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Cryptocurrencies and Blockchain in Islamic Jurisprudence: A Comparative Legal and Economic Study

Mohammd Ali G Al Zuraib
Ph. D in Sharia, Associate Professor, Jurisprudence, Sharia Department, College of Sharia and Fundamentals of Religion, Najran University, Najran, Saudi Arabia,
mazurib@nu.edu.sa
https://orcid.org/0009-0003-0859-2127

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INTRODUCTION

Cryptocurrencies, particularly Bitcoin and Ethereum, have reshaped global conceptions of money, ownership, and exchange. With the rise of blockchain technology—distributed, immutable digital ledgers—applications have expanded into areas such as smart contracts, asset tokenization, and non-fungible tokens (NFTs). These shifts present pressing challenges to traditional Islamic legal structures, which have historically grounded financial rulings in well-defined principles such as prohibition of riba (intere...

In this context, Islamic jurisprudence must critically engage with these technologies—not by rejection or blind acceptance—but through a measured analysis rooted in legal maxims and maqāṣid al-sharīʿah (the higher objectives of Islamic law). This study explores the Islamic legal perspective on cryptocurrencies and blockchain technologies, providing an analytical review of scholarly opinions, regulatory frameworks, and economic realities across Muslim and global contexts.

CHAPTER ONE: DEFINING CONCEPTS – ISLAMIC AND TECHNICAL PERSPECTIVES

Islamic law defines "property" (māl) as that which has utility and is acknowledged by custom. Scholars differ in interpreting whether cryptocurrencies meet these criteria. From a technical standpoint, cryptocurrencies are decentralized digital assets using encryption and blockchain protocols to maintain trust and prevent duplication. The debate revolves around their volatility, acceptability, and value stability.

CHAPTER TWO: ISLAMIC RULINGS ON CRYPTOCURRENCY TRANSACTIONS

Islamic jurisprudence generally permits trading in items that are lawful, known, and owned. Cryptocurrencies raise issues such as gharar (excessive uncertainty), qimar (speculation), and unjust enrichment. The permissibility hinges on transparency, risk mitigation, and purpose. Mining is comparable to earning from digital effort, while excessive speculation may resemble gambling. Zakat obligations apply if digital assets qualify as monetary holdings, assessed by market value and subject to nisab and hawl.

CHAPTER THREE: INSTITUTIONAL AND REGULATORY POSITIONS

Islamic councils such as the International Islamic Fiqh Academy have called for caution, while institutions like Al-Azhar and the Saudi Council of Senior Scholars have opposed cryptocurrencies due to financial instability. Conversely, UAE and Bahrain have licensed crypto exchanges. Regulatory challenges focus on anti-money laundering (AML), financial security, and tax compliance.

CHAPTER FOUR: SMART CONTRACTS AND NFTS IN SHARIAH

Smart contracts are self-executing digital agreements. From an Islamic perspective, they are valid if they meet the conditions of consent, clarity, and legal purpose. NFTs, depending on their nature, may represent assets, rights, or digital collectibles. Their permissibility depends on utility, value, and absence of deception. Blockchain can enhance the documentation of Shariah contracts (e.g., waqf, marriage) if

confidentiality and validity are maintained.

CONCLUSION AND RECOMMENDATIONS

The study concludes that cryptocurrencies are a complex phenomenon that cannot be universally prohibited or approved. Their permissibility in Islam depends on purpose, risk, and compliance with legal and ethical principles. There is a growing need for Islamic jurists and economists to collaborate on frameworks that align fintech innovations with Shariah. Regulatory bodies should adopt adaptive policies that ensure transparency, accountability, and alignment with maqāṣid al-sharīʿah.

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