

DEVELOPING SHARIAH SCREENING METHODOLOGIES FOR CRYPTOCURRENCY

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Developing Shariah Screening Methodologies For Cryptocurrency

by

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Table Of Contents

CHAPTER 1	1
INTRODUCTION	1
1.0 INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	1
1.2 PROBLEM STATEMENT	3
1.3 RESEARCH QUESTIONS	5
1.4 RESEARCH OBJECTIVES	6
1.5 SCOPE OF STUDY	6
1.6 SIGNIFICANCE OF STUDY	6
1.7 OPERATIONAL DEFINITION	7
1.7.1 Cryptocurrency	7
1.7.2 Shariah Compliance	8
1.7.3 Shariah Screening Methodologies	9
1.8 ORGANIZATION OF THE PROPOSAL	10
1.9 CONCLUSION	11
CHAPTER 2	12
LITERATURE REVIEW	12
2.0 INTRODUCTION	12
2.1 LITERATURE REVIEW	12
2.1.1 The Concept of Cryptocurrency in Islamic Perspective	13
2.1.2 Law of Cryptocurrency based on Islamic Perspective	15
2.1.3 Methods of Measuring Shariah Compliant Status	17
2.2 RESEARCH GAP	21
2.3 RESEARCH FRAMEWORK	23
2.4 CONCLUSION	24
CHAPTER 3	25
RESEARCH METHODS	25
3.0 INTRODUCTION	25
3.1 RESEARCH DESIGN	25
3.1.1 Research Paradigm	25
3.1.2 Qualitative Research	26
3.1.2.1 Descriptive Research	27
3.1.2.2 Exploratory Research	27
3.2 DATA COLLECTION METHOD	28
3.2.1 Secondary Data	28
3.3 DATA ANALYSIS METHOD	29
3.3.1 Thematic Analysis	29
3.3.2 ATLAS-TI Software Programme	30

3.4 RELIABILITY AND VALIDITY OF DATA.....	31
3.4.1 Triangulation.....	31
3.5 CONCLUSION	33
CHAPTER 4.....	34
DATA ANALYSIS AND FINDINGS	34
4.0 INTRODUCTION.....	34
4.1 THE CONCEPT OF CRYPTOCURRENCY IN ISLAMIC PERSPECTIVE.....	34
4.2 THE LAW OF CRYPTOCURRENCY BASED ON ISLAMIC PERSPECTIVE.....	45
4.3 METHODS OF MEASURING SHARIAH COMPLIANT STATUS	52
4.4 CONCLUSION	59
CHAPTER 5.....	60
DISCUSSION AND CONCLUSION	60
5.0 INTRODUCTION.....	60
5.1 MAIN FINDINGS	60
5.2 IMPLICATIONS OF THE STUDY	64
5.3 RESEARCH CONTRIBUTIONS	66
5.4 LIMITATIONS OF THE STUDY.....	68
5.5 RECOMMENDATIONS FOR FUTURE RESEARCH.....	69
5.6 CONCLUSION	70
REFERENCES.....	71

ABSTRACT

Cryptocurrency is determined by the fact that it represents a fundamental component of a completely new model of financial relationships - Digital Finance. The characteristics of cryptocurrencies are that they have no intrinsic value, have no physical form because they exist only virtually through internet systems and networks, and the supply is not offered by any national bank. Therefore, the existence of such awareness has caused the community to think about or perceive the legitimacy of the use of crypto whether it is permissible (*halal*) or prohibited (*haram*). This research is purposed to discover the concept of cryptocurrency according to the Islamic perspective, the law of cryptocurrency based on the Islamic perspective, and what methods are used to measure Shariah-compliant status in cryptocurrency. To answer these questions, the researcher used qualitative research methods such as descriptive and exploratory research; its resources are taken from secondary sources related to cryptocurrency. This paper uses thematic analysis, ATLAS.ti software programme, and triangulation to make the data more reliable and valid. The result shows that cryptocurrency as money is prohibited (*haram*) since it violates Shariah, yet cryptocurrencies are also deserving of being used as money (*halal*) because they satisfy the requirements for exchange transactions in addition to other criteria, such as *mal* (property) and user benefits but there is still no specific method to determine if this cryptocurrency is *halal* or *haram*.

Keywords: Cryptocurrency, Islamic Perspective, Sharia Compliance, Islamic Finance.

ABSTRAK

Mata wang kripto ditentukan oleh fakta bahawa ia mewakili komponen asas model hubungan kewangan yang benar-benar baharu - Kewangan Digital. Ciri-ciri mata wang kripto ialah ia tidak mempunyai nilai intrinsik, tidak mempunyai bentuk fizikal kerana ia hanya wujud secara maya melalui sistem dan rangkaian internet, dan bekalannya tidak ditawarkan oleh mana-mana bank negara. Justeru, wujudnya kesedaran sebegini menyebabkan masyarakat berfikir atau melihat kesahihan penggunaan kripto sama ada ianya dibenarkan (halal) atau dilarang (haram). Penyelidikan ini bertujuan untuk mengetahui konsep mata wang kripto mengikut perspektif Islam, hukum mata wang kripto berdasarkan perspektif Islam, dan kaedah yang digunakan untuk mengukur status patuh Syariah dalam mata wang kripto. Bagi menjawab persoalan tersebut, pengkaji menggunakan kaedah kajian kualitatif seperti kajian deskriptif dan penerokaan; sumbernya diambil daripada sumber sekunder yang berkaitan dengan mata wang kripto. Kertas kerja ini menggunakan analisis tematik, program perisian ATLAS.ti dan triangulasi untuk menjadikan data lebih dipercayai dan sah. Hasilnya menunjukkan bahawa mata wang kripto sebagai wang adalah dilarang (haram) kerana ia melanggar Syariah, namun mata wang kripto juga layak digunakan sebagai wang (halal) kerana ia memenuhi keperluan untuk transaksi pertukaran sebagai tambahan kepada kriteria lain, seperti mal (harta) dan faedah pengguna tetapi masih tiada kaedah khusus untuk menentukan sama ada mata wang kripto ini halal atau haram.

Kata kunci: Cryptocurrency, Perspektif Islam, Pemuatan Syariah, Kewangan Islam.

CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

In this chapter, the researcher describes an overview the study background, which is about the developing shariah screening methodologies for cryptocurrency. The research also includes a problem statement, research question, research objective, operational definition, significance of study, scope of the study and organizational of the study in this chapter.

1.1 BACKGROUND OF THE STUDY

In this study, the main scope that the researcher will talk about is developing shariah screening methodologies for cryptocurrency. The word “crypto” refers to the encryption or cryptography that the instrument is built on and then added to a blockchain database. The “currency” here refers to the recognition of the instrument as a medium of exchange amongst its users. According to Ashford and Schmidt (2020), Cryptocurrency is decentralized digital money that’s based on blockchain technology. At its core, cryptocurrency is typically decentralized digital money designed to be used over the internet.

The first cryptocurrency, and still remains the largest, most influential, and most famous is bitcoin. For the record, the idea of a digital monetary system began in the early 1990s when several companies and programmers tried to creating money that could be exchanged virtually. Most of these early currencies struggled to find their place due to numerous prohibitive regulations, inadequate technology, poor security features, lack of usage and various other issues. The cryptocurrency segment of the digital currency world was created in 2009 with the invention of Bitcoin. Crypto makes it possible to transfer value online without the need for an intermediary such as a bank or payment processor, allowing

value to be transferred globally, almost instantly, 24/7, at low fees. In fact, cryptocurrencies are typically not issued or controlled by any government or other central authority (Armstrong's, 2019).

Bitcoin was established in 1998 and is known as a crypto currency. However, it can be said that Mr. Satoshi Nakamoto is the founder of Bitcoin, a peer-to-peer electronic cash system. In fact, 2010 was the first time Bitcoin was valued. It happened starting with someone deciding to sell his 10,000 Bitcoins for two pizzas. Due to the situation, a new idea emerged to use this cryptocurrency as a decentralized and encrypted currency idea (Marr, 2019).

In Shariah, the fundamental requirement for a counter value or consideration is that it has the preservative of faith (*deen*), life (*nafs*), lineage (*nasl*), intellect (*'aql*) and wealth (*mal*). The discussion of maqasid Shariah for Bitcoin is pointing to the preservation of wealth. When we look at the definition of mal in this context, we find the word "mal" is commonly used in the texts of the Quran and in the sayings of the Prophet Muhammad (peace be upon him). As we said earlier, the Quran and the Sunnah of the Prophet Muhammad (peace be upon him) do not explain the definition of mal in clear terms. Therefore, the jurists and scholars differ somewhat in their definitions of mal. According to the famous Hanafi jurist Al-Haskafi (1989) defines mal as "a tangible thing or corporeal thing which is desirable and consumable". Likewise, Shaykh Zarqa (1989) explains the view of Hanafi jurists with regard to definition of mal. He says: "every tangible thing which has material value among the people is mal". It is clear from these definitions that, according to Hanafi scholars, mal is limited to corporeal and tangible things and that intangible things like rights and benefits are not considered as mal according to Hanafi scholars.

There are two views where it is haram or acceptable according to the views of scholars. The first view, the Fatwa Center of Palestine (2017) also issued a fatwa with regard to cryptocurrency. The fatwa claims that cryptocurrency is haram and prohibited because the

issuer of bitcoin is unknown, and neither a government nor a central authority is behind it. Bitcoin comes into existence with the objective of no central authority and monitoring system and therefore, it is untrustworthy and unreliable. In facts there are views that say that bitcoin is a type of gambling, because people invest a lot of money to create bitcoin without a guarantees to whether they will be successful or not (Mufti Muhammad Abu-Bakar, 2018).

Second view, cryptocurrency is permissible in principle. This view can be analyzed in light of our previous discussion with regard to both the criteria and definition of property (mal) and money. There is a famous legal maxim explained by jurists:

“اصل في المعاملات الباحة”

(al asal fil muamalat alibahah).

This means that original rule is permissibility in financial and business transactions. In other words, everything is permissible unless we found it clearly contradictory to Shariah principles. Therefore, any cryptocurrency which fulfills these conditions (such as Bitcoin) is acceptable as money. Thus, the research method used is a qualitative study through exploration of various sources and a few contents analysis by current fatwas in accordance with the topic.

The findings of this study are explained more about what method can be used to measure Shariah compliant status, what concept of cryptocurrency in Islamic perspective.

1.2 PROBLEM STATEMENT

The importance of cryptocurrency is determined by the fact that it represents a fundamental component of a complete new model of financial relationships - Digital Finance. Needless to say, only until recently in financial structure were there three fundamentally different models of financial relationships: classical finance, corporate finance and Islamic finance. Thus, crypto can be categorized as one of the types in fintech.

Other than that, some people think so a cryptocurrency is a real physical coin whereas it is just a virtual currency. It is an exchange medium that uses cryptography to control

transactions and control the creation of new units. The characteristics of cryptocurrencies are that they have no intrinsic value, have no physical form because they exist only virtually internet systems and networks, and the supply is not offered by any national bank. According to Robinson (2017), fintech can be divided into two spheres. The first is a company -facing company that offers digital tools to improve the way some people borrow money, manage it and finance start -ups. Another is a back office venture. It helps some financial institutions behind the scenes to streamline their operations.

Therefore, the existence of such awareness, has caused the community to have a thought or a perception of the legitimacy of the use of crypto whether it is halal or illegal. Due to such speculation, the acceptance of the use of this crypto is often viewed negatively because the society that is less knowledgeable and informed on this issue has made its own impression that this crypto is illegal. First of all we need to know how this issue can arise, how it can be said to be illegal and whether the use of crypto is an illegal thing according to Islamic law.

Thus, the answer given based on the Ministry of Waqfs and Religious Affairs of Qatar (2013), it gives the impression that although there are undesirable actions related to electronic money (via crypto) such as speculation, we cannot take firm action to prohibit the use of money this, because these negative issues have already been mentioned in most of the cases already on the market. Therefore, if a person has obtained electronic money in a legitimate way then he is allowed to use it. It has been proven in one of the previous fatwas that digital or electronic currency is different from ordinary paper money or coins. As a result, this purchase of electronic money is considered a common currency exchange “However, despite the importance of this fatwa and expert opinion, it cannot be considered as reliable as scientific research.

Imam Al-Ghazali says”:

“Allah created dinar and dirham for circulation and to be an equitable and just

standard between different assets and for another wisdom which is make them as meansto all other assets. That's because they are precious in themselves (intrinsic value) butnot desired for themselves. ”

In short, based on the current Shariah status of cryptocurrency concerns most scholars have agreed with the second view that bitcoin is permissible because cryptocurrency is considered valuable at current market prices on global exchanges and is accepted as a payment tool for a wide variety of merchants. Therefore, the concept of Shariah is important to know more about cryptocurrency because Muslim communities especially should exercise caution as recently they have become the target of scammers advertising “halal investment” opportunities using cryptocurrency. As a rule, any cryptocurrency investment opportunity that promises a fixed rate of return is likely to be a scam, as are illegal and illegal pyramid schemes.

1.3 RESEARCH QUESTIONS

1. What is the concept of cryptocurrency in Islamic perspective?
2. What is the law of cryptocurrency based on the Islamic perspective?
3. To what extent the methods can be used to measure of Shariah compliant status in cryptocurrency?

1.4 RESEARCH OBJECTIVES

The general objective of the research is to identify the status of Shariah compliance in cryptocurrency.

1. To identify the concept of cryptocurrency according to Islamic perspective.
2. To analyse the law of cryptocurrency based on Islamic perspective.
3. To develop methods of measuring Shariah compliant status in cryptocurrency.

1.5 SCOPE OF STUDY

As in any study, these studies have its fair share scope of the study. Hence, the following are some scope of the study:

- a) This study will only focus on the law and Shariah-compliant status in cryptocurrency according to the Islamic perspective.
- b) The method for this research proposal is collecting qualitative data that refers to content analysis only, which is a systematic research method to analyze text documents.
- c) In this study, an analysis tool which is ATLAS.ti software will be used in this research.

1.6 SIGNIFICANCE OF STUDY

The main purpose of this study is to identify the status of Shariah compliance in cryptocurrency and its views from Islamic perspective. This study also aims to analyse the usability of cryptocurrency as an exchange for physical money such as banknotes and coins in online transactions and develop methods of measuring Shariah compliance status of cryptocurrency.

The findings of this study shed insight on the current condition of cryptocurrencies when viewed through the lens of Islamic sharia law. This research also elucidates the Islamic permissibility of financial transactions involving cryptocurrencies such as Bitcoin and Ethereum, which is an important aspect to consider. Research like this one is being carried

out right now so that legitimate cryptocurrency transactions can be confirmed. It also investigates how well-known cryptocurrencies like Bitcoin, which are immensely popular in Malaysia, perform as investment vehicles and compares their performance to that of traditional asset classes.

1.7 OPERATIONAL DEFINITION

1.7.1 Cryptocurrency

In the absence of a central bank, the term "cryptocurrency" refers to a digital currency in which encryption techniques are employed to oversee the manufacturing of currency units and to verify the transfer of funds. Cryptocurrency is also known as "crypto." By encrypting transactions and imposing severe limits on the number of new coins that may be created, a cryptocurrency can function as a means of exchange (Nashirah, Sofian & Uzaki, 2017). According to Andy (2011) and Polansek (2016), cryptocurrency is a type of digital currency that can be used in place of traditional fiat cash in transactions. Transactions are made secure, transparent, and unchangeable thanks to the utilisation of blockchain technology. Additionally, additional units may be manufactured via the blockchain if sufficient demand exists.

Cryptocurrency, on the other hand, is defined by Satoshi Nakamoto as a network of digital signatures. Once the former owner's private key and the prospective owner's public key have been digitally signed, they can be appended to a hash of the coin to transfer ownership. The transfer of existing assets is also verified via cryptography. Hence, it is possible to exchange regular fiat currency for bitcoin, a form of virtual currency. As a result of its scarcity, cryptocurrency can be used as a medium of exchange (Jenkinson, 2017).

In a published document, the European Central Bank (2012) defines virtual currency as "a digital representation of value that is neither issued by a central bank or a public

authority nor necessarily tied to a fiat money or currency, but is accepted by natural or legal persons as a means of payment and can be transferred, stored, or traded electronically." Some examples of virtual currencies are cryptocurrencies like Bitcoin, Litecoin, Stellar, etc., as well as non-cryptocurrencies like in-game credits for massively multiplayer games like World of Warcraft, advertiser-issued credits, and other digital value storage systems.

As a whole, cryptocurrencies can be defined as digital currencies that can be used in place of traditional currency in online transactions. Encryption techniques are used to secure the safety of transactions and the creation limit of each bitcoin unit. Bitcoin, Ethereum, BNB, USD tether, and Solana are all examples of cryptocurrencies. Researchers' definition of cryptocurrency is exhaustive and encompasses the complete concept of cryptocurrency.

1.7.2 Shariah Compliance

Shariah compliance is the practise of adhering to Islamic law as drawn from the Quran and Sunnah. Shariah compliance is the major factor that influences which Islamic banks customers choose. Shariah compliance increases the legitimacy of Islamic banks and the trust of their stakeholders (Ullah, 2014). The Shariah, which is founded on the Qur'an and Sunnah, is at the heart of Islamic banking concepts. Shariah-compliant financial systems must be based on actual assets and cannot charge transaction interest (*riba*). Certain behaviours are likewise prohibited by Shariah principles, including as speculating, gambling (*maysir*), and other forms of excessive uncertainty (*gharar*).

Shariah compliance also can be define as action or activity that is carried out in accordance with the stipulations of the Shariah, often known as Islamic law. The Islamic banking industry frequently employs this phrase as a synonym for "Islamic" in their day-to-day operations. According to SuhaidaKasri (2017), the Islamic banking and finance business exists only because of Shariah compliance. According to Islamic law, conformity to the Shariah is attained by assuring both that an agreement's underlying asset and its

underlying purpose are in accordance with the Shariah. Ensuring that contractual duties and rights are upheld in accordance with Shariah is critical to the smooth running of any business.

Shariah compliance is defined as an activity or behaviour that must adhere to Islamic law as a whole. Shariah-compliant activities are those that are based on the Qur'an and the Sunnah. Additionally, it must be free of *riba*, *gharar*, and *maysir* in order to be considered pure. According to the researchers, after reading numerous viewpoints expressed by past authors, they have come up with a clear description of what it means to comply with shariah in all its facets.

1.7.3 Shariah Screening Methodologies

The Securities Commission (SC) of Malaysia's Shariah Advisory Committee (SAC) designed Shariah screening methodology to assist investors in locating Shariah-compliant assets. This is to verify that their investments adhere to Shariah rules, which forbid the use of *riba*, *maysir*, and *gharar* in any form. Early on, a quantitative assessment approach based on four activity- based benchmarks and qualitative assessment was used because of Malaysia's infancy in the Islamic capital market at that time.

The Quran and the Sunnah serve as primary sources for the screening procedures. The quantitative requirements, on the other hand, are not described in detail in either the Holy Quran or the Sunnah. Qualitative sector screening and quantitative finance screening are two of the most common types of screening techniques. Muslim scholars are unanimous. To be declared Shariah-compliant, both of these conditions must be met.

According to the Shariah principles, the qualitative screening approach is used to screen for non-permissible economic activity, whereas the quantitative screening entails the investigation of three primary financial ratios: In some cases, index providers also take into account the ratio of non-permissible earnings. A little leeway is afforded to researchers when it comes to setting their own quantitative standards. One reason is the difficulty of turning

historical and oral materials into suggestions that can be used in today's modern systems for reviewing and monitoring guidelines and portfolios (Derigs & Marzban, 2008).

In order to determine if an action adheres to Shariah law, the shariah screening methodology is used. The shariah screening methodology is separated into two techniques: qualitative and quantitative. This shariah screening methodology is aimed to help investors find Shariah-compliant equities. This definition was selected by the researchers for inclusion in their study because it is all-inclusive and encompasses the complete meaning of the shariah screening methodology.

1.8 ORGANIZATION OF THE PROPOSAL

The proposal's organization will be discussed what is going to have in chapters one until five.

In chapter one, this study describes about the introduction. That will include background on cryptocurrency and a problem statement of Shariah compliance in cryptocurrency. Then, the research question, research objectives, scope of the study, significance of the study, operational definition, organization of the proposal, and conclusion of the chapter.

In chapter two, the researcher will discuss in more detail about literature review. This includes an introduction, an evaluation of the available literature from previous studies relevant to the selected topic, underpinning theory, and research gap. Then, the research framework is based on a review of the literature. Lastly, the conclusion of the chapter.

The third chapter will discuss in detail about the research methods. This includes an introduction and research design where this study will use qualitative data. Next, the data collection method, data analysis method, and reliability and validity of data will be discussed in detail. Also, the analysis tool used in this research is ATLAS.ti software. Lastly, the conclusion of the chapter.

The four chapter will discuss data analysis and findings in more detail. This includes

an introduction, and findings will be presented in relation to the research objectives stated in the study. Also, an analysis tool which is ATLAS.ti software, will be used. Lastly, the conclusion of the chapter.

In chapter five, the researcher will discuss the discussion and conclusion. This includes an introduction and main findings. Next, the implications of the study, research contributions, limitations of the study, and recommendations for future research will be discussed in detail. Lastly, the conclusion of the chapter.

1.9 CONCLUSION

This chapter focuses more on introducing the topic to be discussed as well as providing an overall overview of the study. Therefore, this chapter states the problem statement of this study, research objectives, research question, operational definition, significant of the study, scope of the study and organizational of the study.

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

The background of the topic, as well as a statement of the problem, were covered in earlier chapters, as was the overarching objective of the study. This chapter will include a review of the previous work in the field.

A literature review involves compiling and summarising the results of all previous research on a certain topic. During the course of a literature review, each and every academic article, book, and other piece of relevant material relating to a certain research topic is investigated. The results of this previous research need to be enumerated, presented, summarised, and evaluated in an objective manner. It should help the author determine the scope of the study as well as act as a theoretical framework for the research. The fact that the literature review recognizes the work of others gives the reader the sense that the work has been thoroughly researched. It is presumed that an author has read, assessed, and assimilated the information from a previous study in the research topic if the author makes a reference to it.

The researchers that contributed to this chapter will present more material that they have gained from previous investigations with the intention of developing Shariah screening methods for cryptocurrencies.

2.1 LITERATURE REVIEW

In the literature review, this study requires strong references, among others through articles. A total of 12 articles were found by the researcher. The article is taken from websites such as google scholar, Scopus, and emerald for reference. There are three themes found and it is

guided by the objectives of the study. These themes include the concept of cryptocurrency in Islamic perspective, law of cryptocurrency based on Islamic perspective, and methods of measuring Shariah compliant status. Each of these themes will be discussed in more detail below.

2.1.1 The Concept of Cryptocurrency in Islamic Perspective

When talking about the Islamic perspective, it means examining the extent to which something contributes to the achievement of *Maqasid al-Shariah*. According to Aliyu et al. (2020), a Shariah-compliant cryptocurrency is termed a digital currency that complies with the *Maqasid al-Shariah* based on whether the authorities and the assets control the cryptocurrency are supported or not. In line with Aliyu et al. (2020), digital cryptocurrencies are not real money because tangible assets do not back them with intrinsic value. Shariah compliance requires financial products or activities to comply with Shariah requirements (Saleh et al., 2020). Islamic finance derives its principles from Shariah, which is based on Al-Quran and As-Sunnah. The main determining feature in applying Shariah to the financing structure is that transactions should be based on tangible assets and not involve interest (*riba*). Shariah principles also prohibit uncertainty (*gharar*), speculation or excessive uncertainty (*maysir*) and gambling (*qimar*). Cryptocurrencies are highly compatible with Islamic finance and can provide solutions to government-controlled currency problems (Muedini, 2018).

Referring to Chowdhury and Razak (2019), cryptocurrency is an innovative piece of the technological world that is a digital or virtual currency used for internet transactions that have been electronically encrypted for security. It differs from historical fiat currencies in issuing, original issuing, and physical subsistence. If it is Shariah-compliant, Islam welcomes the development of technologies that produce countless innovations in various sectors worldwide, including the financial sector. There are more than eleven thousand

cryptocurrencies with various categories used worldwide as a medium of exchange (Jung et al., 2019). Monzer Kahf (2014), an Islamic scholar, argues that a cryptocurrency is identical to any other currency that is money in its community and can be transferred to other currencies, yet subject to similar currency exchange conditions (BNC, 2018).

Concerning the Islamic perspective of cryptocurrencies, Saleh et al. (2020) stated that cryptocurrency is innovative and new to Muslim consumers, yet it can be used in the same way and for the same purpose as other international currencies. The only difference is that it is not a physical or tangible currency. In line with Saleh et al. (2020), cryptocurrencies can be considered as *mal* (property) because of desire and savings. Cryptocurrencies have many benefits in transactions, for example, ease of dealing in line with Islamic ethics. Shariah recognizes intangible assets as *mal* (property) as well. Findings concerning Shariah have claimed that from a Shariah perspective, several conditions must be met when exchanging cryptocurrencies for other currencies. This is so because it shares the same currency exchange conditions as fiat money, as stipulated by Shariah.

Meera (2018) defines the concept of cryptocurrency as a digital currency that uses some advanced cryptography technology to ensure withdrawals, transfers, and a historical chronological transaction record. To meet Islamic principles, cryptocurrencies must be backed by real assets. The components of the currency based on Islamic law must be examined in order to determine the characteristics of cryptocurrencies and if it is compliant with Islamic law. (Yuneline, 2019). The cryptocurrency is allowed as money because it satisfies the transaction exchange habits other than other requirements. There are three components such as property (*mal*), *halal* because of its value (*taqawwum*), and the value of money (*thamaniyyah*). From a Shariah perspective, a cryptocurrency can be considered as *mal* (property) because of desire and savings. However, it cannot be considered as *thamaniyyah* (monetary value), as it still requires the value of the fiat currency to determine

the value of the cryptocurrency.

Siswantoro et al. (2020) mentioned that cryptocurrencies are based on cryptography in financial systems. Cryptocurrency as digital money is more stable than fiat money, and it can be classified as a digital currency exchange medium with flexible and stable features. From an Islamic perspective, money has specific characteristics and needs, such as stability and asset-based. The motives of holding money in accordance with the teachings of Islam are the motive of transaction and the motive of precaution. Therefore, cryptocurrency can be classified as a medium of digital currency exchange rather than money for this category.

Based on the above discussion, the study found that most studies have the opinion that the concept of cryptocurrency in an Islamic perspective as a digital currency exchange medium has certain characteristics in the application of Shariah to the financing structure and determine whether it is in accordance with Islamic Shariah. Also, argue that digital cryptocurrency is not real money because tangible assets do not back it. This is because a Shariah-compliant cryptocurrency is a digital currency that must comply with the *Maqasid al-Shariah*, and to meet Islamic principles, real assets must back the cryptocurrency.

2.1.2 Law of Cryptocurrency based on Islamic Perspective

According to a Sharia Analysis of Bitcoin's Status as Payment Method, the cryptocurrency is ineffective as a payment tool. There are opinions based on fatwas and the views of Islamic scholars on the prohibition of cryptocurrency. Grand Mufti of Egypt (2018) has ruled that the prohibition of cryptocurrency in transactions is because cryptocurrency are not a generally accepted means of payment as they are not issued by any country. This is in stark contrast to the characteristics of a currency where an important feature of a currency must be generally accepted to be a medium of exchange. In addition, cryptocurrency also does not have international agreements, making cryptocurrency an illegal means of payment. The issuance of currency is the absolute right of the government and the official financial institutions of a

country. However, in the absence of an authoritative body that controls this currency system, it will have a negative impact on the financial system and currency of a country.

In this study, a similar opinion and view was given by the Mufti of the Federal Territory, Zulkifli Mohamad al-Bakri (2018) who ruled that cryptocurrency as a currency is prohibited because it does not comply with Shariah. This is because, the cryptocurrency does not meet the characteristics of the currency that have been set by Islam such as the occurrence of value instability in the cryptocurrency. Value stability is very important to carry out the function of money as a store of value, but if the value is unstable, then the currency cannot function as a store of value. This instability will present various harms and threats to consumers now and in the future. According to him, the implementation of cryptocurrency is also not based on the real purpose of the creation of cryptocurrency, which is to be used as an alternative to the existing fiat currency system in a country. Cryptocurrencies are more widely used as an investment asset by their users.

This is also supported by some scholarly views who also issued a fatwa banning cryptocurrencies because they do not comply with the law and Shariah. This is because, the cryptocurrency does not comply with the pillars and conditions that have been set in the fiqh of muamalat as a means of payment or finance. Cryptocurrencies also do not meet the characteristics and currency requirements of transaction payment instruments. In fact, cryptocurrency transactions also have illegal elements such as *riba* and *gharar*, and it is also prohibited to have ownership and exchanges that involve gambling (Bakar, 2018). According to Turkey Directorate of Religious Affairs or Diyanet (2017) which states that cryptocurrency has an element of speculation and is easy in committing illegal activities such as money laundering.

However, there are other opinions stating that cryptocurrencies should be implemented, in contrast to the opinions that ban them. In opinions from Taha Karaan and

South African scholars, based on general acceptance, cryptocurrencies are considered *mal* and in the absence of regulation and approval from the government of a country, but it is not a problem to consider cryptocurrency as property.

In the study of Rani and Salleh (2019), the same opinion was expressed by Darul Uloom Zakaria who stated that cryptocurrency is a *mal* and it can be used as a currency and allowed to trade. Digital currencies such as cryptocurrencies are closer to the concept of *Maqasid al-Shariah* than the use of fiat currencies. This is due to, the flow of cryptocurrency can save the cost and time of the customers who use them. Furthermore, with the busyness of consumers nowadays, cryptocurrency can benefit consumers in a short time. Blockchain technology can also fight the problem of money laundering because it can determine the identity of the owner of a cryptocurrency through data or records stored.

Based on the above study and discussion, the study find that most Islamic studies, fatwas and scholars agree that cryptocurrency is an illegal currency based on the Islamic perspective. This is because, most of the same views given by researchers about cryptocurrency are currencies that still do not meet the characteristics of the currency, conditions and important elements in the Islamic financial system and even its implementation is not based on Shariah law. This can be seen when blockchain-based cryptocurrencies such as features, functions and conditions still do not follow the criteria as a currency and their implementation is inconsistent with the Islamic perspective.

2.1.3 Methods of Measuring Shariah Compliant Status

Muslim scholars and Shariah experts have developed differing opinions on the status of Shariah compliance in cryptocurrencies. Some consider it permissible (*halal*) and others prohibited (*haram*). Referring to Asif (2018), Islamic law provides a specific set of conditions that must qualify an asset as *halal*. Among the conditions is the prohibition of certain acts such as *riba* (interest), illegal industry, *gharar* (uncertainty), and *maysir*

(gambling). The prohibition statement is based on high speculation, easy to use for criminal activities, and not published by any government (Naim, 2018). Also, it has been proven that cryptocurrencies like bitcoin are free from usury, inflation, and debt and use fair circulation. This makes it more *halal* compared to the fiat money that exists in general today. Although cryptocurrency possesses the characteristics of wealth and legal value, but any returns earned are valid according to Islam.

According to Aliyu et al. (2020), to find out whether it is Shariah-compliant or not by considering two metrics, including regulatory power and asset support. Studies show that any cryptocurrency not backed by real and tangible assets is Shariah non-compliant. The use of digital currency must achieve the concept of wealth protection (*Maqasid al-Shariah*). Cryptocurrencies can be considered *halal*, which is Shariah-compliant, by fulfilling the three properties of money, namely the medium of exchange, unit of account and value savings. Several Islamic guidelines must be adhered to make the trading of cryptocurrencies Shariah compliant. In financial transactions, Islam has offered its own rules and regulations regarding the Islamic financial system. The rules and laws on the financial system state that there should be no activities involving gambling (*maysir*), interest (*riba*) and uncertainty (*gharar*).

Yuneline (2019) stated that there are two different opinions by Shariah scholars whereby the first group has an opinion that cryptocurrencies are prohibited by Islamic law (*haram*). While other groups argue it is permissible in Islamic law (*halal*). The cryptocurrency transactions must involve two parties allowed in Islamic Shariah (*halal*). Among the methods in determining the Shariah-compliant status is referring to its characteristics which is first, the negative publicity that cryptocurrencies are easily used for illegal activities. Second, cryptocurrency is intangible and only available on the internet. Third, cryptocurrency does not have a central authority to monitor and audit its systems. Fourth, cryptocurrency transactions are open to speculation which is excessive *gharar* and

lastly, cryptocurrency is not backed by anything.

Based on Ali al-Qarahdaghi (1990), he argues that cryptocurrency should not be banned because of Shariah non-compliance. This is because cryptocurrency does not have a regulatory body to control the movement and circulation of the currency. So, this is also a method to measure the status of a cryptocurrency based on whether it is Shariah-compliant. It is clear that a cryptocurrency is a currency that is not issued by the official financial institution of a country or a government. In fact, cryptocurrency is not recognized by a country as an official currency. It also does not have the authority to control or monitor the movement of the system, even the banks or official financial institutions of a country are not able to control the system.

In addition, according to Fatwa Center Palestine from study of (Abu-Bakar, 2017) it is also ruled that cryptocurrencies are prohibited (*haram*) because they are not generally accepted and have very significant value differences. This shows that the cryptocurrency does not comply with Shariah and does not meet the characteristics of the currency prescribed in Islam. So, the method to measure the status of a cryptocurrency is through the important features that it should have as a currency according to Islamic scholars. Among them is that the currency must be generally accepted whether it is accepted by force against the public through law or accepted by the public voluntarily. To function as a tool of exchange, a currency must be widely accepted and ratified by the government. Furthermore, the currency's value stability is a feature of the currency. To function as a store of value, a currency must have a stable value and not easily rise or fall sharply. This will invite harm to users of cryptocurrencies (Zulkifli Mohamad al-Bakri, 2018).

From the study of Al-Amri et al. (2021), Islamic contract law principles are required for Shariah compliance in accepting cryptocurrency-based payment methods and services. Shariah compliance is only highlighted when specific actions are prohibited by law, or certain

activities are outside the scope of Shariah. It does not matter whether some events can be considered common sense. This study uses the Unified Theory of Acceptance and Use of Technology (UTAUT) as an underpinning theory for integrating Shariah compliance. This Shariah compliance influences and shapes the behavioral intentions of consumers to adopt cryptocurrencies from a Shariah perspective. Also, it has been implemented to investigate the acceptance of cryptocurrency-based Islamic financing. To investigate the extent to which cryptocurrencies might undermine traditional financial systems, UTAUT is also expanded with the addition of human trust and creativity.

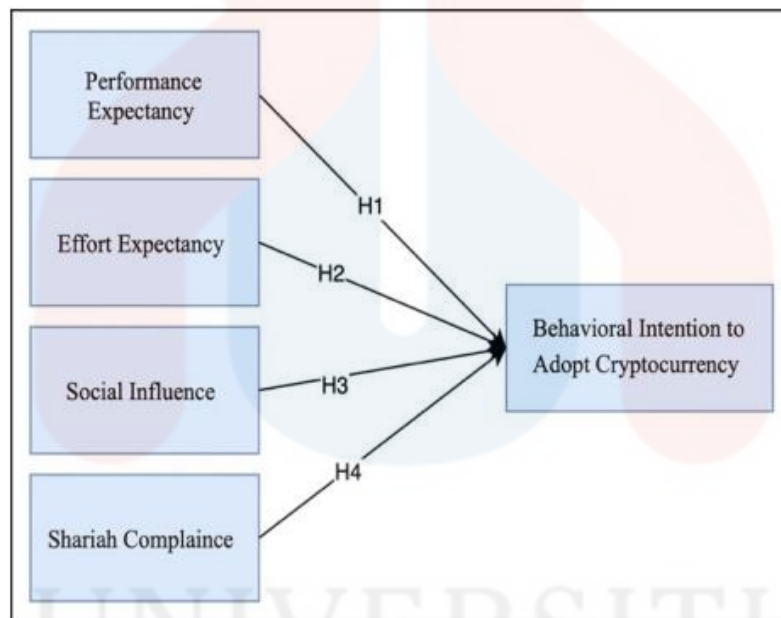


Figure 1: The Conceptual Framework. Sources adopted from Al-Amri et al. (2021)

Based on the above study and discussion, the study find that most of the studies and opinions find that the method to measure the Shariah compliance of cryptocurrency is through the features found in cryptocurrency. Most of them found that the shortcomings of the cryptocurrency made it a Shariah non-compliant currency. They say and argue that cryptocurrencies do not meet the characteristics of a currency, are not recognized by most countries, and do not meet the characteristics of money. In addition, cryptocurrencies also do not qualify and there are prohibited (*haram*) activities in cryptocurrencies.

2.2 RESEARCH GAP

A research gap is a question or a problem that has not been answered by any of the existing studies or research within your field (Elyse Wolf, 2021). Research gap is something that remains to be done or learned in an area of research. It is one of the gaps in the knowledge of the researcher in the field of research to explored aspect in one's area of study which is still not answered by research, that body of knowledge that may still be lacking, undiscovered, not explored and void or leaving a vacuum which therefore raises certain questions to be answered by another researcher (Robinson, K.A., Saldanha, I.J., & Mckoy, N.A.,2011).

Therefore, based on the arguments of the literature review above, there are several themes that have been studied by researchers on the issue of cryptocurrency. The first theme is about the concept of cryptocurrency in Islamic Perspective. Where it states that the main determinants in applying shariah to the financing structure should be based on tangible assets where it does not involve interest (*riba*). Researchers also identify this cryptocurrency if it is seen according to the Islamic perspective, many can be said to be a speculation or excessive uncertainty (*maysir*). In addition, the theme discussed is also about the law of cryptocurrency based on Islamic Perspective. There are many laws in international countries that do not recognize these cryptocurrencies as a legitimate payment currency. In this study, the same opinion and view was given by the Mufti of the Federal Territory, Zulkifli Mohamad al-Bakri (2018) who decided that cryptocurrency as a currency is prohibited because it does not comply with sharia. The last theme that the researcher has studied is the method of measuring shariah compliant status. This study arises because there are several different views on the status of this cryptocurrency in terms of Islamic views. Therefore, some Islamic guidelines must be followed to make cryptocurrency trading shariah compliant.

So, there are several other issues or content that have not been studied and described related to crypto. It is related to the issue of measuring the level of legitimacy of the use of

crypto from the Islamic point of view which is also not accepted by sharia scholars because they say that the existence of speculation such as crypto does not have a central authority to monitor the system, instead it destroys central bank and government control to monitor. and controlling the monetary system resulted in such financial suppression non-existent (Shaykh, 2018). It will cause the Islamic or shariah finance to not be able to know the source of the digital money, whether it is from a halal or haram source and whether there is an agreement in financial matters in terms of shariah that has been set based on Islam.

Then, a study on how and what shariah screening methodologies is done by researchers to ensure that these cryptocurrencies do not violate Islamic shariah. This is because many Islamic countries are trying to get involved in crypto affairs but the guarantee of the validity of the law whether it is halal or haram is still unclear for them to venture into this system. In fact, many views that lead to the law are illegal for Muslims to engage in crypto because crypto is said to be a type of gambling, because people invest a lot of money to create bitcoin without a guarantee as to whether they will be successful or not. It is also subject to high speculation because there is no base for speculation control in bitcoin and other cryptocurrencies. According to fatwa Turkish Government (2017) Buying and selling virtual currencies is not compatible with religion at this time. Because of the fact that their valuation is open to speculation (*excessive gharar*), they can be easily used in illegal activities like money laundering and they are not under the state's audit and surveillance.

Due to that, the justification existence of such issues, researchers have taken the initiative to study how it can be allowed or legalized in terms of shariah views on the use of crypto. There is a famous legal maxim explained by jurists that means that original rule is permissibility in financial and business transactions. In other words, everything is permissible unless we found it clearly contradictory to Shariah principles. Therefore, on the positive side, with the understanding of the shariah screening method, it can be used as a service to enhance

the perception of trust in exchange and transfer transactions and can serve to enforce the principle of cash transactions in the exchange of currencies and commodities. To decide the Shariah status and sanction of cryptocurrencies and any other eligible cryptocurrencies, classification from various parties such as the scholars plays a very important role in ensuring the purity and halal use of this digital money. In conclusion, based on the overall discussion above it can be shown in the research framework below.

2.3 RESEARCH FRAMEWORK

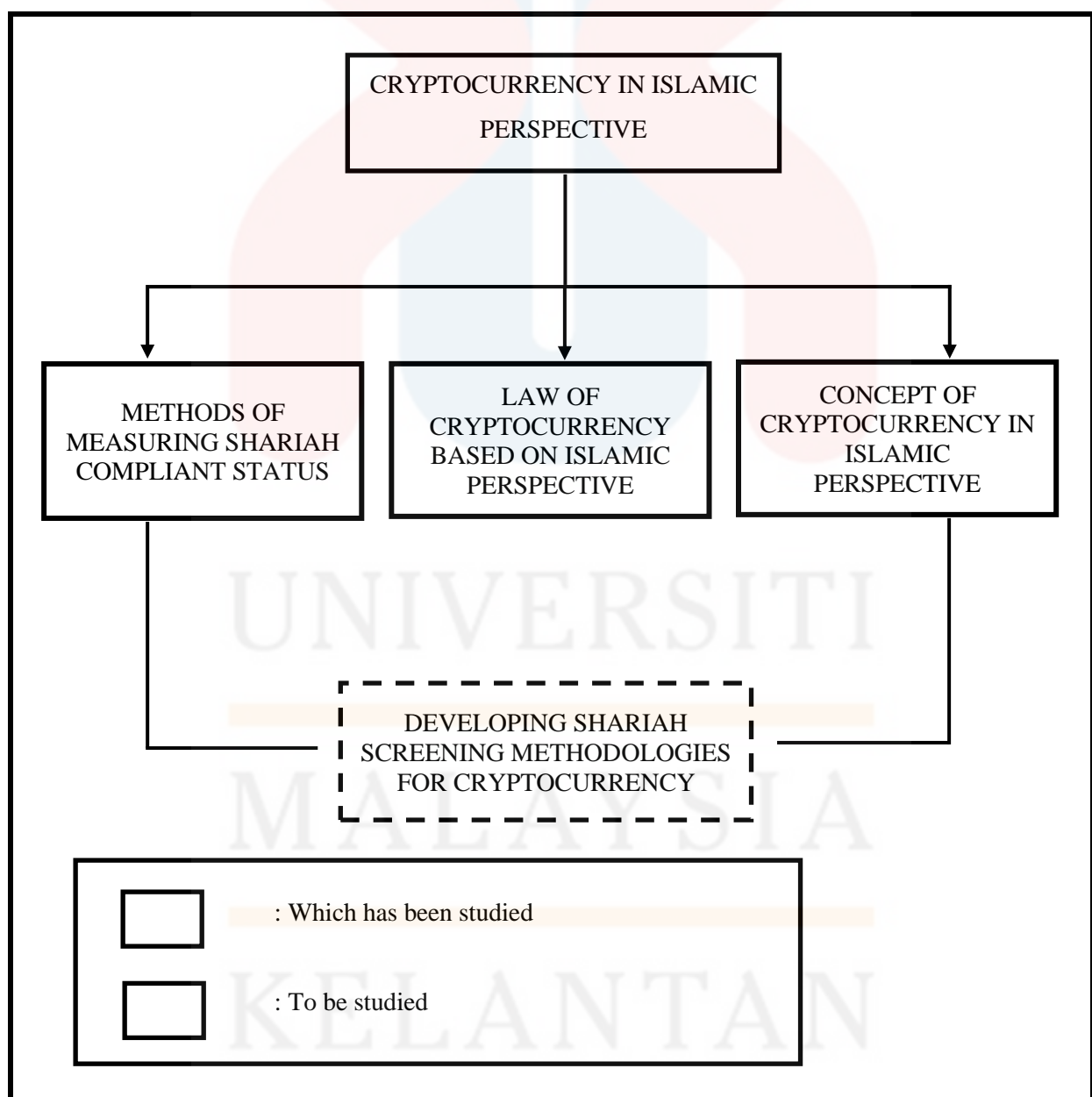


Figure 2 : Research Framework

Based on literature review, a research framework in Figure 2.2 formed in order to developing Shariah screening methodologies for Cryptocurrency. The main objective of this study is to identify the status of Shariah compliance in cryptocurrency. Based on previous research, regarding whether or not virtual currencies are in accordance with shariah, academics have a variety of points of view to provide. As a result of this, shariah compliance screening for cryptocurrencies will be developed through this study.

2.4 CONCLUSION

A review of the previous research is presented in the second chapter. A critical examination of important academic publications is what's known as a "literature review." The first step is the introduction. The literature review starts off by discussing the concept of cryptocurrency from an Islamic point of view, then moves on to discuss the law of cryptocurrency based on an Islamic point of view, and last discusses the methodology for determining Shariah compliance. A discussion of research gaps is also included in the literature review. In conclusion, there is the theoretical framework upon which the research is based.

CHAPTER 3

RESEARCH METHODS

3.0 INTRODUCTION

This chapter includes a discussion of the research methods. A research methods is a set of procedures or methods used to conduct research. In this chapter, four sections contribute to describing the research method. It starts with an introduction and is followed by a research design that will describe the study design selected for the research. Next, this chapter outlines the data collection method that uses only secondary data. This chapter also discusses the data analysis methods and the validity and reliability of data collection. Lastly, the conclusion will summarize all the details in chapter three. Each segment will be explained in more detail below.

3.1 RESEARCH DESIGN

The research design will elaborate the information that researcher finds in the study logically and comprehensively in order to address the study problems effectively and in detail. The use of design is a set of procedures or known as methods used to analyze and collect data from variables in the study were conducted by (kirumbi, 2018). It is also a researcher's overall to answer the research question or testing the research hypothesis (Polit et al., 2001). This study focuses on the developing shariah screening methodologies for cryptocurrency.

3.1.1 Research Paradigm

According to Hughes, (2010) says “research paradigm is perceived as a way of seeing the world that frames a research topic and influences the way that researchers think about the topic. n. In a similar vein (Kivunja and Kuyini, 2017) mention that paradigms are thus important because they provide beliefs and dictates, which, for scholars in a particular

discipline, influence what should be studied, how it should be studied, and how the results of the study should be interpreted.

The paradigm defines a researcher's philosophical orientation and exerts significant implications for every decision made in the research process, including nature of reality, types and sources of knowledge and choice of methodology and methods. The perspectives of research paradigm pronounce Ontology- as the nature of reality, Epistemology- as the nature of knowledge and the relationship between the knower and that which would be known, Methodology- as the appropriate approach to systematic inquiry and Axiology- as the nature of ethics (Mertens, 2010).

In this study, the researchers use the qualitative method. So then, the type of research paradigm will be interpretive research as its category of the method is qualitative. Interpretive research is based on the assumption that social reality is not singular or objective, but is rather shaped by human experiences and social contexts (ontology). Therefore, in this research the researcher also searched articles to understand the context of the topic under study, for the purpose of providing a view of reality that is important to readers and others external and internal documents, such as newspaper articles, and websites, may be used to cast further insight into the issues which is on how to developing shariah screening methodologies for cryptocurrency.

3.1.2 Qualitative Research

Qualitative research is a type of social science research that collects and works with non-numerical data and that seeks to interpret meaning from these data that help understand social life through the study of targeted populations or places (Ashley Crossman, 2020). Qualitative researchers use their own eyes, ears, and intelligence to collect in-depth perceptions and descriptions of targeted populations, places, and events. For this study, the type of qualitative method that researchers use is record keeping. This method allows researchers to use existing

reliable documents or articles and journals as data sources. With this data source, it can be used in making new research. For example, the study conducted is a shariah screening method related to cryptocurrency where the researcher studies different issues but has relevance to the existing informative documents to help clarify a more diverse view. It can help add to existing information with new and more in -depth information gathering.

3.1.2.1 Descriptive Research

Descriptive design is a flexible exploratory approach to qualitative research. Descriptive research is a type of research that describes the population, situation, or phenomenon being studied (Shona, 2022). It focuses on answering the questions of how, what, when, and where. If research problems, rather than why. For example, this study focuses on answering questions such as how does the use of cryptocurrency are legal and shariah compliant, what is the concept of cryptocurrency in Islamic perspective and what extent the method can be used to measure shariah compliant status. The existence of a question like this can help explain an uncomplicated study that only focuses on how the issue can arise.

3.1.2.2 Exploratory Research

According to Frank Peter (2022) exploratory research is the process of investigating a problem that has not been studied or thoroughly investigated in the past. Exploratory type research is usually conducted to have a better understanding of existing problems, but does not lead to a definitive answer because many more studies can be done to answer these questions of cryptocurrency based on shariah. Typically, researchers use this research is to familiarize themselves with existing phenomena and gain new insights about them to form more accurate problems. For example, the researcher finds more issues based on developing shariah screening methodologies for cryptocurrency in depth research, case analyses or others literature searches that be one of the fastest and least expensive means to discover

hypotheses. Among the findings of the additional information obtained is that the researcher knows about how this crypto is filtered and whether it is halal or illegal when used.

3.2 DATA COLLECTION METHOD

Data means evidence, information or facts collected by the researcher by using various sources to answer or explain a problem, question or situation to be studied. Data is divided into two types, namely primary data and secondary data. However, in our study, we used only secondary data to achieve the objectives of our study.

3.2.1 Secondary Data

This study uses a qualitative approach through secondary data. Secondary data is the data that has been collected by other researchers and used for the purpose of the latest study Marican (2005). The data is still relevant, appropriate and has important data to use to answer all research questions or solve problems in the study today to achieve the objectives of the study (Hua, 2016). Secondary data is data that is easily accessible and available through reading materials or the internet that has been published by researchers.

Based on the objectives of the study, the main secondary data used for this study is the Qur'an. This is because it is necessary to look for things related to the Islamic perspective through the Qur'an. The Qur'an is a true source to be used as a guide to human beings because it is a book that comes from Allah without any doubt about its truth (Majid, 2019). The Qur'an is also the most accurate source in explaining the interpretation of Allah in more detail when seeking information about laws, regulations and prohibitions based on the Islamic perspective. It is very suitable to be used as a guide to achieve the objectives of this study which is to identify the status of Shariah compliance of cryptocurrency.

Next, in this study, we use data from Hadith which is used by many scholars to get answers to questions and solve a problem related to sharia-based laws. Hadith is the second source of law after the Qur'an where hadith is all the words, deeds and consent of the Prophet

Muhammad SAW (Rahman, 1996). According to Dr. Yusuf Al-Qardhawi, Hadith is the second source of Islamic law after the Qur'an. So, it is a very important resource to achieve the objectives of this study. The Hadith plays a very important role in establishing and strengthening the laws that have been set forth in the Qur'an. In fact, it gives an interpretation of the verses of the Qur'an.

The third source's a source that has been published either as a printed source or an electronic source. Among them are reference books, scientific journals, articles and literature review articles. This resource is a resource that is often used by researchers to achieve the objectives of a study easily and can save costs. Furthermore, in this resource there is information, issues or experimental reports that have been studied by researchers related to a topic. In addition, journals or documents related to law and law based on Islam can also be taken as information for research conducted because they contain the views of scholars and fatwas.

3.3 DATA ANALYSIS METHOD

The data that was acquired for this study went via a process called content analysis, and Atlas.ti was utilized to finish the process of checking its validity and make certain that it was accurate. The qualitative study compiles its nonnumerical findings from a variety of written sources including books, essays, and journals, amongst others. Exploratory approaches such as thematic analysis and in-depth interviews are ideal for acquiring a deeper understanding of this topic because of the new nature of the research that is being conducted for this study.

3.3.1 Thematic Analysis

The use of Thematic Analysis makes it feasible to discover, organise, and gain insight into patterns of meaning (themes) that are included within a dataset. Because it focuses on meaning rather than specifics, thematic analysis gives researchers the ability to recognise and

comprehend meanings and experiences that are collective or shared across a dataset. The process known as "thematic analysis" is not one of the ways to discover meanings and experiences that are particular to a specific piece of data. It is a method for determining what aspects of the manner in which a topic is handled or written about are consistent and how to make sense of the information that has been uncovered.

Commonality does not, however, imply relevance or significance in and of itself. The relevance of the meaning patterns that may be uncovered through theme analysis is dependent on the topic and research issue being addressed. Even if it is only through analysis that the particular question being answered becomes apparent, analysis delivers the answer to a question. The objective of data analysis is to identify, among the numerous patterns present in every dataset, those that are relevant to a certain research question.

Because it is so adaptable, researchers have a wide range of options for how to use thematic analysis to their work. Through the use of thematic analysis, one is able to zero in on a particular aspect of a phenomenon or investigate the significance of the data as a whole. You may, for instance, report only what is obvious or semantically right, but you could also investigate the hidden meanings of the data, as well as the assumptions and ideas that are implicitly revealed in the data. Another possibility is that you could report only what is contradictory to the data (Braun & Clarke, 2006). Due to the fact that theme analysis may be implemented in a variety of ways, it can be utilised to investigate a wide variety of research problems and themes.

3.3.2 ATLAS-TI Software Programme

ATLAS.ti has been proven to be an essential tool for data analysis in numerous investigations. Improved data visualizations and portability have made it easier for researchers to exchange and view qualitative data. Aside from qualitative data analysis, some researchers use ATLAS.ti. as a constant companion during their research project. As a

Windows-based application, Atlas.ti is now more user-friendly as a qualitative data analysis (QDA) tool. Research in the social sciences can benefit greatly from the instruments provided by Atlas.ti. in particular (Sungsoo, 2008).

Using ATLAS.ti from the beginning of a project can help with concept analysis and knowledge development at the very foundational level. The many ATLAS.ti's available tools can be used to code and organize data, evaluate quotations, and make connections that help academics better comprehend the significance of collected data when doing a literature review (Rambaree, Forthcoming).

ATLAS.ti helps people test their hypotheses by coming up with ideas that suggest a conceptual structure that fits with the data. It does this by encouraging links between codes to make higher-ordered categories and classes. Coding and looking for coded parts were not much different from manual methods like cut-and-paste, shading code, and discourse analysis (from a basic point of view), but they were much faster and more thorough, which was a huge help to the researchers. The software did not lose any of the information it was trying to send when it changed to fit different and new codes. ATLAS.ti was discovered to be an excellent tool for academics that operate mostly on the conceptual level, which indicates that ideas are their primary focus in this study. Graphs can be used to describe and define the relationships between codes when standard reasoning relations are used (Muhr, 1997).

3.4 RELIABILITY AND VALIDITY OF DATA

3.4.1 Triangulation

In this qualitative research, the researcher uses triangulation to make the data more reliable and valid. Triangulation is an essential aspect of establishing reliability and validity in research. Triangulation is a method used to improve the credibility and validity of study findings (Noble & Heale, 2019). Triangulation means the researcher uses two or more

methods to collect data to obtain reliability and validity. Triangulation can also be defined as the use of two or more two methods of data collection in sequence to obtain more information, data, and explanations from more than one point of view. Triangulation describes how researchers use all methods in a study to collect the necessary data and evaluate the findings critically, in order to ensure validity and reliability. (Bans-Akutey & Tiimub, 2021). Data validity is essential because good research requires reliable and valid data.

Researchers used triangulation to obtain more consistent value data. Noble & Heale (2019) identified four types of triangulation which is data, investigator, theory, and methodological. This triangulation also uses a variety of data sources, methods, investigators, or theories in research. The first type of triangulation is data triangulation. It entails collecting data from a variety of people such as individuals, groups, families, and communities to obtain various perspectives and data validation. Next, triangulation of investigators. This includes involving multiple researchers in a study. Investigator triangulation consists of the participation of two or more researchers in the same study to provide a variety of observations and conclusions. This kind of triangulation can bring both validations of findings and different perspectives and broaden the understanding of an intriguing phenomenon. Then, triangulation theory analyses and interprets data by using many theories. Different theories or hypotheses can help the researcher support or refute the findings with the help of this triangulation. Lastly, methodological triangulation. This type of triangulation is often used in qualitative studies such as interviews, observations, and documentation. So, achieving validity is crucial to ensure that findings from research can be used and interpreted correctly so that the study's stakeholders can make appropriate decisions based on the study's findings.

The researcher used two types of triangulations in this study which are method triangulation

and data source triangulation. First, the researcher uses method triangulation or from the point of view of method selection. The researcher chose the method applied in this research, two methods used to improve the reliability and validity. The methods are descriptive research and exploratory research. Through this method, it can address research problems effectively and in detail. Second, the researcher used triangulation from the point of view of the data source. The researcher used secondary data to achieve the objectives of the study. Among the secondary data used are the Quran, Hadith, and sources that have been published, such as books, scientific journals, articles, and literature review articles. It has important data to use to answer any research questions or solve problems in cryptocurrency issues. Researchers also used triangulation from the same data source, which is documentation. Collecting data from this document is content analysis, a systematic research method to analyze text documents. The data obtained from the documentation analysis results were compared to form a comprehensive and accountable data set. Therefore, triangulation is used by researchers that are commonly used in qualitative approaches.

3.5 CONCLUSION

In this chapter, the researcher describes the selected research design, which is research paradigm and qualitative research such as descriptive and exploratory research. Next, the data collection method explains in detail to use only secondary data to achieve the study's objectives. The secondary data used are the Quran, Hadith, and published sources. Besides, the data analysis method describes the use of methods which is thematic analysis and ATLAS.ti software program to analyze data. Lastly, the researcher used triangulation such as method triangulation and data source triangulation to create more reliable and valid data.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.0 INTRODUCTION

This chapter will analyze from the documentation research, which is content analysis. The findings will be presented in relation to the research objectives stated in the study. It will be divided into three divisions of analysis and findings based on the objectives in this study. First, identify the concept of cryptocurrency according to Islamic perspective. The second objective is to analyze the law of cryptocurrency based on Islamic perspective, and the third objective is to develop methods of measuring Shariah compliant status in cryptocurrency. Through the information collected, an analysis tool which is ATLAS.ti software will be used to assist in data processing and the more effective analysis of qualitative research data. The discussion of the analysis is as below.

4.1 THE CONCEPT OF CRYPTOCURRENCY IN ISLAMIC PERSPECTIVE

According to Limba et al. (2019), cryptocurrency is an innovative digital currency created through cryptography. In addition to being a digital currency, cryptocurrencies help financial technology systems to innovate, transform and incorporate better understanding and accountability through blockchain features. In Islam, every innovation is welcomed as long as it does not contradict the Quran's and Sunnah's basic principles (Hasan & Pa, 2021). From a Shariah perspective, the currency has three components, which are the property (*mal*), legal value, and monetary value. *Mal* is defined as a human tendency that can be saved over time, has been created for good people, and is considered halal in Islam. Saleh et al. (2020) mention that in the same way that fiat currency is utilized in transactions, cryptocurrency also serves as a medium of exchange through the internet. Cryptocurrency is also a medium of

exchange using cryptography to control transactions and the formation of new units (Rahaman, 2018). From a Shariah perspective, cryptocurrencies can be considered *mal* (property) due to desire and savings. Cryptocurrencies have many benefits in transactions, for example, ease of doing business that aligns with Islamic ethics because Allah SWT wants ease for HIS creation. Shariah considers intangible assets to be property (*mal*) as well. Crypto assets can also turn into *mal mutaqawwam* if all prohibited aspects are avoided. Furthermore, cryptocurrencies fall under the customary money category, which has money status due to custom and people's acceptance of it as a medium of exchange.

Referring to Al-Khalifa (2022) regarding the concept of cryptocurrency in Islamic perspective, cryptocurrency is money and a medium of exchange in Shariah. Also, digital assets with material properties are attached to them (Wijaya, 2019). Shariah principles and any form of payment can be considered money if it is considered a cryptocurrency with no intrinsic value and is accepted as a medium of exchange. Cryptocurrencies should be subject to financial and Shariah compliance and oversight so Muslims worldwide can adopt them. Cryptocurrencies are comparable to other unregulated money circulating on the internet in that they are used for transactions like buying and selling as well as storage and exchange for other currencies (Ozиеv & Yandiev, 2017). The same view as Santoso et al. (2021), who concluded that cryptocurrency could be categorized as a flexible and stable digital currency exchange medium because it is more stable than fiat money. Since cryptocurrencies exist only in digital systems and internet networks and are not offered by national banks, it has no intrinsic value or physical form (Rahaman, 2018). In order to enable trade, a medium of exchange must perform several different purposes. These functions can generally be divided into three categories which are a medium of exchange, a unit of account, and storage value. Furthermore, this cryptocurrency is built on a secure peer-to-peer network that enables digital exchange. Some are used as a medium of exchange, while others are utilized as money. This

is purely digital cash for transactions based on electronic money (Al-Hussaini et al., 2019).

The opinion differs from Abojeib (2021), where in his research presented in the cryptocurrency seminar, cryptocurrency is an asset with many different forms in design and architecture but shares their use of blockchain and cryptography so that each form affects jurisprudence it. In line with Usman et al. (2022), the software infrastructure must be reliable and secure to reach a ruling on some cryptocurrencies, according to the Islamic perspective. It is necessary to check on the background of the cryptocurrency and its financial data to ensure that it avoids acts prohibited in Islam. Furthermore, financial data and cryptocurrency trading platforms must ensure the reliability of their ownership and distribution in Shariah. The technology that most cryptocurrencies are based on is a chain. Money must be stable, safe, and effective to meet the criteria of a medium of exchange or money in Islamic teachings. To meet Islamic principles, cryptocurrencies should be backed by real assets (Siswantoro et al., 2020). Cryptocurrencies have raised many issues among Islamic scholars regarding their compatibility with Shariah, especially if they meet Islamic requirements for currency, such as intrinsic value. Therefore, the entire Shariah understanding of cryptocurrency revolves around preserving order, preventing prohibited activities, creating equality among people, and obeying the law.

Majid et al. (2022) stated that cryptocurrency is a digital or virtual currency in which transactions can only be carried out through the internet network. Cryptocurrencies are used not only as a means of payment but also to invest and trade cryptocurrencies. Cryptocurrency as electronic money was developed using technology that hides the identities of its users while controlling the process of creating and protecting transactions (Siswantoro et al., 2020). The basic conceptual use of cryptocurrency is to record the entire ongoing transaction history, including the value and purpose of the transaction. From an Islamic perspective, the transaction must follow the values of Islamic teachings or not violate Islamic teachings. The

Hadith of Ubadah bin Shamit illustrates the concept of cryptocurrency as a tool for buying and selling transactions. The following is from Ubadah bin Shamit's Hadith:

"If gold is sold for gold, silver is sold for silver, wheat is sold for wheat, sya'ir (a type of wheat) is sold with sya'ir, dates are sold with dates, and salt is sold with salt, then the amount (measures or scales) must be the same and paid in cash (cash). If the types of goods are different, then feel free to barter them as you like, but it must be done in cash (cash)." (HR. Muslim no. 1587).

In the Hadith, there are two requirements for making a transaction which are that the exchange must be for an equal amount or measure, and the transaction must be completed with cash. The concept of cryptocurrency in the Islamic perspective is analogous to exchanging gold with gold and silver with silver. In the fiqh, cryptocurrency exchange for other currencies, such as dollars and rupiah, is referred to as *sharf*. Oziev and Yandiev (2017) also agree that cryptocurrency is one form of currency or money that has emerged due to the creation and development of money. In short, at first, it was a regular exchange, then gold and silver coins, paper money, and now virtual money, a cryptocurrency.

Hamin (2020) identified that the concept of cryptocurrency from an Islamic perspective is included in the *haram li ghairihi* criteria. *Haram li ghairihi* is everything that is *halal* but becomes *haram* due to other things. Traded objects contain ambiguity in form, nature, value, quality, and even quantity. On the other hand, cryptocurrencies are more reliable, transparent, decentralized, limited in production, and less likely to be hacked (Hasan & Pa, 2021). Therefore, cryptocurrency is legally *haram lighairihi* or *haram* due to external factors, so it should be avoided (Wartoyo & Haerisma, 2022). According to the Islamic perspective, most Shariah rulings on cryptocurrencies have taken into account three distinct specific dimensions, namely the nature of the fundamental instrument, whether cryptocurrency is considered to be a form of wealth (*mal*), whether it can pass the Shariah's

ability filter, and the *Maqasid al-Shariah's* of view (Mahomed & Mohd, 2018). Furthermore, cryptocurrency is included in the concept of *Maqasid al-Shariah* because uncertainty contains the element of *maysir* (gambling). It must follow *Maqasid al-Shariah* to be considered *halal*. There are five fundamental aims of *Maqasid al-Shariah*, which are preserving the faith (*deen*), life (*nafs*), lineage (*nasl*), intellect (*'aql*), and wealth (*mal*) (Rahaman, 2018). *Maqasid al-Shariah* must be used as a measure so that the Islamic Shariah, which is Shariah, meets the five main higher goals to be protected and preserved.

Contrary to Abu Bakar et al. (2018) opinion, cryptocurrency is a type of digital money that is not an official currency and is not regulated by the government. In its community, cryptocurrencies are accepted as payment. As a result, some conditions apply for currency exchange from a Shariah perspective when exchanging it for other currencies. The conditions are that the exchange must be done on the spot, and there can be no speculation about the currency. This means that the intention must be to use the currency to buy and sell, not just exchange currency. Any digital money the Shariah accepts must be a monetary commodity and a measure of value (Meera, 2018). A study similar to Yonifia (2021) discusses cryptocurrency, a digital currency not controlled by the government and not an official currency. From the Islamic perspective, money serves as a medium of exchange, not for trading, which prevents all forms of oppression and fraud in transactions since these are against Islamic Shariah. The use of money as a medium of exchange and measure of value must be widely accepted in society in order for it to serve as an easier alternative to bartering for transactions.

Based on the above discussion, the study found that most studies have the opinion that a cryptocurrency is a form of digital currency used as a transaction medium where this investment needs to be legal and Shariah-compliant. Cryptocurrency as a digital currency that is innovative in its technology is necessary according to the requirements and principles of

Islam. Transactions must adhere to Islamic teachings and principles or not violate Islamic teachings. Cryptocurrencies also can be considered *mal* (property) due to desire and savings.

The studies state that this cryptocurrency can be classified as a digital currency exchange medium with flexible and stable characteristics. Among the characteristics of this cryptocurrency include that it has no intrinsic value, has no physical form, and is accepted as a medium of exchange. The studies also give an opinion that the concept of cryptocurrency in the Islamic perspective is analogous to exchanging gold with gold and silver with silver. In short, it was a regular exchange, gold and silver coins, paper money, and now virtual money, cryptocurrency. Also agree that cryptocurrency is a digital currency that is not an official currency and is not controlled by the government. This is subject to several conditions that apply in currency exchange from a Shariah point of view so that Muslims worldwide can adopt it. The results of the above findings can be summarized in table 4.1.

Table 4.1: Summary of Findings for the Concept of Cryptocurrency in Islamic Perspective

Previous Studies/Authors	Summary Points	Remarks
Abojeib (2021)	<ul style="list-style-type: none"> • Cryptocurrency is an asset with many different forms in design and architecture but shares their use of blockchain and cryptography so that each form affects jurisprudence it. 	<p>The majority of studies opinion that the concept of cryptocurrency in Islamic perspective is as follows:</p> <p>1) Cryptocurrency is a digital currency used as a transaction medium where this investment must be legal and Shariah-compliant.</p>
AbuBakar et al. (2018)	<ul style="list-style-type: none"> • Cryptocurrency is a type of digital money that is not an official currency and is not regulated by the government. 	

	<ul style="list-style-type: none"> • As a result, some conditions apply for currency exchange from a Shariah perspective when exchanging it for other currencies. 	2) Cryptocurrency as a digital currency that is innovative in its technology is necessary according to the requirements and principles of Islam.
Al-Hussaini et al. (2019)	<ul style="list-style-type: none"> • This is purely digital cash for transactions based on electronic money. 	3) Transactions must adhere to Islamic teachings and principles or not violate Islamic teachings.
Al-Khalifa (2022)	<ul style="list-style-type: none"> • Cryptocurrency is money and a medium of exchange in Shariah. • Shariah principles and any form of payment can be considered money if it is considered a cryptocurrency with no intrinsic value and is accepted as a medium of exchange. 	4) Cryptocurrencies also can be considered <i>mal</i> (property) due to desire and savings.
Hamin (2020)	<ul style="list-style-type: none"> • Included in the <i>haram li ghairihi</i> criteria. • Traded objects contain ambiguity in form, nature, value, quality, and even quantity. 	5) Cryptocurrency can be classified as a digital currency exchange medium with flexible and stable characteristics. Among the characteristics of this cryptocurrency include
Hasan & Pa (2021)	<ul style="list-style-type: none"> • In Islam, every innovation is welcomed as long as it does not contradict the Quran's and 	

	<p>Sunnah's basic principles.</p> <ul style="list-style-type: none"> • Cryptocurrencies are more reliable, transparent, decentralized, limited in production, and less likely to be hacked. 	<p>that it has no intrinsic value, has no physical form, and is accepted as a medium of exchange.</p>
Limba et al. (2019)	<ul style="list-style-type: none"> • Cryptocurrency is an innovative digital currency created through cryptography. • The currency has three components, which are the property (<i>mal</i>), legal value, and monetary value. 	<p>6) The concept of cryptocurrency in the Islamic perspective is analogous to exchanging gold with gold and silver with silver. In short, it was a regular exchange, gold and silver coins, paper money, and now virtual money, cryptocurrency.</p>
Mahomed & Mohd (2018)	<ul style="list-style-type: none"> • According to the Islamic perspective, most Shariah rulings on cryptocurrencies have taken into account three distinct specific dimensions, namely the nature of the fundamental instrument, whether cryptocurrency is considered to be a form of wealth (<i>mal</i>), whether it can pass the Shariah's ability filter, and the <i>Maqasid al-Shariah's</i> of view. 	<p>7) Cryptocurrency is a digital currency that is not an official currency and is not controlled by the government.</p>
Majid et al.	<ul style="list-style-type: none"> • Cryptocurrency is a digital or 	

(2022)	<p>virtual currency in which transactions can only be carried out through the internet network.</p> <ul style="list-style-type: none"> • Cryptocurrencies are used not only as a means of payment but also to invest and trade cryptocurrencies. • The concept of cryptocurrency in the Islamic perspective is analogous to exchanging gold with gold and silver with silver. 	
Meera (2018)	<ul style="list-style-type: none"> • Any digital money the Shariah accepts must be a monetary commodity and a measure of value. 	
Oziev & Yandiev (2017)	<ul style="list-style-type: none"> • Cryptocurrencies are comparable to other unregulated money circulating on the internet in that they are used for transactions like buying and selling as well as storage and exchange for other currencies. • Cryptocurrency is one form of currency or money that has emerged due to the creation and 	

	development of money.
Rahaman (2018)	<ul style="list-style-type: none"> • Cryptocurrency is a medium of exchange using cryptography to control transactions and the formation of new units. • From a Shariah perspective, cryptocurrencies can be considered <i>mal</i> (property) due to desire and savings. • The characteristics of cryptocurrency are that it has no intrinsic value and no physical form.
Saleh et al. (2020)	<ul style="list-style-type: none"> • In the same way that fiat currency is utilized in transactions, cryptocurrency also serves as a medium of exchange through the internet.
Santoso et al. (2021)	<ul style="list-style-type: none"> • Cryptocurrency could be categorized as a flexible and stable digital currency exchange medium because it is more stable than fiat money. • Three main functions, which are a medium of exchange, a unit of

	account, and storage value.
Siswantoro et al. (2020)	<ul style="list-style-type: none"> • To meet Islamic principles, cryptocurrencies should be backed by real assets. • Cryptocurrency as electronic money was developed using technology that hides the identities of its users while controlling the process of creating and protecting transactions.
Usman et al. (2022)	<ul style="list-style-type: none"> • The software infrastructure must be reliable and secure to reach a ruling on some cryptocurrencies. • Financial data and cryptocurrency trading platforms must ensure the reliability of their ownership and distribution in Shariah.
Wartoyo & Haerisma (2022)	<ul style="list-style-type: none"> • Cryptocurrency is legally <i>haram lighairihi</i> or <i>haram</i> due to external factors, so it should be avoided.
Wijaya (2019)	<ul style="list-style-type: none"> • Digital assets with material properties are attached to them.
Yonifia	<ul style="list-style-type: none"> • Cryptocurrency, a digital

(2021)	<p>currency not controlled by the government and not an official currency.</p> <ul style="list-style-type: none"> • Money serves as a medium of exchange, not for trading, which prevents all forms of oppression and fraud in transactions since these are against Islamic Shariah. 	
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4.2 THE LAW OF CRYPTOCURRENCY BASED ON ISLAMIC PERSPECTIVE

Laws based on an Islamic perspective are very important in implementing financial activities. Due to cryptocurrency becoming more advanced and famous among the community in these few years, cryptocurrency law based on an Islamic perspective is a critical issue that raises various questions and problems in Islamic finance. Cryptocurrency law is often a topic of conversation and is constantly debated among scholars. This has also given rise to various opinions and views from scholars about cryptocurrency laws based on an Islamic perspective, whether it is legal or illegal in its implementation (Abubakar et al., 2018). Therefore, in this section, we will analyze and conclude about the law of cryptocurrency based on Islamic perspective.

Based on the article by Abubakar et al. (2018), it is stated that cryptocurrency is illegal or prohibited based on an Islamic perspective. Cryptocurrencies are not generally accepted as currencies, and they go against the essential characteristics of currencies. This is because it is not issued by any government or country, and the government has no legal authority over cryptocurrencies. Cryptocurrencies do not have a central control system, supervision, or legal authority, and they are not supported by any government or official

financial institution of the country. This view is also expressed by Meera (2018), who states that cryptocurrency does not have governments from all over the world to administer, control, and stabilize this currency in order to avoid negative effects on the financial system. Every currency must have a government to validate the production and implementation of currency including digital currency. However, cryptocurrencies do not fulfil those characteristics (Chowdhury & Razak, 2019).

Because cryptocurrencies are not under the control of the government, authoritative bodies, or official financial institutions of a country, illegal transactions or speculations may occur without such control (Zain, 2018). Cryptocurrency transactions are likely to have illegal elements such as uncertainty (*gharar*) and gambling (*maysir*). If a transaction contains an element of *gharar*, then it will indirectly be related to an element of gambling (*maysir*). According to Abu Bakar et al. (2017) cryptocurrency has an element of uncertainty (*gharar*) because each account holder is anonymous, so it is difficult to track the account holder in case of suspicious activities. Islam forbids uncertainty (*gharar*) and it is closely related to cryptocurrency which involves certain individuals who do not have certainty about their identity, do not have official documents and which only exists in a digital network (Chowdhury & Razak, 2019). A study from Mills and Nower (2019) found that cryptocurrency is a trade that has similarities with gambling activities. Based on article by Abubakar et al. (2018) states that if the purpose of cryptocurrency is to save to obtain a larger amount of money in the future, then it will involve gambling (*maysir*).

In addition, in Islamic law, gold and silver coins are defined as mediums of exchange and instruments of value. Many studies and scholars contend that cryptocurrencies, unlike fiat money (gold and silver), lack intrinsic value and physical form. This is also presented by Muhammad (2017), who states that cryptocurrency does not have a physical form, rather it only exists in a digital network and has no intrinsic value. Its production is also not issued by

any government or authoritative body. According to Islamic Monetary Theory Value (IMTV), the unit of account used by a certain type of money must be supported by real value for example precious metals (Abdullah, 2016). Based on article by Abubakar et al. (2019), cryptocurrency does not deserve to be considered a commodity because it does not have an intrinsic value that can be beneficial and can be redeemed like gold. Imran (2017) argues that only gold and silver money are legal and meet the criteria of Shariah law to be used as currency. Therefore, currency that does not have a physical form and intrinsic value is not eligible to be used as legal money.

Next, with the system run by cryptocurrencies, most scholars think that money laundering is likely to occur. Money laundering is a process of exchanging money generated through illegal sources or activities such as bribery, money fraud syndicates, drug trafficking and others. However, the income seems to be from a clean source. Bakar et al. (2017) give the view that with no supervision from any center, cryptocurrencies can be used for illegal purposes and money laundering is very easy to happen. The same view was given by Shawki Allam (2018), who stated that cryptocurrency is not based on Islamic principles and it is likely that there will be money laundering and fraud from cryptocurrency holders. This is because cryptocurrencies do not have contracts or official documents (Abubakar 2018, Harris Irfan 2019). The same opinion from the article Users Perception of Cryptocurrency System Application from the Islamic Views states that due to not having an official document issued by the government, it will cause a risk of money laundering and make it impossible to track where the money is distributed. By not complying with Islamic principles, this will make the cryptocurrency illegal and illegal to implement.

However, there are also some scholars who have a different opinion and believe that cryptocurrencies deserve to be considered money and legal under Islamic law. In this matter, there are some scholars who consider cryptocurrencies as *mal* (property). Based on Abu-

Bakar (2017), cryptocurrency is considered as a property allowed in trade and can be used as legal currency, however, it must be approved by the government to qualify as legal currency.

According to Adam (2018) believes that cryptocurrency is worthy of being used as money because it satisfies the characteristics of exchange transactions as well as other requirements, such as *mal* (property) and user benefits. Therefore, based on the problem of the general acceptance of cryptocurrencies and not having approval from the government, it is not a problem to consider them as property.

In addition, Amalin (2018) also stated that cryptocurrencies deserve to be legal currencies because the exchange of money in trade is filled with clear and fair rules. Based on the Bitcoin and its Legality from Shariah Point of View states that if crypto currency is used for payment activities for services or goods, then it is allowed; in fact, it is also legal if it is intended for money exchange. Fairness and sincerity are very important in Islamic finance. Furthermore, nowadays, most trading activities are not conducted fairly. According to Muedini (2017) and Zubaidi and Abdullah (2017) found that cryptocurrency is a good option for Islamic finance. This is because cryptocurrency has fair and transparent principles and rules based on an Islamic perspective. Bakar (2018) also believes that cryptocurrencies have technology that can avoid money laundering activities. Therefore, they believe that cryptocurrencies, which are implemented based on an Islamic perspective, are better than fiat currencies.

Based on the research and discussion that have been done, this study found that some Islamic scholars and research have stated that cryptocurrency does not have enough conditions and characteristics to be used as a valid currency from an Islamic perspective. They state that cryptocurrencies are not governed by Shariah law. Given that cryptocurrencies are not regulated or issued by the government, most people have the same opinions and points of view. In addition, they also think that there is a possibility of illegal transactions or

illegal elements such as uncertainty (*gharar*) and gambling (*maysir*). These things are clearly against Shariah law. They also argue that cryptocurrencies have no intrinsic value or physical form and they argue that money laundering occurs in transactional activities. Most of them agreed stating that cryptocurrency is not eligible or illegal to be a legal currency and it will create various negative elements if the currency is implemented. The results of the above findings can be summarized in table 4.2.

Table 4.2: Summary of Findings for the Law of Cryptocurrency based on Islamic Perspective

Previous Studies / Authors	Summary Points	Remarks
Abubakar et al. (2018)	<ul style="list-style-type: none"> • Illegal or prohibited based on Islamic perspective. • Cryptocurrencies are not controlled or issued by governments or countries. 	<p>In conclusion, a large number of studies and Islamic scholars agree that cryptocurrency is not eligible or illegal from an Islamic perspective. The same opinion is due to the fact that there are elements that are not fulfilled by cryptocurrencies, as follows:</p> <ol style="list-style-type: none"> 1. Cryptocurrencies do not have a central system such as an authoritative body, government or official financial
Meera (2018)	<ul style="list-style-type: none"> • Cryptocurrencies do not have a worldwide government to govern, control and stabilize these currencies. 	
Zain (2018)	<ul style="list-style-type: none"> • Illegal transactions or speculation may occur because it is not controlled by the government or an authoritative body. 	

Abu Bakar et al. (2017)	<ul style="list-style-type: none"> • Cryptocurrencies have an element of uncertainty (<i>gharar</i>). • This is because each account holder is anonymous and makes it difficult to track the holder in the event of suspicious activity. 	<p>institution of a country to administer, issue, stabilize and control them.</p> <p>2. Cryptocurrencies are likely to involve illegal transactions, speculation and have elements of</p>
Chowdhury and Razak (2019)	<ul style="list-style-type: none"> • Cryptocurrencies are closely related to uncertainty because they involve certain individuals who have no certainty of identity, have no official documents and only exist in digital networks. 	<p>uncertainty (<i>gharar</i>) and gambling (<i>maysir</i>).</p> <p>3. Cryptocurrencies do not have intrinsic value and physical form like gold and silver, instead they only exist in a digital</p>
Mills and Nower (2019)	<ul style="list-style-type: none"> • They found that cryptocurrency has similarities with gambling (<i>maysir</i>). 	<p>network.</p> <p>4. Cryptocurrencies have risks of money</p>
Muhammad (2017)	<ul style="list-style-type: none"> • Cryptocurrency does not have a physical form, rather it only exists in a digital network and has no 	<p>laundering or fraudulent elements.</p>

	intrinsic value.	
Abdullah (2016)	<ul style="list-style-type: none"> • Money must be supported by real value such as precious metals. 	
Abubakar et al. (2019)	<ul style="list-style-type: none"> • Cryptocurrencies have no intrinsic value and do not qualify as commodities. • Cryptocurrencies are not redeemable like gold. 	
Imran (2017)	<ul style="list-style-type: none"> • Only gold and silver meet the criteria of Shariah law to be used as legal currency. 	
Bakar et al. (2017)	<ul style="list-style-type: none"> • Cryptocurrencies can be used for illegal purposes. 	
Abu-Bakar (2017)	<ul style="list-style-type: none"> • Can be used as legal currency. • Cryptocurrencies are considered property that is allowed in commerce. 	However, there are a small number of studies and opinions of Islamic scholars that state that cryptocurrencies are
Adam (2018)	<ul style="list-style-type: none"> • Cryptocurrencies fulfill the characteristics of exchange transactions as well as other requirements, such 	legitimate due to: 1. Cryptocurrencies are considered <i>mal</i> (property) and fulfil

	as property and provide benefits to users.	the characteristics of exchange transactions.
Amalin (2018)	<ul style="list-style-type: none"> • Cryptocurrencies qualify as legal currencies because the exchange of money in commerce is equipped with clear and fair rules. 	2. Cryptocurrencies are governed by clear and fair rules in trading activities.

4.3 METHODS OF MEASURING SHARIAH COMPLIANT STATUS

When discussing cryptocurrency and Islamic money, one of the most frequent questions posed by Islamic scholars, financial experts, and bankers is whether cryptocurrency is consistent with Islamic banking standards. In order to provide a methodologically sound solution to this topic, it is important to consider what Islamic scholars have stated regarding the validity of money (and, more particularly, cryptocurrency) and precious metals as a form of currency in light of the Quran and Muhammad's example (the Hadith). Adam (2017) says the Quran doesn't define money. Muhammad used Byzantine coins and materials in Mecca (the late 500s and early 600s). In the 18th Hejira, Muawiya issued silver coins, but he made the first Islamic gold coins. Byzantine coins circulated until Ibn Marwan. Coins were still counted by weight.

In order to evaluate the acceptability and applicability of digital currencies within the Islamic faith, it is necessary to first consider the function of money in early Islamic history and the perspective of Islamic scholars on paper currency. One of the most taken-for-granted aspects of the financial system is cryptocurrency. In spite of the fact that cryptocurrency dominates the market today, it is important to recall that this was not always the case. Cryptocurrencies rise to prominence is a more recent development.

Tapscott and Tapscott A (2016), believe technology benefits and harms society. Technology boosts economic innovation. Cryptocurrencies are financial innovations. Ammous (2018) doubts cryptocurrency's currency potential. Mills and Nower's "The High Risks of Cryptocurrency" (2019) discusses cryptocurrency's dangerous workplace. The Quran clarifies that Allah does not forbid *mu'amalat* so long as it is carried out within specific bounds:

"Rather, seek the [reward] of the Hereafter by means of what Allah has granted you, without forgetting your share of this world. And be good [to others] as Allah has been good to you. Do not seek to spread corruption in the land, for Allah certainly does not like the corruptors."

This research found that some scholars considered cryptocurrency *halal* (permissible) and others *haram* (prohibited). As long as they follow Shariah law, halal cryptocurrencies can be used as money, commodities, or even physical goods, according to Billah (2019). This model must also eliminate *gharar* by requiring full disclosure from all parties and actions. In line with The Shariah Bureau (2018), cryptocurrencies and tokens can be used as money if they meet the conditions of exchange transactions, *maal*, *manfa'ah*, *haqq*, and *dayn* (liability). According to Darul Iftaa' Misriyyah (2018), this cryptocurrency has elements of ignorance, *gharar*, and transaction manipulation that are difficult to control. They said it is *haram* because cryptocurrency is not a widely accepted payment method. This is because Islam's Qur'an states that maintaining currency integrity and not acting arbitrarily to upset society's balance are important.:

"They said: 'O Shuaib! Did your prayers (which were many) tell you to order us to abandon what our grandparents worshiped, or so that we do what we like to do in managing our wealth? Indeed you (O Shuaib) is a person who is patient and wise (then how come you tell us to do things that are contrary to our habits)?"

Referring to Muntada al-Iqtisad al-Islam (2018) states that the use of cryptocurrency like bitcoin as a means of payment is a *Mutaqawwin* currency and property. In fact, it has also been rejected that cryptocurrency has an element of *gharar* (uncertainty) because of its unstable value. This is because it is categorized as a risk that needs to be borne by investors, which is a normal thing for every investment made. For example, investment in gold, whose value is not stable, but it does not mean that buying and selling should be banned. This opinion differs with other author. The authors Bakar et al. (2017) outline three situations in which cryptocurrency does not meet the definition of money. (a)It does not really mean anything, (b)its owner is a mystery, and (c)its value fluctuates wildly. In the same vein, Meera (2018) argued that "Islamic" currency should have some sort of asset backing. Therefore, virtual currencies do not fit the bill. She thinks that cryptocurrency could more closely follow Islamic principles if it were backed by a physical asset.

On the other hand, Kahf (2017) who gives an opinion where cryptocurrency is specifically a valid currency and zakat is obligatory because it has a monetary value. The steps that need to be taken are to introduce rules and regulations to control the stability of value and manage its transactions. According to Amalin (2018), the goal of cryptocurrency was achieved because trading in it is governed by clear and transparent rules. Usury (*riba*) is prohibited by Islamic law; therefore this product does not include any such practises. Zain (2018) echoed this concern, arguing that Bitcoin's lack of central bank oversight makes it vulnerable to being used for illicit activities. Meanwhile, Nurhisam (2017) argues that Bitcoin is unacceptable as currency because its risks and weaknesses outweigh its benefits and it is not regulated by the government. He was concerned about things beyond anyone's control, such as the government's ability to legitimately issue money. Furthermore, according to the Grand Mufti, cryptocurrency is harmful to individuals, communities, and institutions because it can be used by those with less information, through fraud or deceit, and because it operates

outside of the control of a governing body. In line with this opinion, Mufti Muhammed Salman Mazahiri's book stated that cryptocurrency is invalid because it lacks a central governing body and can be exchanged online. As he sees it, its extreme volatility makes it open to betting.

From Shariah perspective, it is very important to stabilize the currency in order to maintain the entire world system in order to be able to take care of and accommodate one's worldly affairs. It can be further strengthened through the view of "Imam Malik" where he defines money as something that can be accepted as a medium of exchange. This is clear based on his words that if the community agrees among themselves to make leather money, then he will prohibit it from being sold with gold and silver.

In conclusion, the characteristics or forms of currency are not explained in detail in al-Quran and al-Sunnah. Both only refer to the currency that existed and was widespread at the time, namely dinar and dirham. However, it has laid down general policies and guidelines related to the use of currency in dealings with other people. Therefore, based on the discussion above, the method of measuring the Shariah compliant status of the cryptocurrency is still under study and it can be accepted if every condition given by Islam regarding the cryptocurrency can be followed. Although the general public can accept it as a currency, the instability of the value of this currency can invite harm to users in the future. In addition, the absence of an authoritative body that regulates this currency can also invite a variety of negative things that can disrupt the official currency system in a country. This matter coincides with the method of fiqh which states:

*“Policy and action of a ruler on his subjects is bound with the **maslahah** (and mafsadah),”*

This means is the actions of a government on the people are based on *maslahah*. In other words, bitcoin currency in its current form is not Shariah because it does not fully comply with the characteristics of currency outlined by Islam, and it is able to present various

threats to the public good. However, this law can change if improvements are made to bitcoin from the point of view of production, price control, security system in the exchange and regulation to prevent it from being exploited by irresponsible parties. Thus, the results of the discussion above can be summarized through table 4.3.

Table 4.3: Summary of Findings for Methods of Measuring Shariah Compliant Status

Author	Years	Arguments on cryptocurrency
Tapscott and Tapscott A	2016	Cryptocurrencies are financial innovations
Ammous	2018	Doubts cryptocurrency's currency potential
Mills & Nower's	2019	Cryptocurrency's dangerous workplace
Billah	2019	Halal cryptocurrencies can be used as money, commodities, or even physical goods
The Shariah Bureau	2018	Cryptocurrencies can be used as money if they meet the conditions of exchange transactions, <i>maal</i> , <i>manfa'ah</i> , <i>haqq</i> , and <i>dayn</i> (liability).
Darul Iftaa' Misriyyah	2018	Cryptocurrency has elements of ignorance, <i>gharar</i> , and transaction manipulation that are difficult to control
Muntada al-Iqtisad al-Islam	2018	<ul style="list-style-type: none"> • Cryptocurrency as a payment (<i>Mutaqawwin</i>) currency and property. • It has also been rejected that cryptocurrency has an element of <i>gharar</i> (uncertainty)
Bakar et al.	2017	Cryptocurrency does not meet the definition of money.

		<p>(a) It does not really mean anything</p> <p>(b) Its owner is a mystery</p> <p>(c) Its value fluctuates wildly</p>
Meera	2018	Argued that "Islamic" currency should have some sort of asset backing. Therefore, virtual currencies do not fit the bill.
Kahf	2017	Cryptocurrency is specifically a valid currency and zakat is obligatory because it has a monetary value.
Amalin	2018	The goal of cryptocurrency was achieved because trading in it is governed by clear and transparent rules. Usury (<i>riba</i>) is prohibited by Islamic law, therefore this product does not include any such practises
Zain	2018	Arguing that Bitcoin's lack of central bank oversight makes it vulnerable to being used for illicit activities.
Nurhisam	2017	Argues that Bitcoin is unacceptable as currency because its risks and weaknesses outweigh its benefits and it is not regulated by the government.
The Grand Mufti,		Cryptocurrency is harmful to individuals, communities, and institutions because it can be used by those with less information, through fraud or deceit, and because it operates outside of the control of a governing body.

ATLAS.ti is an important tool for analyzing transcripts and data in many qualitative studies. With the use of ATLAS.ti, it can help to code and organize data and make a literature review easily. Researchers can now exchange and analyze qualitative data more easily due to enhanced data visualization and portability. In addition to qualitative data analysis, some researchers use ATLAS.ti as a constant companion throughout their research project. Therefore, this study also uses ATLAS.ti as a data analysis method.

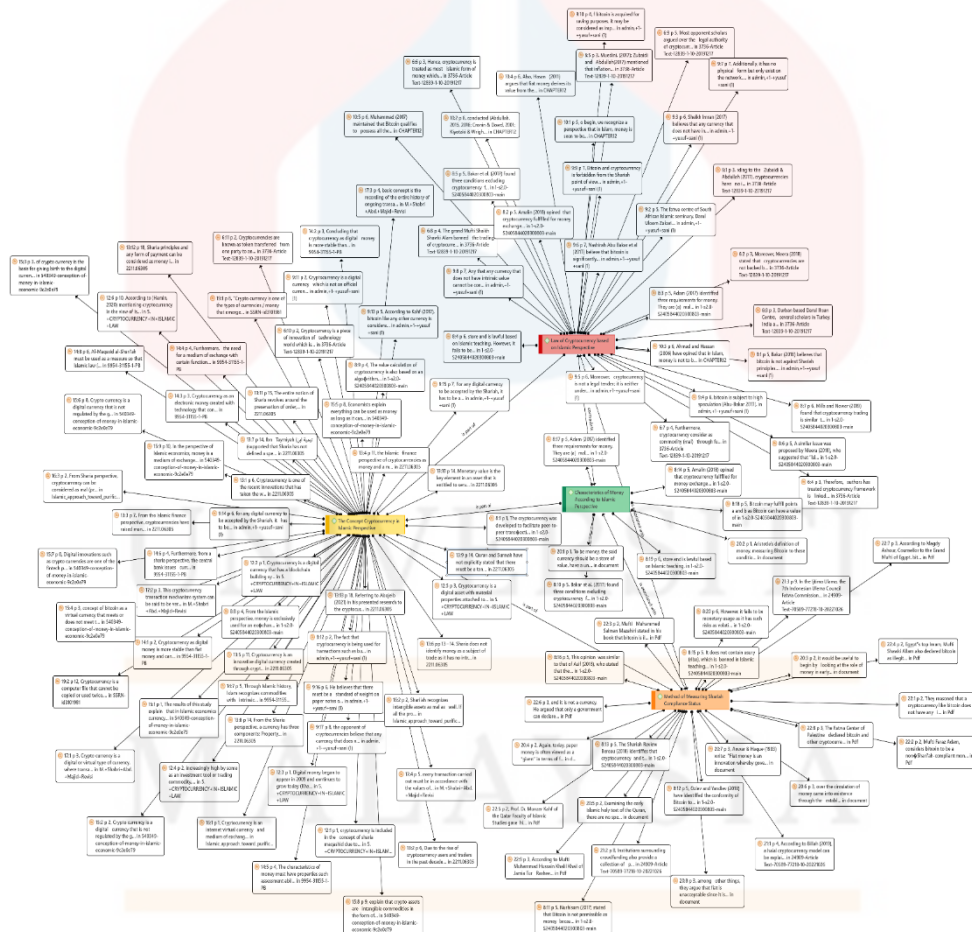


Figure 3: Network View of Literature Review on Developing Shariah Screening Methodologies For Cryptocurrency

Based on the view of the network, there are many articles that have been used as sources in this research. There are four main codes in the view of the ATLAS.ti network, namely the concept of cryptocurrency in Islamic perspective, the law of cryptocurrency based on Islamic perspective, methods of measuring Shariah compliance status in cryptocurrency and the characteristics of money according to Islamic perspective. Based on the straight lines found in the network view, the straight lines between the codes show that there is a strong relationship between each other. In addition, the view of the network also shows that the law of cryptocurrency based on Islamic perspective, method of measuring Shariah compliance status and characteristics are part of the concept of cryptocurrency in Islamic perspective. Meanwhile, characteristics of money according to Islamic perspective and law of cryptocurrency based on Islamic perspective are associated with method of measuring Shariah compliance status.

4.4 CONCLUSION

This chapter presents findings that answer the three research questions raised in this study, followed by discussions of the findings. The findings were found on the status of Shariah compliance in cryptocurrency is a digital asset that is not legally traded. This is because cryptocurrency needs more conditions and characteristics to be used as legal currency, according to the Islamic perspective. From this study, it can be found that network is exists between the concept of cryptocurrency in Islamic perspective, the law of cryptocurrency based on Islamic perspective and methods of measuring Shariah compliant status.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.0 INTRODUCTION

The final chapter of this research project will summarise the preceding sections. There are three primary parts to this chapter. Start with an introduction, then move on to the bulk of research findings and a concise explanation of what we found. Secondly, we will discuss this study's implications and potential future contributions. Finally, this chapter will wrap up everything that has come before it by making recommendations for future research that is appropriate for this field research study.

5.1 MAIN FINDINGS

This study will likely be a new addition to the research on cryptocurrencies that focuses on developing shariah screening methodologies for cryptocurrency because there are still a lot of user- or future-related questions about cryptocurrencies themselves. Three research objectives and three research questions were examined in this study, and their answers have been provided by the study's findings.

Identifying the concept of cryptocurrencies according to the Islamic perspective is the first research objective, as described in Chapter 1. What is the concept of cryptocurrencies from an Islamic perspective has then been identified as a research question. According to the conversation that has already taken place, the researcher has received a response stating that discussing the Islamic viewpoint, means determining how much a particular factor helps the realization of *Maqasid al-Shariah*. Furthermore, they are connected to digital assets that have physical qualities (Wijaya, 2019). the same opinion as Santoso et al. (2021), who came to the conclusion that, because it is more stable than fiat currency, bitcoin can be characterized as a

flexible and reliable digital currency exchange medium.

A cryptocurrency that complies with the *Maqasid al-Shariah* is said to be Shariah-compliant, according to Aliyu et al. (2020), depending on whether or not the assets and authorities that regulate the coin are supported. Digital currencies also lack the underlying value of physical things, making them not equivalent to actual money. Regarding the idea of cryptocurrencies from an Islamic perspective, according to Al-Khalifa (2022), it is both money and a means of exchange under Shariah. Applying Shariah to the financial structure's primary determining factor is that transactions must be grounded on tangible assets and refrain from involving interest (*riba*), uncertainty (*gharar*), speculation (*maysir*), and gambling (*qimar*).

The second study goal is to analyse the law of cryptocurrency based on an Islamic perspective. What is the law of cryptocurrency based on the Islamic perspective is a research question that arises. As a result of the researcher's investigation, there are a variety of views and perspectives about the cryptocurrency's status, including whether it is halal or haram, since certain nations still do not recognize it for usage as a form of digital currency. The Grand Mufti of Egypt (2018) stated that as cryptocurrencies are not issued by any nation, they cannot be used in transactions and are not a widely accepted form of money. According to Adam (2018), cryptocurrencies are deserving of being used as money because they meet the criteria for exchange transactions as well as additional criteria, like mal (property) and user benefits.

The Mufti of the Federal Territory, Zulkifli Mohamad al-Bakri (2018), expressed a viewpoint in this study, ruling that the usage of cryptocurrencies as money is forbidden since it does not adhere to Shariah. In contrast to those that oppose cryptocurrencies, there are other viewpoints that advocate for their adoption. According to Taha Karaan and South African academics, who base their ideas on general acceptability, cryptocurrencies are harmful and, in

the lack of regulation and consent from a country's government, it is not an issue to see them as property. In sum, it can be argued that there is still a lot of research that has to be done by other researchers in order to reach a consensus regarding the actual status of cryptocurrencies from an Islamic perspective.

The discussion has also taken place over the third research objective, which is to provide tools for determining whether a cryptocurrency is Shariah-compliant. A research question regarding to what extent the methods can be used to measure of Shariah-compliant status in cryptocurrency. One of the primary concerns the researcher is focusing on for this subject is how to measure the status of this cryptocurrency according to Shariah. There are conflicting views among Muslim scholars and Shariah experts over whether it is allowed (*halal*) or not (*haram*).

The use of cryptocurrencies like bitcoin as a form of payment is described as a Mutaqawwin money and property in Muntada al-Iqtisad al-Islam (2018). Since cryptocurrency's value fluctuates, the idea that it contains a component of *gharar* (uncertainty) has also been disproved. This is so because it is regarded as a risk that investors must bear, something that happens with every investment. Cryptocurrencies can be regarded as halal, or Shariah-compliant since they meet the three characteristics of money: they are a means of trade, a unit of account, and a store of value. In a study by Abu-Bakar (2017), determined that cryptocurrencies are prohibited (*haram*) because they are not widely acknowledged and have huge value variations, according to Fatwa Center Palestine. The key characteristics that a cryptocurrency should have in order to be considered a legitimate form of payment are therefore determined by Islamic scholars. Thus, the results of the discussion above can be summarized in table 5.1

Table 5.1: Main Findings on Developing Shariah Screening Methodologies for Cryptocurrency

No	Research Objective	Research Question	Research Method	Findings
1	To identify the concept of cryptocurrency according to Islamic perspective.	What is the concept of cryptocurrency in Islamic perspective?	Document analysis	It is both money and a means of exchange under Shariah where the transactions must be grounded on tangible assets and refrain from involving interest (<i>riba</i>), uncertainty (<i>gharar</i>), speculation (<i>maysir</i>), and gambling (<i>qimar</i>).
2	To analyse the law of cryptocurrency based on Islamic perspective.	What is the law of cryptocurrency based on the Islamic perspective?	Document analysis	The use of cryptocurrencies as money is prohibited (<i>haram</i>) since it violates Shariah, yet cryptocurrencies are also deserving of being used as money (<i>halal</i>) because they satisfy the requirements for exchange transactions in addition to other criteria, such as mal (property) and user benefits.
3	To develop methods of measuring Shariah-compliant status in cryptocurrency.	To what extent the methods can be used to measure of Shariah-compliant status in	Document analysis	The method that can be used is through the view of scholars where there is a view stating that cryptocurrencies like bitcoin as a form of payment in terms of investment

		cryptocurrency?		(permissible) while other methods state that cryptocurrencies are prohibited (illegal) because they are not widely acknowledged and have huge value variations.
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5.2 IMPLICATIONS OF THE STUDY

This section will provide a full overview of the implications of the study. This research has created several implications based on this study. In accordance with the research findings, several implications have been found in this cryptocurrency study. Studies discussing cryptocurrencies conclude that cryptocurrencies have *maslahah* (benefit) and *mafsadah* (harm). The presence of this cryptocurrency provides more benefits or harm for the current and future economic world (Wartoyo & Haerisma, 2022). This study's effect has also given the public awareness and knowledge about the law of cryptocurrency according to the Islamic perspective.

First, the impact of this study can lead to changes in the development of digital technology. The sophistication of this cryptocurrency technology allows for more innovation in the future. Cryptocurrency is a technology that inspires people to change how they use money. As for cryptocurrency, its technology is open and transparent and can improve the global financial system. Cryptocurrencies work on blockchain technology and are independent of the control of government agencies. Cryptocurrency is also one of the financial technology innovations that exist in the modern era. The digital age has also made it easier for people to access information, and new technologies have allowed us to create and share content more efficiently than ever before. This shows that our society is progressing toward the post-digital era. Islam has never prevented any form of new technology. Even

Islam recognizes and encourages the use of human reason at the maximum level to benefit human life. Whatever technology is invented, it must be aimed at the good of human life.

Second, it was found that this cryptocurrency's effects could facilitate buying and selling in the future. Through this study, it provides an alternative for some people in doing transactions and investments. In fact, it can be replaced with currency if accepted by the public. The cryptocurrency was created as a digital currency to facilitate online payment transactions. With cryptocurrency, one can pay or get paid without the intervention of a third party, such as a bank. Simple crypto transactions can be made easily, at a low cost, and relatively private. Payments for most cryptos are settled within minutes and seconds. Freedom of transactions, security, and ease of transactions are among the most important advantages of cryptocurrencies. Many cryptocurrencies are designed to have unique advantages over fiat currencies or traditional banking systems, although they have yet to be widely used or adopted. Shariah principles in muamalat and modern transactions are permissible so long as there are no elements of *riba*, *gharar*, gambling, illegal things, and cruelty.

Third, the impact of cryptocurrency studies on economic improvement. This digital currency can be a potential driver of financial stability, equity, innovation, and market incentives for environmental sustainability. Through their accessible nature, cryptocurrencies can potentially drive the economy on a massive scale. Cryptocurrencies have had a massive economic impact on the world economy that transcends industries, spans international borders, and goes far beyond what was previously thought possible. Cryptocurrencies may enhance financial inclusion globally due to their accessibility. As a result, cryptocurrencies are beneficial to the economy. The cryptocurrency market impacts the whole economy and has the potential for significant consequences on its own.

Lastly, this study can provide awareness and knowledge of cryptocurrencies. The

effect of this cryptocurrency can bring awareness and help expand the public's knowledge about cryptocurrency. This study may help those who want to use cryptocurrency such as bitcoin to make transactions or investments, knowing whether it is Shariah compliant or not. Furthermore, people will be aware of risk management when investing in cryptocurrencies. They will understand the risks associated with cryptocurrencies and try to deal with them as best they can. The effect of this study will also be beneficial for future researchers because they can pick some information that might help with their research. It is important to look at a few things when researching cryptocurrency and spend some time researching first whether the currency is legitimate or not.

5.3 RESEARCH CONTRIBUTIONS

Every research that has been produced will certainly provide important contributions in various aspects, and it will also be used as a reference because almost all the research results obtained can be used (Tahir, 2010). In addition to achieving the main purpose of the study, the production of a study can also provide important contributions to all parties. In this era of globalization, cryptocurrency is one of the things that all parties need to know because it is a currency that is becoming more popular and is often used by the community. However, most of the Muslim community is still confused about the law of cryptocurrencies and there are also people who do not know about cryptocurrencies. Therefore, based on this study, Developing Shariah Screening Methodologies for Cryptocurrency can contribute various benefits, information and knowledge to all parties, especially individuals, institutions, the economy and the country.

First, this study can contribute to individuals such as the community, teachers and students. This is because, this study can be used as a reference source for every individual to learn more about cryptocurrencies based on Islamic perspective. If there are some individuals such as students who want to conduct a study on cryptocurrency based on an Islamic

perspective, they can use this study as reference material. This study can also foster the understanding and ability to acquire knowledge for individuals related to cryptocurrency whose progress is increasing rapidly. In addition, this study can provide awareness to individuals, especially the community, regarding cryptocurrency laws based on an Islamic perspective. This is because, in this study there is an explanation of the concept of cryptocurrency, opinions from Islamic scholars or previous studies about the law of cryptocurrency and the method of measuring cryptocurrency based on an Islamic perspective.

Second, this study can contribute to institutions such as universities, government bodies and private bodies. This study can contribute to the university's efforts to collect studies on the status of Shariah compliance of cryptocurrency to be used as reference material in the future, as well as make it easier for students at the institution to find reference material for their learning. In addition, government bodies and private bodies such as financial institutions can also use this study as a reference in analyzing and planning strategies. This is because, the analysis of this currency needs to be done by the institution in order to be able to improve the cryptocurrency system so that the currency meets the characteristics of a shariah-compliant currency. This is because, based on this study, Adam (2018) believes that cryptocurrency is worthy of being used as money because it satisfies the characteristics of exchange transactions as well as other requirements, such as *mal* (property) and user benefits.

Third, this study can contribute to Islamic economics. Because cryptocurrency is one of the more advanced transaction systems nowadays, this study can be used as a guide to advance the Islamic economic system through cryptocurrency. This is because if cryptocurrency is a currency based on Shariah, it can attract the interest of the Islamic community to make cryptocurrency a medium of exchange as well as increase the growth of the Islamic economy according to modernization in the future. Therefore, this study makes an important contribution to the growth of the Islamic economy in the future.

Fourth, this study can also contribute to the country. The existence of this study can make a country aware that cryptocurrency is one medium of exchange that is progressing and developing rapidly in this era of technology. If a country, especially an Islamic country, takes the initiative to review cryptocurrency, this study can help in implementing the process because the objective of this study is to identify the status of Shariah compliance with cryptocurrency. With that, if a country succeeds in creating a strategic solution to the characteristics of crypto currency in order to be based on shariah, then it can be recognized as the official currency of the country and at the same time can avoid the occurrence of inflation against the country. Based on this study, there is an opinion from Wartoyo and Haerisma (2022) that cryptocurrencies cannot be counterfeited, do not experience inflation due to their limited supply. This will benefit the country in order to make it one of the more advanced countries in the implementation of the Shariah-based cryptocurrency system.

Therefore, it is clear that this study is not only to achieve the main goal, but it can also make an important contribution to individuals, institutions, the Islamic economy and the country in an effort to improve the cryptocurrency system to be based on Islam. With this study, the community can increase its knowledge and provide awareness and general exposure about cryptocurrency.

5.4 LIMITATIONS OF THE STUDY

Research limitations are potential flaws or difficulties, often outside the researcher's control, that make it difficult to complete a report on the completed research. These restrictions are time-consuming and may lead to the rejection of a study, which the researcher must overcome with care.

During the course of this analysis, the researcher ran into a few obstacles, one of which was the difficulty of collecting enough data to complete this study. This is because the researcher was constrained by time and was unable to conduct in-person interviews with

scholars who are recognised as being subject matter experts on the themes that were discussed in the presentation.

Researchers also have a difficult time understanding the approach that is used to determine whether or not cryptocurrencies comply with shariah law because there is no established method for determining the status of cryptocurrencies in accordance with Islamic law.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This study examines the status of Shariah compliance in cryptocurrency. During conducting this study, the researchers could not find any specific method on measuring the status of cryptocurrency in Islamic perspective. All data and information that have been collected only explain the method generally according to Al-Quran and Hadith as guideline. Hence, it will be appreciated for the next researcher to conduct an interview with scholars who are recognised as being subject matter experts for cryptocurrency. Other than that, next researcher also can conduct a research on public opinion of cryptocurrency completely replacing paper currency in the future in all matters involving payments and purchases

In addition, the researcher used a qualitative method to identify the concept and analyse the law of cryptocurrency. Then, a quantitative research technique based on the scientific method is suggested for future studies. Then, researchers can use a quantitative approach, such as sending out surveys to 300 people.

The data methodological approach describes the methodologies applied in detail, and in this paper, the researchers employ theme analysis and ATLAS.ti as the devices for coding and evaluating transcripts. Statistics for the suggested study can be run in SPSS (the Statistical Package for the Social Sciences). Non-parametric testing, descriptive statistics, and scale reliability testing are just a few of the analyses that may be done in SPSS. SPSS's high sample size and amount of variables allow the analysis of massive datasets.

5.6 CONCLUSION

The creation of shariah screening methods for bitcoin is a relatively new area of research for cryptocurrencies, and it is anticipated that this work will make a significant contribution to the development of that subject. A cryptocurrency is said to be Shariah-compliant if the assets and authorities that regulate it adhere to the *Maqasid al-Shariah*, as stated by Aliyu et al. (2020). The requirement that all transactions must be based on actual assets and not entail interest (*riba*), uncertainty (*gharar*), or speculation is the primary factor that will determine whether or not Shariah is implemented in the financial sector (*maysir*). The subject of Bitcoin legislation from an Islamic point of view comes up as an emerging issue of discussion. There is a lot of discussion over whether or not it is permissible or forbidden in Islam due to the fact that some nations do not accept it as a kind of legal cash.

There is a diversity of opinion among scholars of Islamic law and Shariah over the question of whether or not this practise is allowed (*halal*) (*haram*). Because cryptocurrencies may be used as a medium of trade, a unit of account, and a store of value, they satisfy all three of the Shariah law requirements for money, which means that they are permissible for use in financial transactions. The claim that bitcoin is fraught with *gharar* (uncertainty) has been debunked by the reality that the cryptocurrency's value is volatile and fluctuates over time.

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