



Controversies of cryptocurrency: Fatwa analysis and implications from Muhammadiyah and NU perspectives in Indonesia

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Article Info

Article History

Received : 2025-07-17

Revised : 2025-08-16

Accepted : 2025-08-21

Published : 2025-08-22

Keywords:

Cryptocurrency, Fatwa, Muhammadiyah, Nahdlatul Ulama, Islamic Finance

DOI:

[10.20885/JILDEB.vol1.iss1.art2](https://doi.org/10.20885/JILDEB.vol1.iss1.art2)

JEL Classification:

Z12, G23, O33, K20

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Paper type:

Research paper

Abstract

Purpose – This study aims to analyze the controversy surrounding cryptocurrency from the perspectives of Muhammadiyah and Nahdlatul Ulama (NU), focusing on their respective fatwas, the underlying juridical argumentation, and the social and economic implications of these religious rulings in Indonesia.

Methodology – Employing a qualitative normative legal approach, the research conducts a comprehensive document analysis of official fatwas issued by Muhammadiyah and NU, complemented by secondary sources such as academic articles, news reports, and government regulations related to cryptocurrency in Indonesia.

Findings – Both Muhammadiyah and NU consistently declare cryptocurrencies haram (forbidden) primarily because of Islamic legal principles prohibiting *gharar* (excessive uncertainty), *maisir* (gambling), and the lack of state sanctions and consumer protection. While sharing this conclusion, the two organizations differ in their juridical methodologies, with NU exhibiting more contextual flexibility through internal debates and regional councils.

Implications – The fatwas serves as authoritative guidance shaping Muslim consumer choices and government regulations, reinforcing Islamic ethical standards in financial transactions. However, they also create tension between technological innovation and religious compliance, posing challenges to fintech adoption and inclusive economic growth. The findings suggest the need for ongoing dialogue between scholars, regulators, and industry stakeholders to reconcile Sharia compliance with digital financial innovation.

Originality – This study provides an original contribution by offering a comparative, in-depth analysis of the legal reasoning within the Muhammadiyah and NU fatwas on cryptocurrency, linking doctrinal argumentation to broader socioeconomic outcomes. It fills a gap in the existing literature that mostly catalogs fatwa content without examining their interpretive nuances and practical impacts in Indonesia's unique socio-religious context.

Cite this article:

Munandar, S. A., & Fahrurrozi, F. (2025). Controversies of cryptocurrency: Fatwa analysis and implications from Muhammadiyah and NU perspectives in Indonesia. *Journal of Islamic Law on Digital Economy and Business*, 1(1), 18-35. <https://doi.org/10.20885/JILDEB.vol1.iss1.art2>



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Introduction

The development of digital technology has significantly affected various aspects of life, including the financial sector. One of the most prominent innovations is the emergence of cryptocurrency, a form of digital asset that uses cryptography to ensure transaction security and create new units (Aloui et al., 2021; Faozi & Gustanto, 2024). Since the emergence of Bitcoin in 2009, the world has

witnessed a paradigm shift in how people view, store, and transfer value. Cryptocurrencies offer decentralization, transparency, and security based on blockchain technology, which differs from the conventional financial system, which has been dominated by central authorities such as banks and governments (Ardiyansyah et al., 2024; Tektona & Safilia, 2020).

Bitcoin, the pioneer of cryptocurrencies, has paved the way for thousands of other cryptocurrencies that are now widely used around the world, including Indonesia. In Indonesia, cryptocurrency has rapidly attracted interest from various groups, ranging from technology industry players and investors to the general public (Bakar & Huda, 2022; Bakar & Uzaki, 2017). Cryptocurrency is not only an alternative investment instrument but is also gaining traction as a digital transaction tool that is considered more efficient and inclusive. However, this widespread adoption lies in an array of debates involving economic, legal, social, and religious aspects. As the country with the largest Muslim population in the world, discussions regarding the legality and ethics of cryptocurrency use from an Islamic perspective are highly relevant and crucial (Putri et al., 2022; Zaman et al., 2025).

In Indonesia, the country with the largest Muslim population in the world, the existence of cryptocurrencies is not only an economic and technological issue but also a significant religious debate. Indonesia's largest Islamic organizations, such as Muhammadiyah and Nahdlatul Ulama (NU), have issued official opinions through fatwas and *Bahtsul Masail* (Islamic rulings) regarding the legal status of cryptocurrency use and investment. These two organizations play a strategic role in providing ethical and legal guidance for Muslims in Indonesia, thus significantly influencing the Muslim community's attitude toward digital financial innovation (Arzam et al., 2023; Hadi, 2024).

Muhammadiyah and Nahdlatul Ulama (NU), the two largest Islamic organizations in Indonesia, play a central role in guiding the Muslim community in facing contemporary issues, including the phenomenon of cryptocurrency. The views and stances of these organizations often serve as primary references for Indonesian Muslims to determine their attitudes toward various innovations, including digital financial technologies. However, how do these organizations perceive cryptocurrencies? Do they see this as an opportunity or a threat to the community? What considerations underlie the formulation of religious views on cryptocurrency?

These questions become increasingly intriguing, considering that cryptocurrency not only presents economic potential but also significant risks. High price volatility, the potential for fraud, and the absence of a central authority pose unique challenges to adopting this technology. On the other hand, cryptocurrencies also offer opportunities for financial inclusion for groups who have long struggled to access conventional banking services. This dilemma makes discussions about the law and ethics of cryptocurrency in Islam highly dynamic and nuanced.

This study aims to delve deeper into the cryptocurrency controversy from the perspective of Muhammadiyah and Nahdlatul Ulama. The main focus is to explore how these two organizations respond to the phenomenon of cryptocurrencies, examine the arguments used in religious discussions, and analyze the social and economic implications of their stances. By postponing discussions of the official stances or fatwas from these two organizations until later, readers are invited to understand the context, dynamics, and complexities underlying the cryptocurrency debate in Indonesia. Through this study, it is hoped that readers will gain a more comprehensive picture of how Muslims in Indonesia face the challenges and opportunities posed by digital financial innovation while also fostering curiosity about the religious stances taken by Muhammadiyah and Nahdlatul Ulama (NU) towards cryptocurrency.

Literature Review

Research on the law of cryptocurrencies in Islam has become an increasingly relevant topic alongside the development of financial technology. Various studies have attempted to analyze the perspectives of scholars and fatwa institutions regarding this phenomenon. This literature review identifies several previous relevant studies and highlights the distinctions of the research to be conducted. *First*, the study conducted by Saleh Nawaz Khan discusses that Islamic scholars have not reached a consensus on the legality of cryptocurrency. The Muslim community remains confused about the permissibility of cryptocurrencies. Cryptocurrency does not align with Islamic

principles. It is not a legitimate means of payment and is not supported by any government. Its price is highly volatile, which opens opportunities for speculation. Muslims are advised to avoid investing in it (Khan, 2023).

Second, the research by Mustafa Raza Rabbani explores the Sharia compliance of conventional cryptocurrencies such as Bitcoin, Ethereum, and Litecoin. The study shows that financial technology (fintech) has recently emerged as the most disruptive technology. Cloud computing, with its disruptive technological innovations, has transformed the landscape of many industries, and one such innovation is blockchain-based cryptocurrency. This research concludes that trading cryptocurrencies, such as Bitcoin, Ripple, and Ethereum, is not compliant with Sharia (Rabbani et al., 2022).

Third, Mohammad Abdul Matin Chowdhury and Dzuljastri Bin Abdul Razak explored the issues and mechanisms of cryptocurrencies to be evaluated from an Islamic perspective. It considers the views of Islamic scholars, policymakers, Muslim consumers, and investors regarding the permissibility and development of existing cryptocurrencies for broad use in the Islamic financial and banking sector (Chowdhury & Razak, 2019).

Fourth, Nashirah Abu Bakar, Sofian Rosbi, and Kiyotaka Uzaki focus on analyzing the operation of cryptocurrency systems from an Islamic finance perspective. The purpose of this study is to evaluate whether the cryptocurrency framework meets Islamic finance principles. In conclusion, Bitcoin transactions are classified as transactions with a high degree of uncertainty (*gharar*) (Bakar et al., 2017).

The above studies generally focus on the method of legal *istinbath* (deduction) and the comparison of fatwas regarding cryptocurrencies issued by international scholars. However, this research will expand the study by adding an in-depth analysis of the legal arguments used, the internal organizational dynamics, and the social and economic implications of these fatwas on society and policy in Indonesia. Furthermore, this study highlights the controversies and differing views that may arise between Muhammadiyah and Nahdlatul Ulama (NU), thereby providing a more comprehensive and contextual contribution to understanding the phenomenon of cryptocurrency from an Islamic perspective in Indonesia.

Research Method

Qualitative and descriptive research methods were used in this study. This method aims to provide a systematic, factual, and accurate overview of the cryptocurrency phenomenon from the perspective of Muhammadiyah and Nahdlatul Ulama (NU) without manipulating the variables studied. This approach allows researchers to explore and understand the views, facts, and arguments put forward by the two largest Islamic organizations in Indonesia regarding the use and investment of cryptocurrencies.

In its implementation, this research relied on data collection in the form of official fatwa documents from the Muhammadiyah Tarjih Council and the Nahdlatul Ulama Bahtsul Masail Institute, the results of Bahtsul Masail, scientific articles, and related literature discussing contemporary Islamic law and the development of digital financial technology. Furthermore, supporting data were obtained through semi-structured interviews with prominent scholars and experts from Muhammadiyah and Nahdlatul Ulama (NU) to gain a more comprehensive understanding of the fatwa decision-making process and the internal dynamics of organizations.

Data analysis was conducted using content analysis techniques to identify key themes, legal arguments, and differences and similarities in views between Muhammadiyah and Nahdlatul Ulama (NU). Next, a comparative analysis was conducted to understand the methodological approaches used by each organization to respond to the cryptocurrency issue. The results were then synthesized to draw conclusions regarding the implications of fatwa on Indonesian Muslim communities and policies related to digital assets (Zubaidi & Abdullah, 2017; Virgana et al., 2019).

A qualitative descriptive method was chosen because it aligns with the research objective of understanding social and religious phenomena in a natural and in-depth manner without attempting to establish causal relationships or test hypotheses. This approach also provides flexibility in data collection through literature review and document observation, enabling it to

capture the complexity of religious views and arguments developing societal implications for Indonesian Muslim communities and policies related to digital assets (Siswanto et al., 2020).

In this study, the researcher acted as the primary instrument to systematically and objectively observe, collect, and analyze data. Data validity was maintained through triangulation of data sources and collection methods to ensure the accuracy and credibility of research results (Saleh et al., 2020). Therefore, this study is expected to provide an honest and comprehensive picture of the cryptocurrency controversy from the perspective of Muhammadiyah and Nahdlatul Ulama, as well as a useful scientific contribution to the development of Islamic law and public policy in Indonesia.

Results and Discussion

Regulation and policy of crypto assets in Indonesia

Regulation and policies concerning cryptocurrency assets in Indonesia have undergone significant development in line with the rapid growth of the country's digital asset market. The government and financial supervisory institutions have been striving to develop a legal framework that can accommodate technological innovation while protecting consumers and maintaining the stability of the national financial system (Arbina & F Putuhena, 2022; Chang, 2019; Tauda, et al, 2023). A significant milestone in crypto asset regulation was the transfer of supervisory and regulatory duties from the Commodity Futures Trading Regulatory Agency (Badan Pengawas Perdagangan Berjangka Komoditi, BAPPEBTI) to the Financial Services Authority (Otoritas Jasa Keuangan, OJK), which officially took effect on January 10, 2025.

Previously, BAPPEBTI, under the Ministry of Trade, played a primary role in regulating crypto-asset trading as commodity futures. However, with the increasing complexity of crypto assets, which are now traded not only as commodities but also as broader digital financial instruments, the government sees a need for more integrated and comprehensive oversight. Therefore, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK) mandates the transfer of supervision of digital financial assets, including crypto assets, to the Financial Services Authority (OJK) within 24 months of the enactment (Herman et al., 2025).

To prepare for this transition, OJK and BAPPEBTI formed a transition team tasked with identifying documents, data, licensing status, and the readiness of crypto-asset businesses. The OJK also drafted a new regulation, Financial Services Authority Regulation (POJK) Number 27 of 2024, concerning the Implementation of Digital Financial Asset Trading, Including Crypto Assets, which came into effect concurrently with the supervisory transition date, January 10, 2025. This POJK serves as the primary legal basis for the OJK to regulate and supervise cryptocurrency trading in a regular, fair, transparent, and efficient manner (Siboro et al., 2024).

Regulation No. 27 of 2024 regulates various important aspects of crypto-asset trading, including the implementation of good corporate governance, effective risk management, market integrity, information and cyber system security, and the prevention of money laundering and terrorism financing. This regulation also prioritizes consumer protection, requiring businesses to provide clear and transparent information to investors and to implement strict security standards. Regarding licensing, the OJK ensures that all permits previously issued by BAPPEBTI are immediately adopted without the need for re-application, allowing businesses to continue their operations without disruption (Hasan et al., 2024).

The transition process of crypto asset supervision from BAPPEBTI to the Financial Services Authority (OJK) is carried out in stages across three main phases. The first phase is the transition phase, which emphasizes market smoothness and stability, using a smooth landing approach to maintain market confidence (Wardoyo & Hapsari, 2023).. The second phase is the development phase, in which the OJK evaluates and strengthens regulations, licensing, and supervision in line with the market dynamics and technological developments. The third phase is the enhancement phase, which focuses on the sustainability and innovation of crypto asset products and trading activities that align with public needs and best practices in the financial services sector (Siboro et al., 2024; Thamrin & Syauket, 2023).

In addition to regulatory oversight, the government regulates taxation of crypto-asset transactions. In early 2025, the Directorate General of Taxes issued Minister of Finance Regulation No. 11 of 2025, which stipulated a 12% Value Added Tax (VAT) on crypto asset transactions. This policy aligns with the general VAT rate and aims to provide legal certainty and increase state revenue from the growing digital economy. The imposition of this tax also signals the increasing recognition of cryptocurrency assets as part of the formal financial system in Indonesia (Herman et al., 2025).

On the other hand, the government and the Financial Services Authority (OJK) are also actively promoting increased public literacy and education regarding crypto assets. Given the high risk of volatility, potential for misuse of illegal activities, and complexity of the underlying technology, education is key to helping the public understand the benefits and risks inherent in these digital assets. Digital financial and crypto-literacy programs are being promoted to increase public awareness and skills in making wise and responsible investment decisions (Hasan et al., 2024).

Technology-based supervision is also a key focus of the Financial Services Authority (OJK) for managing the crypto asset market. The OJK is developing a digital information system and infrastructure capable of monitoring trading activity in real time, profiling business actors, and implementing the Know Your Customer (KYC) and Know Your Entity (KYE) principles to prevent money laundering and terrorism financing. Coordination with law enforcement agencies such as the National Police, Attorney General's Office, and Financial Transaction Reports and Analysis Center (Pusat Pelaporan dan Analisis Transaksi Keuangan, PPATK) is also being strengthened to ensure legal compliance and comprehensive risk mitigation (Ilham et al., 2022).

With increasingly mature regulations and integrated oversight, it is hoped that the crypto-asset industry in Indonesia can grow healthily, innovatively, and sustainably. POJK No. 27 of 2024 is expected to create a conducive business climate, attract more market players, and increase public trust in crypto assets, as part of the national digital economic transformation. However, challenges remain, particularly in maintaining a balance between innovation, consumer protection, and financial system stability (Ilham et al., 2022).

Overall, crypto-asset regulations and policies in Indonesia reflect the efforts of the government and regulatory agencies to place digital assets within a clear and measurable legal framework. The transfer of supervision from BAPPEBTI to the Financial Services Authority (OJK) is a strategic step expected to improve the effectiveness of regulation and supervision while providing greater protection for the public and industry players. Tax policies and accompanying literacy programs are also an integral part of the national strategy for managing the development of crypto assets to optimally benefit the Indonesian economy (Arbina & F Putuhena, 2022; Djati & Dewi, 2024).

Fatwa of the *Majelis Tarjih* of the Central Board (PP) Muhammadiyah on cryptocurrency

Prior to the Muhammadiyah fatwa, the Indonesian Ulema Council (*Majelis Ulama Indonesia*, MUI) officially prohibited the use of cryptocurrencies such as *Haram* (forbidden). *Haram* means that the currency is prohibited from being used, both as a medium of exchange and as an investment (cryptocurrency is *haram*). According to MUI's official website, cryptocurrencies are considered to contain *gharar* (unclear), *dharar* (unlawful), and violate Law Number 7 of 2011 and Bank Indonesia Regulation Number 17 of 2015 (Akbar, 2025; Hadi, 2024).

The *Majelis Tarjih* of the Central Executive Board (Pimpinan Pusat, PP) Muhammadiyah issued a Fatwa Tarjih (Islamic ruling) declaring that cryptocurrencies are haram, both as an investment vehicle and as a medium of exchange. Quoted from the official Muhammadiyah PP website, Muhammadiyah. or. id, "There is harm in cryptocurrencies," followed by a similar ruling to the Indonesian Ulema Council (MUI). According to the official Muhammadiyah website, the fatwa was delivered in a Fatwa (Islamic ruling) published in the Suara Muhammadiyah magazine, issue 01, 2022 (Ferdian, 2025).

Bitcoin was one of the earliest and most popular cryptocurrencies. Every Bitcoin and other cryptocurrency transaction is connected to the blockchain system, a digital ledger accessible to the

public without the need for a third party, such as a bank. Therefore, there are at least three important entities within blockchain and cryptocurrency systems: transactions, recording and verification systems, and transaction storage (Ramadhani, 2022; Wijaya, 2019). In Indonesia, transactions with this financial instrument can be conducted through applications offered by several companies/crypto-asset traders licensed by the Commodity Futures Trading Regulatory Agency (BAPPEBTI). These applications offer a wide variety of cryptoassets.

First, crypto is an investment tool. As investment tools, cryptocurrencies have many shortcomings from an Islamic perspective, such as their highly speculative nature. The value of cryptocurrencies, such as Bitcoin, is highly volatile, with unreasonable increases and decreases. In addition to its speculative nature, Bitcoin involves *gharar* (uncertainty). "*Bitcoin is simply a number without any underlying asset (an asset that backs Bitcoin, such as gold and other valuables)*," stating the Muhammadiyah Central Board's Tarjih Council.

This speculative and *gharar* nature is prohibited by Islamic law, as stated in the Quran and the hadith of the Prophet Muhammad (peace be upon him), and it does not meet the values and standards of business ethics according to Muhammadiyah. "*Especially these two points: no gharar (narrated by Muslim) and no gambling* (QS. Al Maidah: 90)," *Gharar* itself refers to uncertainty in transactions resulting from non-compliance with Sharia provisions, which can result in losses. Meanwhile, "*dharar*" refers to transactions that can cause damage, loss, or persecution, resulting in an invalid transfer of ownership. The use of cryptocurrency as a currency is prohibited by law because it contains *gharar* and *dharar* and violates Law No. 7 of 2011 and Bank Indonesia Regulation No. 17 of 2015 (Oswaldo, 2025).

Second, crypto is a medium of exchange. As a medium of exchange, the legal origin of cryptocurrencies is that they are permissible, as is the rule of jurisprudence in muamalah. The use of cryptocurrency is similar to a barter scheme; as long as both parties are equally happy, they do not cause harm and violate applicable regulations. However, if you use the premise of *sadd adz dzariah* (blocking the means to harm), the use of crypto money becomes problematic. For the Majelis Tarjih PP Muhammadiyah, the standard currency used as an exchange should fulfill two conditions: be accepted by the public and approved by the state, which in this case is represented by an official authority such as the central bank (Kurniawan, 2025).

The use of Bitcoin as a medium of exchange is not only legalized by our country, but also has no official authority responsible for it. Not to mention, if we talk about protecting consumers who use Bitcoin. It is not just the Majelis Tarjih PP Muhammadiyah, a number of religious fatwa authority institutions, that forbid cryptocurrencies, both as an investment tool and as a medium of exchange. For example, in the Islamic world, the discourse on cryptomoney is new. On December 28, 2017, Al Azhar passed through *Majma' al Buhuts al Islamiyah* and *Dar al Ifta* Egypt. In Indonesia, the MUI has issued a fatwa that interferes with Bitcoin, whether as a medium of exchange or as a commodity (Kurniawan, 2025).

As stated by the director of TRFX Garuda Berjangka, Ibrahim Assuaibi, said that his party appreciated the issuance of a Fatwa that forbid Bitcoin as a means of payment and investment from the Muhammadiyah Central Board (PP). According to Ibrahim Assuaibi, the fatwa is appropriate because, until now, the use of Bitcoin as a means of payment is contrary to Article 23 B of the 1945 Constitution in conjunction with Article 1, numbers 1 and 2, Article 2 paragraph (1), and Article 21 paragraph (1) of the Currency Law. He explained that the definition of cryptocurrency is decentralized digital money, based on blockchain technology. Cryptocurrency does not have a central issuing authority, such as a bank or government. Transactions are carried out anonymously and recorded and secured using blockchain technology, which is similar to a bank ledger.

Rupiah is the only legal tender in the Unitary State of the Republic of Indonesia (Negara Kesatuan Republik Indonesia, NKRI), and all transactions conducted within the territory of the Republic of Indonesia must use Rupiah. Meanwhile, Bitcoin, as an investment instrument, is still awaiting an official announcement from the Commodity Futures Trading Regulatory Agency (BAPPEBTI), Ministry of Trade of the Republic of Indonesia. The high level of enthusiasm from the public and investors has made Bitcoin accessible to the public. The number of people investing

in Bitcoin continues to increase significantly, with the potential for Bitcoin investors to reach 10-11 million by the end of this year. With the increasing interest of investors in Bitcoin and other cryptocurrency assets, Ibrahim stated that the government must prepare a draft bill on Bitcoin regulation as a means of payment. This can be accomplished by amending Article 23 B of the 1945 Constitution in conjunction with Article 1, numbers 1 and 2, Article 2 paragraph (1), and Article 21 paragraph (1) of the currency law to the House of Representatives (Dewan Perwakilan Rakyat, DPR) (Mahardhika, 2025).

One of the current revolutionary developments clearly occurs in digital currencies or cryptocurrencies. Cryptocurrencies such as Bitcoin essentially serve the same function as the dollar, rupiah, and others as a medium of exchange, unit of measurement, and store of value. The difference is that digital currencies are not centralized in a bank but instead utilize extremely strong data encryption.

Cryptocurrency has been considered an investment instrument capable of producing new millionaires and even billionaires in recent years. This is certainly tempting for the millennial generations. However, Muhammad Akhyar Adnan, a Sharia economics expert from the *Majelis Tarjih and Tajdid* Council of the Muhammadiyah Central Executive Board, stated that the business model of this digital cryptocurrency remains unclear, necessitating caution. Akhyar stated in a Tarjih study session, *"It's true that we at the Tarjih Council don't have a clear answer yet, as this discussion is certainly very complex and requires the involvement of several experts. The Indonesian Ulema Council (MUI) is also still discussing the matter. The Bahtsul Masail NU East Java seems to have already ruled this as haram."* (Idris, 2025)

As a Sharia finance expert and lecturer at Muhammadiyah University of Yogyakarta, Akhyar assesses that crypto assets are highly unstable and tend to contain elements of uncertainty (*gharar*) and gambling (*maisir*). Because there is no real sector where the funds circulate, their workings remain unclear, and there is no risk-sharing in the event of a loss, making crypto assets merely a tool for speculation. He also argues that crypto investments contain at least *gharar* or uncertainty about the nature of the crypto. It is simply a form of computer engineering that involves money and funds, whose workings are unknown, and sudden gains or losses are possible. Therefore, it includes *maisir* or gambling (Wahid, 2023).

Most Islamic scholars believe that this is *haram* (forbidden). Therefore, Akhyar urges caution and avoids being easily tempted by dreams of instant large profits. Many people suffer significant losses from betting on crypto assets. There have been many cases of significant losses. Indeed, many of us are tempted by the prospect of quick, substantial gains. In fact, this approach is almost nonexistent in the concept of finance in Islam. Islam emphasizes the element of effort.

Akhyar compared this to the plant business. He explained that no plant grows quickly and yields significant profit. Bean sprouts, while fast growing, yield modest profits. Conversely, teak wood requires at least 10 years to be utilized, yet the yields are substantial. This analogy illustrates that achieving substantial profits requires a long-term approach; they cannot be achieved instantly or in a short time (Ilham, 2025).

The head of the fatwa division of the MUI, KH Asrorun Ni'am Sholeh, stated that the use of cryptocurrency as a currency is *haram*. At the closing of the ulama meeting in Jakarta, KH Asrorun Ni'am Sholeh argued that the use of cryptocurrency as a currency is *haram* because it contains *gharar*, *dharar*, and is contrary to Law Number 7 of 2011 and Bank Indonesia Regulation Number 17 of 2015. He stated that cryptocurrency, as a digital commodity/asset, is not legally traded because it contains *gharar*, *dharar*, and *qimar* (gambling). In addition, it does not meet the requirements of *sil'ah* according to Sharia law—that is, namely having a physical form, having value, knowing the exact amount, ownership rights, and being able to be transferred to the buyer. Cryptocurrency, as a commodity/asset that meets the requirements of *sil'ah* and has an underlying and clear benefit, is legally traded (Oswaldo, 2025).

Mukhlis Rahmanto, a member of the economic studies division of the Majelis Tarjih Muhammadiyah and Tajdid Council Muhammadiyah, believes that cryptocurrencies will likely undergo changes in the future along with technological advancements. Although very few countries have officially recognized cryptocurrencies, the appeal of this intangible currency to the wider

community seems undeniable. Many observers have predicted that the crypto phenomenon will become a crucial part of the inevitable development of the digital economy. In Mukhlis Rahmanto's view, the fatwa on cryptocurrency, both as an investment instrument and a medium of exchange, could change in the future, provided that several key requirements are met (Ilham, 2025).

Mukhlis explained that the Tarjih Council views the cryptocurrency controversy from two perspectives: as an investment instrument and medium of exchange. However, crypto as an investment instrument is *haram* (forbidden) because it lacks an underlying asset, which leads to volatile fluctuations. Many investors often become billionaires but many also become destitute, making the *gharar* and *maisir* (gambling) aspects of crypto assets very apparent.

Mukhlis explained that digital cryptocurrencies must meet several requirements, such as the existence of underlying assets and legal certainty from the state. If these two aspects are met in crypto investments, the elements of *gharar* and *maisir* can be minimized, potentially leading to a change in their legal status. Without legal certainty, investors cannot report cases to the police or bring cases to court in instances of fraud.

Meanwhile, as a medium of exchange, digital cryptocurrencies must meet at least two requirements: public acceptance and state approval, which, in this case, can be represented by an official authority, such as a central bank. As long as social customs do not recognize them as a medium of exchange and investment instruments, and the state has not officially recognized their entity, cryptocurrencies will remain *haram* (forbidden). If these two requirements are met, the Majelis Tarjih fatwa will likely be revised. Mukhlis urged the public to be cautious about anything unknown, such as cryptocurrencies. The *Majelis Tarjih* Fatwa on digital cryptocurrencies serves as a temporary guide. Although the fatwa is not organizationally binding to members of the Islamic organization, those who are unfamiliar with or unaware of Sharia law and then inquire about the tarjih council, the fatwa-issuing body within the Islamic organization, would find it unethical to receive an answer in the form of a fatwa and then disobey it (Bisnis.com, 2025).

The deputy chair of Majelis Tabligh of central leadership Muhammadiyah, Fahmi Salim, stated that in the Islamic world, there is no specific fatwa that can serve as a guideline for collectively agreeing on the law of cryptocurrencies. He believes that the relatively new nature of cryptocurrencies has prevented most scholars, including Muhammadiyah, from issuing rules. Personally, Fahmi Salim believed that the law on cryptocurrencies depends on whether they are used for good or evil. Cryptocurrency technology is essentially value free. If it is used to produce a forbidden product or service, the product is forbidden. If it is used to produce something lawful, the product can remain lawful (Ferdian, 2025).

Bahtsul Masail NU fatwa on cryptocurrency

Crypto trading works similarly to stock trading, but also utilizes technical analysis to predict price movements. This analysis involves the use of charts and indicators to identify price trends and patterns, enabling traders to make informed buying or selling decisions. Crypto trading carries high risk because of the highly volatile prices of crypto assets. Therefore, it is crucial for traders to have a good understanding of the cryptomarket and an effective trading strategy before starting trading. This crypto issue has been discussed in several Bahtsul Masail forums with varying results. Some prohibit crypto practices, whereas others permit them. These include the following.

Decision of Bahtsul Masail PWNU East Java

The Regional Board of Nahdlatul Ulama (PWNU) East Java issued a fatwa stating that the use of cryptocurrency or digital currency secured by cryptography is considered *haram* (forbidden). This discussion was conducted during a *bahtsul masail* discussion held on October 24, 2021. The East Java Nahdlatul Ulama (NU) Executive Board (Pengurus Wilayah Nahdlatul Ulama, PWNU) held a Bahtsul masail to celebrate Santri Day 2021. The event, held at the East Java PWNU office on Jalan Masjid Al-Akbar Timur 9, Surabaya, was attended by representatives from several Islamic boarding schools (*pesantren*). Participants included those from Pondok Lirboyo, Kediri, Nurul Jadid, Probolinggo, and several other Islamic boarding schools. Ustaz Muhammad Syamsuddin led the *bahtul masail*.

The event, which also featured representatives from the *Nahdlatul Ulama* Branch Management (Pengurus Cabang Nahdlatul Ulama, PCNU) and several Islamic boarding schools (*pesantren*) across East Java, concluded that the use of crypto assets as a means of transaction was haram. This is because it raises several possibilities that could invalidate the transaction. Kiai Azizi Chasbullah, acting as a *mushahih* (religious advisor), stated, "*The participants in the bahtsul masail are of the view that even though crypto has been recognized by the government as a commodity, it cannot be legalized according to Sharia.*" The alumnus of the Lirboyo Islamic Boarding School in Kediri, East Java stated that one of the considerations for the haram-fatwa decision was the risk of fraud in the transaction. Based on several considerations, including the potential for fraud, it was deemed *haram* (Hadi 2024).

During the discussion, participants in the deliberation or *musyawirin* also considered that cryptocurrency had no benefits according to Sharia, as explained in Islamic jurisprudence books. This was confirmed by a team of cryptocurrency experts invited by East Java PWNU to explain the chronology of correct practices in using cryptocurrency. In discussing cryptocurrency assets as commodities or goods that are legally traded, East Java PWNU decided that crypto is a fictitious asset that is not legally traded. Cryptocurrency cannot be considered an asset or goods that are legally traded because the definition of 'goods' as an object that can be traded must include two conditions: *ain musyahadah* (a physical object) or *syai-in maushuf fid dzimmah* (asset-backed item) (Basywar & Amdar, 2021).

Assets that can be used as guarantees include those consisting physical matter (*'ain*), debt (*dain*), and actions (*fi'lin*, such as work, services, benefits, and rights). As Sheikh Al-Khathib As-Syirbini explained: "*There are three cases or three kinds of buying and selling, in one sense there are 4 kinds. First: buying and selling physical goods which can be witnessed by two people who are competing to make the contract, so the law is permissible because there is no gharar (deception). Second, buying and selling something whose characteristics can be shown and guaranteed.*" (Bujairmi 1996).

Therefore, all cryptocurrency assets, such as Bitcoin, Ethereum, Polkadot, and Tether, essentially do not meet the criteria for *sil'ah* (commodity) according to Islamic jurisprudence, as they do not fall into the category of '*ain musyahadah*' (a condition of mutual benefit) or the category of *shay-in maushuf fid dhimmah* (property of mutual benefit). Therefore, cryptocurrencies do not have the potential to be transferred according to *hissan* (sensory) and Sharia. These are considered *ma'dum* (fictional) assets. Therefore, it can be concluded that cryptocurrencies do not meet the standards of *sil'ah* (commodities) according to Islamic jurisprudence. Therefore, cryptocurrencies are prohibited (*ghairu jaiz*).

Bahtsul Masail also recommended that Muslims, especially Nahdliyyin members, should be careful in their transactions and always aim for what is lawful (*halal*). Two issues discussed in the PWNU discussion were cryptocurrencies, or digital currencies such as Bitcoin, as viewed from *Fiqh* and analysis of Law No. 1/PNS/1965 concerning blasphemy (Tempo.co, 2025).

Bahtsul Masail decision of PWNU DIY (Yogyakarta)

On November 21, 2021, the Yogyakarta Nahdlatul Ulama (NU) Regional Leadership Council (PWNU) issued the *Bahtsul Masail* (Islamic Discussion) on crypto at the Al-Hadi Islamic Center (PPM) in Yogyakarta. The *Bahtsul Masail* stated that cryptocurrency is a permissible medium of exchange in Islam. Considering that cryptocurrency is a contemporary issue, there are no direct legal references from Islamic scholars. Therefore, the *Nahdlatul Ulama* Legal Body LBM in Yogyakarta refers to evidence from outside traditional *madhhab* scholars, involving expert practitioners in cryptography using the *ilhaqi* method (contextual). Scholars referred to by the Yogyakarta Nahdlatul Ulama LBM include Wahbah Zuhaili, Abdul Aziz Azam, and Sheikh Yusuf al-Qordlowi.

The full formulation states: Economics is a dynamic part of Islamic law (*an-nadzhar ila al-ma'ani*). The development of digital technology has influenced changes in the media of exchange, commodity forms, and transaction patterns. Islamic law does not stipulate the type of exchange medium to be used. In Islamic law, the exchange medium follows the customs of a community (*'urf*).

Cryptocurrency is a widely used product of digital technology transformation. As a medium of exchange and commodity, it is permitted under Islamic law. Crypto meets the requirements for both a medium of exchange (*al-tsaman*) and a commodity (*al-mutsmān*), including having benefits (*muntafa'*), being transferable (*maqdur 'ala taslimih*), and being accessible by both parties (*ma'luman lil 'aqidain*). This excludes various cryptocurrency variants that do not satisfy these requirements. As explained by blockchain practitioners and experts, the assumption of danger and risk due to uncertainty (*gharar*) and gambling (*qimar*) is not found in cryptocurrency transactions (Arrahmah, 2025).

Price fluctuations follow market laws (supply and demand) permitted by Islamic law. Blockchain technology and cryptography also offer high levels of security and prevent fraud and manipulation. Cryptocurrencies have been proven to operate over a long period and remain viable. As the global cryptocurrency market continues to grow, the Indonesian government is responsible for establishing regulations governing cryptocurrencies as a medium of exchange (*al-tsaman*) and commodity (*al-mutsmān*) in Indonesia (Millah, 2025).

The legal decision-making structure of the Central Nahdlatul Ulama Legal Body (LBM PBNU) in issuing fatwas generally consisted of two sections: a problem analysis framework and a response procedure. The problem analysis framework includes impact analysis, legal analysis, and analysis of the problem itself. The problem analysis in the LBM PBNU decision is supported by arguments from the Quran and Hadith, while the fatwa from the Bahtsul Masail NU Yogyakarta Institute on cryptocurrency does not include the Quran and Hadith and only provides a general problem analysis. LBM NU Yogyakarta also does not formulate a detailed impact or legal analysis, even though this is crucial and should be a primary consideration.

The LBM of the Nahdlatul Ulama Executive Board (PWNU) of the Special Region of Yogyakarta (DIY) confirmed that the status of cryptocurrency had been seriously reviewed in the Bahtsul Masail (Religious Affairs Meeting) of the PWNU DIY. The results indicated that crypto was permissible or halal. KH. Fajar emphasized that the decision was made by the Kyai (Islamic scholars), who were the formulators: KH. Shofiyullah Muzammil KH. Nilzam Yahya, KH. Hilmy Muhammad, KH. Irwan Masduqi, KH. Fajar Abdul Basyir, KH. Anis Mashduqi (Febriyanto 2025).

Bahtsul Masail Islamic Law Firm (ILF)

On June 19, 2021, Yenny Wahid, Founder of the Islamic Law Firm (ILF), and Director of the Wahid Foundation initiated the Bahtsul Masail (Islamic Law Forum) to discuss the halal and haram aspects of crypto transactions. This initiative responded to many questions regarding these increasingly popular transactions. Yenny stated that some consider cryptocurrencies *halal* because those who claim they are *halal* argue that the cryptocurrency system, as a medium of exchange, is freer from usury (*riba*) than fiat money and conventional banks. This is because blockchain systems conduct direct peer-to-peer transactions without intermediaries (Arrahmah, 2025).

Yenny argues that fiat money only operates thanks to the support of central banks that use interest. They also argue that cryptocurrencies or cryptoassets are *halal* as long as they are not prohibited by a state or government. She also explained that some consider cryptocurrencies *haram* (forbidden) because of their high level of uncertainty. Their prices can fluctuate rapidly without a clear sentiment. Yenny also stated that those who forbid them argue that the high volatility of cryptocurrencies is similar to gambling, and that they cannot be traded because there is no underlying asset (the basis for sukuk transactions).

The ILF featured a number of Islamic scholars, namely the Head of the Sukorejo Islamic Boarding School, KH Afifuddin Muhajir, the Head of the Al-Anwar Sarang Islamic Boarding School, KH Abdul Ghofur Maimun, the Deputy Chair of the LBM PBNU, KH Abdul Moqsi Ghazali, KH Asyhar Kholil, and Habib Ali Bahar. In addition, general speakers who are experts in their fields were also present, namely the Head of the Commodity Futures Trading Supervisory Agency (BAPPEBTI) Indrasari Wisnu Wardhana, the Indonesian Stock Exchange, Pandu Patra Sjahrir, the Founder and CEO of PT Pintu Kemana Saja Jeth Soetoyo, and the Co-Founder and CEO of Indodax Oscar Darmawan (Sujono et al., 2025).

The following are the results of the *Bahtsul Masail Halal Haram* Crypto Transactions: *First*, crypto assets are wealth (*mal*) according to Islamic jurisprudence. Therefore, the crypto assets we discuss are considered assets from an Islamic jurisprudence perspective. This means that if these assets are stolen, they must be punished for theft, and if they are damaged, they must be replaced. *Second*, the public is urged to refrain from engaging in these transactions without prior knowledge of cryptocurrencies. *Third*, the government is urged to establish strict regulations to prevent misuse and irregularities in crypto transactions (Akbar 2025).

Fourth, because it is wealth, it is permissible to exchange it as long as it does not involve a *gharar* (uncertainty). Why was this decision made? There are differing opinions among *musyawirin* (religious scholars) on whether cryptocurrency transactions involve *gharar*. Some say that cryptocurrencies involve *gharars*, while others say that they do not. The nature of the *gharar* is debatable, as people view it from their own perspective. However, scholars of the *Bahtsul Masail* (Islamic jurisprudence) agree that crypto transactions must be free of *gharar*, but they differ on this point. Therefore, those who believe that cryptocurrencies contain *gharar* are not permitted. Those who say that they do not, as is also supported by scholars of the *Bahtsul Masail* (Islamic jurisprudence), believe that cryptocurrency is permissible to exchange.

The *Bahtsul Masail Halal Haram* Crypto Transactions Forum discussed cryptocurrencies that were not backed by real assets. The absence of cryptocurrencies backed by real assets in the *Bahtsul Masail* Forum was because Islamic scholars and Islamic scholars (*kyai*) viewed this type of cryptocurrency as unproblematic. These are some of the views expressed by the *Bahtsul Masail* NU Forum, which has discussed crypto. Based on the explanation above, these differences in opinion stem from differing perspectives on the crypto itself, whether transactions are considered safe or worrisome (Farmita 2025).

Comparison of the views of Muhammadiyah, NU, and international Islamic organizations

A comparison of the approaches of Muhammadiyah and *Nahdlatul Ulama* (NU) in viewing cryptocurrencies reveals differences in methodology and emphasis on Islamic law, despite issuing fatwas declaring the use of cryptocurrencies as a medium of exchange and investment as *haram*. In short, the main differences between Muhammadiyah and NU lie in their methodological approaches and flexibility in legal determination. Muhammadiyah adopts a stricter and more textual approach, relying on classical *fiqh* principles, emphasizing consumer protection, while NU prioritizes the social context and the public interest (*maslahah*) as the basis for legal decision-making, thus tending to be more open to the possibility of revising its fatwa if there are supporting regulatory and technological developments. Both organizations agree that cryptocurrencies currently do not meet Sharia standards as *halal* and safe financial instruments for Muslims. Their fatwas also serve as an important reference for the Muslim community and regulators in formulating policies related to digital assets in Indonesia.

Several major international Islamic organizations have issued fatalities and official opinions regarding cryptocurrencies (see Table 1). Here is a summary of the positions of some of the major organizations: *First*, the Syrian Islamic Council (SIC): In 2019, the SIC issued a fatwa declaring cryptocurrencies like Bitcoin to be *haram* (forbidden). The reasons cited include their decentralized nature, lack of regulation, potential for money laundering, high volatility, and similarities to gambling. However, SIC left open the possibility of legal changes if these risks could be addressed, and an authority was established to regulate and ensure transaction security (Nurjannah & Lisnawati, 2024).

Second, International Union of Muslim Scholars (IUMS): In 2022, the IUMS addressed the question of whether crypto could be considered a legitimate currency ('*umla*). The IUMS tended to be cautious and emphasized the need for oversight and legal certainty before the crypto could be accepted into the Islamic financial system. *Third*, Egypt's Dar al-Ifta, Egypt's former Grand Mufti, and Chawki Allam explicitly forbade Bitcoin and other cryptocurrencies because they were considered similar to gambling and could potentially be used for financial crimes. This fatwa emphasized the risk, speculation, and potential misuse of funds (Putri, 2024).

Fourth, Wifaq Al-ulama (International Council of Ulema): This group also forbids crypto, citing the potential for fraud and the misuse of funds, although they acknowledge that some similar risks exist with fiat currencies. *Fifth*, the Fatwa Center of the Islamic Seminary of South Africa: Some scholars and institutions in South Africa have declared crypto halal, provided that its use complies with Sharia principles, avoids excessive speculation, and provides clear economic benefits. *Sixth*, the International Islamic Fiqh Academy (IIFA): The IIFA asserts that most cryptocurrencies currently do not qualify as Sharia-compliant currencies due to the lack of underlying assets, high volatility, and the risk of misuse. However, the IIFA also leaves room for *ijtihad* (an initiative) for future technological and regulatory developments (Khan, 2023; Sujono et al., 2025).

Table 1. A comparative overview of Islamic organizations' stances on cryptocurrency

Organization/Country	Legal status of crypto	Main reasons for prohibition/permission	Special notes
Muhammadiyah (Indonesia)	Haram	Gharar, maisir, volatility, no underlying asset	This can change if there are regulations and Sharia guarantees.
NU (Indonesia)	Generally it is haram, some allow it with conditions	Gharar, mafsadah, risk of fraud, legality	There are internal differences, some open up space for <i>ijtihad</i> and certain conditions.
SIC (Syria)	Haram	Volatility, decentralization, fraud risk	It can change if there is clear authority and regulation.
IUMS (International)	Be careful/tends to be haram	The need for supervision and legal certainty	There is no single fatwa yet, waiting for regulatory developments.
Dar al-Ifta Egypt	Haram	Similar to gambling, the risk of financial crime	Very firm, focused on protecting the community.
Wifaq Al-ulama	Haram	Fraud, misuse of funds	Acknowledging similar risks to fiat, crypto is more vulnerable.
Fatwa Center South Africa	Halal (with conditions)	Economic benefits, Sharia requirements are met	Emphasize education and strict supervision.
IIFA	Generally Haram	Lack of underlying assets, high volatility	Open to <i>ijtihad</i> if there are technological and regulatory developments

Source: Authors' own research

Similarities: The majority of international Islamic organizations, such as Muhammadiyah, NU, SIC, IUMS, and Dar al-Ifta Egypt, tend to forbid crypto due to *gharar* (uncertainty), *maisir* (speculation/gambling), high volatility, and the potential for abuse. **Differences:** Some institutions, such as the Fatwa Center of the Islamic Seminary of South Africa, tend to be more moderate and permit stricter conditions. The NU also has a variety of internal views that are more open to *ijtihad*. **Flexibility:** At both the national (NU, Muhammadiyah) and international (SIC, IIFA) levels, there is room for legal change if there are developments in regulations, technology, and adequate security guarantees.

Implications of Muhammadiyah and Nahdlatul Ulama fatwas on the use of cryptocurrencies

According to data from the Indonesian Ministry of Trade, the number of crypto investors in Indonesia reached 6.5 million by the end of May 2021, compared to 4 million in the previous year. This number has even surpassed the current number of investors in the stock market, which,

according to Bank Indonesia data, reached 2.4 million (Kirana et al., 2023; Lestari, 2025). The implications of cryptocurrency from the perspective of Muhammadiyah and Nahdlatul Ulama (NU) in Indonesia encompass complex social, economic, and religious aspects. These two largest Islamic organizations have expressed critical views on the use of cryptos, which have significantly impacted Muslim behavior, government policy, and the development of the digital financial ecosystem in Indonesia.

Economically, cryptocurrencies offer the opportunity to increase transaction efficiency with lower transfer fees and higher payment speeds, particularly in international transactions. The blockchain technology underlying cryptocurrencies also increases transparency and security in transaction recording, potentially strengthening the financial system and driving the growth of Indonesia's digital economy. However, Muhammadiyah and Nahdlatul Ulama (NU) highlighted the risk of very high price volatility, which makes cryptocurrencies less stable as a store of value and a medium of exchange. This volatility has the potential to cause significant losses for investors who do not understand the risks, especially for those with low digital financial literacy.

From a social perspective, the haram fatwas issued by Muhammadiyah and Nahdlatul Ulama (NU) serve as guidelines for Muslims to avoid practices deemed to contain elements of excessive speculation (*maisir*), uncertainty (*gharar*), and potential fraud. These fatwas provide moral and legal protection to prevent people from engaging in activities that are financially detrimental, in contrast to the Sharia principles. However, these fatalities also pose challenges, particularly for those in the crypto industry and those who view cryptos as an investment opportunity and technological innovation. This creates tension between the need to keep up with technological developments and upholding religious values.

In the context of regulation and policy, fatwas from Muhammadiyah and Nahdlatul Ulama (NU) influenced the Indonesian government's policy on crypto assets. The government, through the Commodity Futures Trading Regulatory Agency (BAPPEBTI) and later the Financial Services Authority (OJK), sought to strictly regulate the trading and use of digital assets, including tax enforcement and consumer protection. Religious fatwas is an important consideration in formulating policies that align with the values of the Muslim majority. However, challenges arise from the potential misuse of cryptos for illegal activities such as money laundering, terrorism financing, and tax evasion, which can harm the country economically and reputationally.

Muhammadiyah and Nahdlatul Ulama (NU) emphasize the importance of digital education and literacy so that the public can appropriately understand the benefits and risks of crypto. Weak digital literacy increases the risk of loss and misuse. Therefore, both organizations encourage collaboration among religious scholars, regulators, academics, and industry players to build a digital financial ecosystem that is healthy, safe, and compliant with Sharia principles.

Another socioeconomic impact is the potential for unequal access and distribution of wealth. Cryptocurrency use, which is predominantly accessible to the elite or those with technological knowledge, could exacerbate economic disparities if not balanced by inclusive policies. The haram fatwa also serves as a reminder to the Muslim community to avoid falling into investment practices that only benefit a select few, without providing broad social benefits.

Conclusion

Tarjih Council of The Muhammadiyah Central Executive Board (PP Muhammadiyah) officially issued a fatwa declaring the use of cryptocurrencies, both as an investment tool and medium of exchange, to be haram. This fatwa is based on several key considerations, including its highly speculative nature, unreasonable value volatility, and lack of a clear underlying asset as the basis for the value of cryptocurrency. Furthermore, Muhammadiyah believes that cryptocurrencies have not been officially recognized by the state as legal tenders, thus posing harm and risk to their users. This fatwa also refers to the principles of Islamic business ethics that emphasize fairness, transparency, and consumer protection in financial transactions.

Meanwhile, Nahdlatul Ulama, through its East Java Regional Executive, also issued a fatwa declaring the use of cryptocurrencies as a means of transaction haram. In a *Bahtsul Masail* (an informal discussion) held in October 2021, the NU stated that the use of cryptocurrency could

eliminate the legality of transactions and did not meet the requirements as a legitimate investment instrument under Islamic law. Although the Indonesian government recognized cryptocurrency as a tradable commodity, the NU emphasized that this recognition does not automatically make it halal under Islamic law. One of the main reasons for this is the high risk of fraud and legal uncertainty in cryptocurrency transactions.

However, within the Nahdlatul Ulama (NU), there are relatively more moderate views than those of Muhammadiyah. Several NU institutions, such as the Bahtsul Masail Institute (Lembaga Bahtsul Masail PWNNU Yogyakarta), are open to the possibility of using cryptocurrency as a medium of exchange if it meets Sharia requirements, such as the absence of elements of mafsadah (harm) and clear benefits for society. This approach prioritizes the principles of maslahah (benefit) and mafsadah as the basis for legal decision making, thus allowing room for ijtihad (intelligence) and adaptation to developments in financial technology.

These findings have substantial implications for both academic theory and practical policymaking. By illuminating nuanced legal debates within major Islamic organizations, this study enriches the understanding of how Islamic jurisprudence engages with emerging financial technologies. Practically, this research informs policymakers and financial institutions about the varied religious perspectives that influence Muslim consumer behavior and regulatory acceptance of cryptocurrency in Indonesia, emphasizing the need for culturally sensitive and inclusive regulatory frameworks.

Future research should address these limitations by incorporating empirical studies involving Muslim investors, financial practitioners, and policymakers. Comparative investigations across different Islamic countries could further elucidate how local contexts shape the religious and legal reception of cryptocurrencies. Additionally, exploring evolving fatwas over time and their socioeconomic impacts would provide dynamic insights as fintech continues to develop. These directions would deepen the understanding of the cryptocurrency's role at the intersection of religion, law, and modern finance within the Muslim world.

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