for crypto assets to be a zakat object, thereby highlighting the large potential for zakat revenue. Furthermore, Firman (2025) claims that an Islamic commercial law review supports this, suggesting that despite lacking a physical form, the value and function of cryptocurrency as a medium of exchange and investment make it suitable for zakat. However, this permissive stance acknowledges a key practical challenge, such as price fluctuation, which complicates the accurate determination of the *nisāb* and *haul* thresholds. Therefore, scholars emphasize that an adjustment in the Zakat approach is essential to align with crypto's unique characteristics.

Overall, Zakat on cryptocurrency can be implemented through a flexible and technology-responsive approach that respects technological developments while firmly adhering to core principles. Crucially, this research differs from previous studies. While many studies have explored the theological aspects of crypto-zakat, they often remain conceptual and fail to address the critical intersection of these

religious interpretations with Indonesia's national legal system. Thus, a significant research gap remains in understanding how cryptocurrencies can be formally integrated into zakat and waqf through coherent legal and religious frameworks.

This study aims to fill this gap. It aims to analyze the regulation of cryptocurrency in Indonesia from both positive legal and Islamic legal perspectives, with a specific focus on its potential application in zakat. Adopting a normative legal approach, this study investigates how Indonesian state law and religious fatwas currently regulate cryptocurrency and examines the feasibility of integrating crypto-assets into Islamic philanthropic practices. The following research questions guide this inquiry: (1) How is cryptocurrency currently regulated under Indonesia's positive legal framework? (2) What are the perspectives of Islamic law and fatwas on cryptocurrency use in Indonesia? (3) What are the legal and religious challenges and opportunities in using cryptocurrency for zakat? The novelty of this study lies in its unique dual focus: it not only provides a comparative legal-religious analysis of cryptocurrency regulations in Indonesia but also offers a new perspective by exploring the emerging role of cryptocurrency in the zakat and waqf management. By addressing these issues, this study aims to contribute to the more inclusive, ethical, and practical use of cryptocurrency in Indonesia's digital and Islamic economic systems.

3. Methodology

This study adopts a legal-normative approach combined with doctrinal legal analysis to explore the permissibility and regulatory treatment of cryptocurrency in zakat practices in Indonesia's digital religious economy. The legal-normative method is applied to evaluate the formal legal structure, assessing how Indonesia's existing statutory and regulatory frameworks conceptualize cryptocurrency and their compatibility with zakat law. The doctrinal approach examines authoritative religious texts and legal commentaries to classify crypto assets within classical and contemporary Islamic jurisprudence. The primary sources for this study include statutory instruments, such as Law No. 23 of 2011 on Zakat Management, along with regulatory guidelines issued by Bank Indonesia and the Financial Services Authority (OJK) regarding the legal status of cryptocurrency.

In addition, authoritative Islamic legal opinions (fatwas) are an essential part of the normative framework. To deepen the doctrinal analysis, classical Islamic jurisprudence sources are examined, especially concerning the permissibility of wealth types in fulfilling religious obligations such as zakat. This research also draws on secondary sources, such as peer-reviewed journal articles, legal commentaries, academic papers, and reports from recognized institutions. These materials offer contextual insights and critical perspectives on the intersection of Islamic financial ethics, legal norms, and digital innovation. The analytical process was performed in three stages.

First, this study identifies the key legal and Sharia provisions relevant to the concepts of lawful wealth (*mal halal*) and zakatable assets (*mal zakawi*). Second, it evaluates whether cryptocurrency meets the essential criteria under Islamic law and positive law to be deemed acceptable as a medium of Zakat payment or as a zakatable asset. Third, this study identifies regulatory and doctrinal gaps between existing laws and Sharia principles and proposes solutions to bridge them. This method aims to clarify legal and religious uncertainties and contribute to the formulation of adaptive and context-sensitive policy recommendations. However, as a limitation, this study did not include empirical data from zakat institutions or users. Therefore, future research is needed to validate these findings by examining the practical implementation and adoption of crypto-zakat in Indonesia.

4. Results and Discussion

4.1. Indonesia's Positive Legal Framework for Crypto-Currency

Indonesian regulations classify cryptocurrencies as commodities, not currencies. This distinction is crucial for zakat, as it means that crypto cannot be used for direct payments. According to Law No. 23 of 2011 and Fatwa MUI No. 13 of 2011, all aspects of zakat must align with Islamic legal principles (R. R. Indonesia, 2011a), specifying that zakat must come from halal (IsourcesurS.ces (M. U. Indonesia, 2011)). Therefore, using cryptocurrency for zakat requires a clear understanding of its legal and Sharia status. Nakamoto defined cryptocurrency as a digital currency that uses blockchain technology and

cryptographic proof to manage secure (Setiawan, 2025), decentralized transactions (Afzal & Asif, 2019). This structure enables borderless transfers but raises concerns about financial stability (Widhiasthini et al., 2024).

The current rise in digital currencies, coupled with the declining use of cash, presents both opportunities and risks. This shift calls for regulatory policies that can foster innovation while preserving the socio-cultural and geopolitical significance of cash (Bibi, 2025). A key appeal of cryptocurrency is its ability to facilitate fast, borderless international transactions, thereby overcoming the limitations of traditional fiat currencies (Sitthipon et al., 2023). As a highly volatile asset, cryptocurrency has attracted significant investor interest, with Bitcoin being the most prominent example; however, its volatility makes it a risky investment (Song et al., 2022). This volatility undermines its potential as a stable store of value or a reliable investment vehicle (Afrizal, Marliyah, & Fuadi, 2021). For instance, the price of Bitcoin has experienced dramatic fluctuations over the years. In January 2017, it was valued at USD 772.66, but by December of the same year, it skyrocketed to USD 17,436.60, an increase of 2,256.70%. Two months later, in February 2018, the price dropped sharply to USD 9,192.05. This trend continued in 2020, with Bitcoin rising from USD 10,201.61 in September to USD 26,975.73 by December. In 2021, it peaked at USD 63,223.88 in April before falling to USD 31,640.92 by July (Afrizal and Marliyah, 2021).

Several ASEAN countries have adopted different approaches to cryptocurrency regulation. For example, Indonesia and Malaysia do not recognize cryptocurrency as legal tender but classify it as a digital asset. In contrast, Singapore and Thailand acknowledge cryptocurrencies as both currencies and valid means of payment. Cambodia has developed its own national cryptocurrency, and the Philippines is in the process of establishing regulatory frameworks. However, other ASEAN member states have yet to issue clear regulations regarding the use of cryptocurrency (Wardoyo & Hapsari, 2023).

For Indonesia, several regulations related to cryptocurrency include:

1. Regulation of cryptocurrency as currency and payment transactions:
 - a. Law No. 7 of 2011 (M. U. Indonesia, 2014) concerning currency,
 - 1) Article 1, Paragraph (1):
"Currency is the money issued by the Unitary State of the Republic of Indonesia, hereinafter referred to as the Rupiah."
 - 2) Article 2, Paragraph (1):
"The currency of the Unitary State of the Republic of Indonesia is the Rupiah."
 - b. Bank Indonesia Regulation No. 18/40/PBI/2016 (B. Indonesia, 2016) on the Implementation of Payment Transaction Processing, Article 34 states that Payment System Service Providers are prohibited from processing payment transactions using virtual currency.
 - c. Bank Indonesia Regulation No. 19/12/PBI/2017 (B. Indonesia, 2017) concerning the Implementation of FinancTechnologynolo Articlec,,le 6 Paragraphs (1) and (2):
 - 1) Financial Technology Providers, as referred to in Article 5 paragraph (1), must be business entities.
 - 2) Financial Technology Providers in the form of institutions other than banks that fall into the category of Payment System Service Providers must be business entities incorporated under the Indonesian law.
2. Regulation concerning Cryptocurrency as a commodity and digital asset:
 - a. The Coordinating Minister for Economic Affairs, through Letter No. S-302/M.EKON/09/2018 dated September 24, 2018, concerning the Follow-up to the Coordination Meeting on Crypto Asset Regulation, stated that crypto assets remain prohibited as a means of payment, but may be considered investment instruments classified as commodities and traded on futures exchanges (Sacipto, Yasin, & Syah, 2023).
 - b. Regulation of the Minister of Trade of the Republic of Indonesia No. 99 of 2018 concerning general policy on the implementation of futures trading of crypto assets (Sajidin, 2021).
Article 1: Crypto Assets are designated as commodities that can be used as subjects of Futures Contracts traded on Futures Exchanges.

This legal classification is crucial for zakat. While the government permits crypto to be a commodity, its status as a non-currency asset means that direct zakat payments with cryptocurrency are legally invalid.

- c. Regulation of the Commodity Futures Trading Regulatory Agency (BAPPEBTI) Number 5 of 2019 concerning Technical Provisions for the Implementation of Physical Crypto Asset (Crypto Asset) Markets on Futures Exchanges.

Article 1 Paragraph (7): A Crypto Asset, hereinafter referred to as a Crypto Asset, is an intangible commodity in the form of a digital asset that uses cryptography, a peer-to-peer network, and a distributed ledger to regulate the creation of new units, verify transactions, and secure transactions without the involvement of any other party.

- d. Regulation of the Commodity Futures Trading Regulatory Agency (BAPPEBTI) No. 8 of 2021 (Bappebti, 2021) concerning Guidelines for the Implementation of Physical Crypto Asset Trading on Futures Exchanges:

Article 1 Paragraph (7): Crypto Asset, hereinafter referred to as Crypto Asset, is an intangible commodity in digital form that uses cryptography, information technology networks, and distributed ledgers to regulate the creation of new units, verify transactions, and secure transactions without the involvement of other parties.

From a legal perspective, Indonesian regulations clearly define the status of cryptocurrencies. According to Law No. 7 of 2011 on Currency, Article 1, Paragraph (1) defines "currency" as money issued by the Unitary State of the Republic of Indonesia, specifically, the Rupiah. Article 2, Paragraph (1) further strengthens this definition by stating that the only lawful currency in Indonesia is the Rupiah. Therefore, under Indonesian positive law, cryptocurrency does not fulfil the criteria for being considered legal tender. This legal position is reinforced by Bank Indonesia Regulation No. 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing. Article 34 of this regulation explicitly prohibits Payment System Service Providers from processing transactions using virtual currencies. This regulation shows that the central bank does not permit the use of cryptocurrency in payment systems, thereby blocking its function as a medium of exchange in the formal financial sector.

Additionally, Bank Indonesia Regulation No. 19/12/PBI/2017 on the Implementation of Financial Technology (FinTech) further clarifies these legal boundaries. Article 6, Paragraphs (1) and (2) require that any FinTech provider, particularly those operating in the payment system category, must be a legally recognized business entity under Indonesian law. This ensures that financial technologies operate under national oversight and, by implication, that activities involving cryptocurrency must conform to existing restrictions, especially regarding its use as a payment tool. In conclusion, Indonesian law firmly rejects cryptocurrency as a currency or payment tool, classifying it as a commodity or investment asset.

As a commodity, cryptocurrency is legally recognized in Indonesia as a digital asset for investment but not as a tool for payments. The Indonesian government has made this position clear through various regulations. In 2018, the Coordinating Minister for Economic Affairs, through Letter No. S-302/M.EKON/09/2018, stated that permits cryptocurrency for investment but not for everyday payments. This regulatory approach reflects the government's efforts to foster innovation while protecting financial stability and the Rupiah's function as the country's sole legal currency. This legal framework is further supported by Minister of Trade Regulation No. 99 of 2018, which declares in Article 1 that crypto assets are officially treated as commodities that may be used in futures contracts.

This marks an important shift, as it opens the door for crypto to be part of Indonesia's formal financial markets, but in a system that is tightly controlled and monitored. To guide safe and orderly trading, the Commodity Futures Trading Regulatory Agency (BAPPEBTI) issued Regulation No. 5 of 2019 and Regulation No. 8 of 2021. Both define crypto as a non-physical (intangible) commodity that relies on digital technologies such as cryptography, blockchain (distributed ledger), and peer-to-peer networks to create and verify transactions. The absence of third parties, such as banks or payment

providers, offers benefits such as transparency and decentralization. However, it also presents risks that require strict technical supervision to protect users and ensure a stable market.

4.2. Perspectives of Islamic Law and Fatwas Regarding Cryptocurrency use in Indonesia

Having established the legal framework, this study explores the diverse perspectives of Islamic law and fatwas on cryptocurrency. In Indonesia, major Islamic organizations, including the MUI, NU, and Muhammadiyah, have largely prohibited the use of cryptocurrencies due to concerns over *gharar* (uncertainty) and *maysir* (speculation). This prohibition is grounded in Qur'anic verses and Prophetic traditions (hadith) that emphasize the principles of fairness and transparency, which cryptocurrency is deemed to violate (Majelis Ulama Indonesia, 2021). Among the Qur'anic verses cited are:

a. QS. Al-Baqarah, 278–280:

“O you who believe, fear Allah and give up what remains of riba, if you are truly believers. But if you do not, then be informed of a war from Allah and His Messenger. If you repent, you may have your principles: do not wrong others, and you will not be wronged. If the debtor is in hardship, then grant him time until it is easy for him to repay. But if you forgive it as charity, it is better for you, if only you knew”

b. QS. Al-Baqarah, 188:

“And do not consume one another’s wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you to consume a portion of the wealth of others unlawfully, while you know [it is wrong].”

c. QS An-Nisa, 29:

“O you who have believed, do not consume one another’s wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of others in sin, while you know [it is unlawful].”

d. QS. Al-Mā’idah, 90:

“O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.”

In addition to the Qur'an, the MUI referred to several hadith to reinforce its decision, emphasizing the principles of fairness, transparency, and mutual consent in transactions (M.S. U. Indonesia, 2021):

a. "The Messenger of Allah (peace be upon him) forbade the sale of *al-hasabah* (throwing a stone to determine a sale) and the sale involving *gharar* (uncertainty or ambiguity)." (Hadith narrated by Muslim)

b. Abu Sa’id Al-Khudri reported that the Messenger of Allah (peace be upon him) said: "Indeed, a sale is only valid when it is based on mutual consent." (Hadith narrated by Ibn Majah)

c. "Indeed, the Messenger of Allah (peace and blessings be upon him and his family) prohibited transactions involving *al-munabadzah* and *al-mulamasah*." (Hadith narrated by Bukhari and Muslim)

d. From ‘Ubudah ibn al-Samit, the Messenger of Allah (peace and blessings be upon him) said: “(Exchange of) gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt should be equal in weight, of the same kind, and with immediate exchange (hand to hand).” (Hadith narrated by Muslim).

On the other hand, the NU with Decree of Regional Board of Nahdlatul Ulama, East Java (Number: 1087/PW/A-11/L/XI/2021) on Cryptocurrency and Crypto Exchanges states that cryptocurrency does not meet the Islamic legal standards (*syar'i*) for a valid commodity (*sil'ah*). Therefore, trading cryptocurrency is considered *mamnu'* (prohibited or not allowed, *ghairu jaizin*). This decision was based on several reasons. First, cryptocurrency cannot be viewed as a physical item that can be delivered clearly and properly. It does not qualify as *‘ain musyahadah* (a real, visible object) or as *syai' un maushuf fi al-dzimmah* (an item that is clearly described and guaranteed), which are two key types of assets allowed in Islamic trade. Second, cryptocurrency is seen as a *ma'dum* (non-existent or imaginary asset) because it does not have a real form, is unstable, and relies heavily on speculation. This makes it unsuitable for fair trading (PWNU Jawa Timur 2021).

This decision also refers to several classical Islamic sources. For example, *Mu'jam Lughati al-Fuqaha* explains that a *mabi'* (item being sold) must be something that can actually be the subject of a sale. Sheikh Jamal in *Hasyiyatu al-Jamal 'ala Syarh al-Manhaj* also says that trading means handling a proper commodity (*sil'ah*) with the goal of making profit. Moreover, cryptocurrencies fail to meet the seven basic conditions for a tradable item in Islamic law. These include being pure, having real value, being clearly known or seen, being deliverable both physically and legally, being free from *riba* (interest), and being safe from damage before the buyer receives it. Because it does not meet these standards, the East Java Nahdlatul Ulama declared that trading cryptocurrency is not allowed under Islamic law (PWNU Jawa Timur, 2021). To be added from Muhammadiyah's side, to respond to the issue of cryptocurrency, Muhammadiyah examined it from two perspectives: as an investment instrument and as a medium of exchange.

This assessment follows the Muhammadiyah *Business Ethics Framework*, established at the 27th National Congress in Padang (2003), which is based on the principles of *aqidah* (faith), *sharia* (Islamic law), and *akhlaq* (morality) derived from the Qur'an and Sunnah (Muhammadiyah, 2022).

- a. First, as an investment, cryptocurrencies such as Bitcoin raise serious concerns under Islamic law. Its highly speculative nature, extreme price volatility, and lack of *underlying assets* make it similar to gambling (*maisir*) and full of uncertainty (*gharar*). These characteristics are prohibited in Islam, as stated in both the Qur'an and Hadith. Moreover, this violates Muhammadiyah's ethical standards, which forbid transactions involving speculation and gambling-like behaviors.
- b. Second, as a medium of exchange, the basic Islamic principle allows it, provided there is mutual consent and no harm. However, from a *sadd adz-dzari'ah* (preventing harm) perspective, its use is problematic. A valid currency should meet two conditions: public acceptance and official recognition by the state, typically through a central bank. Bitcoin fails to meet both of these criteria. It lacks state approval and a clear authority responsible for its regulation or for consumer protection.

Based on these considerations, Muhammadiyah concludes that the use of cryptocurrency, both as an investment and as a means of exchange, is *haram* (forbidden) (Muhammadiyah 2022). However, it is important to note that the fatwas of the MUI and other major organizations are not legally enforceable. Since it represents a religious opinion, it does not carry formal legal power or institutional authority. Instead, it serves as a moral and legal reference for Muslims in Indonesia, but individuals are not strictly obligated to follow it (Faizi 2023). From a Sharia perspective, opinions are divided, some scholars view cryptocurrency as acceptable, while others reject it due to the risks and uncertainties it carries (Setiawan, 2025).

However, a key nuance exists. The MUI fatwa notes conditional permissibility: if a cryptocurrency meets the criteria of a valid commodity (*sil'ah*) by having a real underlying asset and being free from uncertainty and speculation, it could be considered permissible (*halāl*). This position is reflected in the broader global debate. While some international fatwa bodies, such as Egypt's Dār al-Iftā', have ruled against cryptocurrency (Hasan et al., 2023), others, such as the Sharia Review Bureau in Bahrain, have opened space for its conditional permissibility under regulated frameworks (Kusuma, 2020). This global divergence underscores the ongoing process of *ijtihād* (scholarly reasoning) in response to new financial technologies.

The status of cryptocurrency remains contested in terms of fiqh classification. Some scholars argue that cryptocurrency qualifies as *mal mutaqawwim*, that is, property that holds legal and Sharia value and can be owned and traded (Faizi, 2023). However, this status depends on recognition by legal authorities and societal acceptance. Others raise concerns that cryptocurrency contains excessive *gharar* (uncertainty) and *maysir* (speculation) due to its high volatility and lack of intrinsic backing, which could disqualify it from being a suitable zakat-able asset (PWNU, 2021). Additionally, if cryptocurrency is classified similarly to *ribawi* items (e.g., gold, silver, or currencies), then any exchange or zakat transaction involving crypto must fulfil strict Sharia rules regarding quantity, immediacy, and value parity.

Several experts and practitioners have proposed alternative models that follow Islamic principles and aim to meet the requirement of having real underlying assets in cryptocurrencies. One such model is cryptocurrency backed by metals or gold (Faizi, 2023). Several countries have introduced gold-backed cryptocurrencies to address concerns about volatility and the absence of underlying assets Jalan, Matkovskyy, and Yarovaya (2021), which are particularly significant in Islamic finance. These digital currencies are backed by physical gold stored in secure vaults, aiming to provide stability and align with Shariah principles. Some well-known examples include the Digix Gold Token (DGX) from Singapore, Perth Mint Gold Token (PMGT) from Australia, Tether Gold (XAUT) from the British Virgin Islands, PAX Gold (PAXG) from the United States, and The Midas Touch Gold (TMTG) from South Korea.

Additionally, there are GOLDX from Malaysia (Faizi, 2023), OneGram (OGC) (Faizi, 2023) from the United Arab Emirates, X8X (Wardoyo & Hapsari, 2023), Xaurum (XAUR) from Slovenia, AurusGOLD (AWG) from the United Kingdom, Kinesis Gold (KAU) from the Cayman Islands, and ZenGold from China. These initiatives offer an alternative model of cryptocurrency that is more grounded in real-world assets, potentially making it more acceptable under Islamic law. Some cryptocurrencies have been certified as Sharia-compliant, such as GOLDX (Faizi, 2023), OneGram, and X8X (Wardoyo and Hapsari, 2023).

These Islamic gold-backed cryptocurrencies derive their value directly from the price of gold, making them more stable and transparent than speculative digital assets. Because they are backed by a tangible, historically accepted asset in Islamic finance, they are broadly considered *shariah compliant*, aligning with key principles such as avoiding *gharar* (uncertainty), *riba* (interest), and *maisir* (gambling) (Rizvi & Ali, 2022). The existence of Sharia-compliant, asset-backed cryptocurrencies (e.g., gold-backed tokens such as GOLDX or OneGram) further demonstrates a potential path forward. These models aim to align with Islamic principles by deriving their value from tangible, real-world assets. This directly addresses the core concerns identified in the fatwas of the MUI, NU, and Muhammadiyah regarding volatility and the lack of intrinsic value.

4.3. The Legal and Religious Challenges and Opportunities in using Cryptocurrency for Zakat

Legal and religious analyses reveal a clear set of challenges and opportunities for using cryptocurrency in zakat. While government regulations and the MUI fatwa do not outright prohibit cryptocurrency ownership, they do not yet permit its use for direct zakat payments. This measured approach highlights a key opportunity in the Indonesian context: the value of crypto assets may still be used as a reference to fulfil zakat obligations with legal tender. This framework provides a basis for harmonizing regulatory and religious principles, allowing the development of Sharia-compliant cryptocurrency practices that remain consistent with the Islamic values of justice, transparency, and societal welfare.

It is also important to note that there are differing views and a high level of skepticism regarding the acceptance of cryptocurrencies in many Muslim-majority countries (Rizvi & Ali, 2022). However, this lack of consensus is not unique to Muslim-majority countries; similar uncertainties exist globally. To date, there is no universally accepted fatwa or authoritative ruling that provides a single Islamic stance on cryptocurrencies, reflecting the ongoing complexity and evolving nature of this technology (Shovkhalov & Idrisov, 2021). From the perspective of Islamic finance, innovations in financial technology deserve appreciation. However, such advancements must align with the core objectives of the Islamic economic system, which emphasizes justice and societal welfare. In this way, the ultimate goals of Islamic law, ensuring the well-being of people (*masalih al-‘ibad*), achieving success in this life and the hereafter (*falah*), and promoting a good and meaningful life (*hayah tayyibah*), can be fulfilled (Prasetyo & Janah, 2022).

In the Indonesian context, both government regulations and the MUI fatwa allow the possibility of recognizing cryptocurrency as a digital asset. This recognition opens opportunities for cryptocurrency to be treated as a zakat-able asset and potentially utilized as a form of waqf, provided it complies with Sharia principles. From a Zakat perspective, the obligation depends on the nature and purpose of asset ownership, as explained by scholars like Ibn Qudamah in *Al-Mughni*. Applying this to crypto assets

creates two main scenarios for Zakat calculation (Taufiqurrohman, 2022): (1) If the asset is held for growth (similar to investment), Zakat is due after one lunar year (*hawl*) once it reaches the *niṣāb*; (2) If the asset is traded for profit (similar to income), Zakat is due immediately upon earning, reflecting a distinction between Zakat on capital and Zakat on earnings. This obligation, generally an annual duty on financial and tradable assets, fundamentally aims to promote social justice by redistributing wealth (Muneeza et al., 2023).

4.4. Recommendation for the Development of Sharia-compliant Cryptocurrency Practices in Indonesia

Based on the findings of this study, the following suggestions are presented as concrete steps for Regulators, zakat institutions, and Islamic finance practitioners to bridge the gap between financial innovation and Islamic principles: Regulators: Based on the finding that Indonesia's legal framework classifies crypto as a commodity but not a currency, regulators must clarify its status for philanthropic purposes.

- Formalizing a legal classification. Issue regulations that officially recognize specific crypto-assets as zakatable wealth, with their value converted to Rupiah at the time of payment. This would provide legal certainty for zakat institutions and donors and address the current legal ambiguity.
- A joint task force should be established. A working group should be created in partnership with the MUI and other key Islamic organizations. The purpose is to develop clear, unified guidelines for Sharia-compliant crypto-assets (e.g., gold-backed stablecoins), which directly address the legal and religious requirements for assets to be lawful (*halal*).

For Islamic Finance Practitioners and Scholars. Given the lack of consensus among scholars, practitioners, and scholars, efforts must be made to create a unified framework.

- A comparative analysis was conducted. It is necessary to continue conducting in-depth research and issuing rulings that compare different crypto models. It focuses on the permissibility of new financial products, directly addressing the contested issues of *gharar* and the absence of underlying assets.
- Participate in policy. Actively engage with regulators in the joint task force. The goal is to translate religious principles into practical, enforceable regulations that support innovation while upholding the core objectives of Islamic law, such as justice and social welfare.

For Zakat Institutions, In response to the finding that crypto-assets can be considered zakatable wealth under certain conditions, institutions need to prepare for their practical use.

- Develop a secure infrastructure. Establish internal policies for accepting crypto-asset donations in the future, including the infrastructure to use, save, and utilize. This mitigates the risk of volatility (*gharar*).
- Educate the public. Launch targeted campaigns to educate Muslim communities on how to properly calculate and pay zakat, regularly update and address the need for greater public literacy, and ensure that donations are valid according to Sharia principles. Public education is a critical component of this process. Creating awareness regarding zakat obligations, including those for crypto-assets (Muneeza et al., 2023). There is a need to improve both financial and religious literacy regarding the nature and potential of Sharia-compliant crypto assets. Educational campaigns can reduce skepticism among Muslim communities by clarifying the ethical foundations and socioeconomic benefits of such innovations, particularly in supporting goals such as financial inclusion and social justice.

5. Conclusions

5.1. Conclusion

This study finds that Indonesia's current positive legal framework, as reflected in government regulations, acknowledges cryptocurrency as a digital asset, particularly for investment purposes, but not as a legal means of payment. Regulations from institutions such as BAPPEBTI provide a foundation for trading crypto assets in a controlled environment. However, legal gaps remain, especially regarding its integration into religious financial practices, such as zakat and waqf. From an Islamic law perspective, there are still differences in opinion. While the Indonesian Ulama Council (MUI) does not allow the direct use of cryptocurrency to pay zakat, it sees crypto as a possible zakat asset if it meets

certain conditions, such as *nisab* and *haul*. Fatwas from other countries also vary, often depending on how they view the risks of crypto, especially in terms of uncertainty (*gharar*) and interest (*riba*), which are not allowed in sharia. Despite the legal and religious uncertainties, cryptocurrency also presents opportunities. Its features, such as being easy to divide, track, and use, can help support Islamic goals, such as fairness, transparency, and social welfare. To move forward, it is important for government agencies, religious scholars, and technology experts to work in collaboration. A clear and unified guideline would help ensure that digital innovation grows in a manner that follows Islamic principles, builds public trust, and supports the goals of Islamic finance in Indonesia.

5.2. Suggestions

Future research should incorporate empirical methods to explore how zakat institutions, regulators, and Muslim communities perceive and respond to cryptocurrency donations. Qualitative studies involving interviews with religious scholars and financial authorities could deepen the understanding of interpretative differences in Sharia rulings. It is also suggested that regulators and religious institutions collaborate to formulate clearer guidelines on the status of crypto assets in Islamic philanthropy. Comparative studies with other Muslim-majority countries may provide valuable insights into the global best practices and regulatory innovations for crypto-zakat.

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