

Compatibility of Cryptocurrency with Islamic Law: Perspectives of Sharia Scholars through Focus Group Discussions

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Abstract

The nature of money has undergone significant transformation with the advent of cryptocurrencies such as Bitcoin. While Bitcoin does not possess all the attributes of traditional currency, it provides distinct advantages, including transparency, security, and enhanced financial inclusion. Nonetheless, cryptocurrencies are subject to criticism due to their potential to facilitate illicit activities and their extreme volatility due to their decentralized nature. Given these concerns, it is imperative to evaluate their legitimacy within the context of Islamic finance. Focusing on the major features of cryptocurrency, the present study collected in-depth information from Sharia experts through online focus group discussions. The Sharia scholars were selected based on their knowledge about cryptocurrency and expertise in the Islamic financial system. Therefore, purposive and snowball sampling techniques were used to access the respondents who were familiar with the Sharia perspective of cryptocurrency. A series of focus group sessions were conducted until a saturation point was reached when little or no further information could be observed. The sample size for the survey was three scholars for each focus group discussion, with each session lasting approximately one hour. The results suggest that centralization is not a compulsory requirement for a currency in Sharia and that general acceptability among people is considered more important. Moreover, cryptocurrency does not involve *gharar* and *maysir*, and fulfills *maqasid al-Shari'ah*. However, experts suggest that the wealth and interests of people can be better protected if the currency is backed by a monitoring authority. The study had a small sample size and a limited duration of focus group discussions. Further research could be conducted with a larger sample size and longer duration to provide more comprehensive insights. The findings of this study can be used by policymakers and regulators to develop guidelines and regulations for the use of cryptocurrencies within the Islamic financial system. This study has implications for the Islamic finance industry and the wider Muslim community, as it sheds light on the potential benefits and challenges of using cryptocurrency as a form of money within the Islamic framework.

Keywords: cryptocurrency, decentralized, *gharar*, Islamic law, *maqasid al-Shari'ah*, *maysir*, money, Sharia

1. Introduction

Currency is any form of money that is in circulation (Grym, 2018). It is typically issued by a government and regulated by a monetary authority. The nature of money has significantly evolved over time (McLeay et al., 2014). In the recent past, it has been revolutionized by the emergence of cryptocurrency. Bitcoin, the first cryptocurrency, was created in 2008 following the financial crisis.

According to the Department of Treasury Financial Crimes Enforcement Network (FinCEN) (2013), virtual currency functions like a currency in certain environments and serves as a medium of exchange, but it lacks all the characteristics of real currency. The European Central Bank (2012) and the International Monetary Fund (2016) classified cryptocurrency as a subset of virtual currency. Bitcoin and similar digital currencies rely on cryptographic algorithms for their security (Dwyer, 2014). More than 10,000 “altcoins” have been created so far with Bitcoin dominating the market comprising more than 50% of the market capitalization of all cryptocurrencies. Therefore, the present research will focus on Bitcoin, as it was the first major usable cryptocurrency, traded at the highest cost of all cryptocurrencies.

Blockchain, serving as a public ledger for cryptocurrency, was first conceptualized by an unknown entity under the pseudonym Satoshi Nakamoto and has since found applications in numerous sectors. The transparency and security in payment systems are significant advantages of blockchain for cryptocurrencies. Cryptocurrencies can potentially serve the economy more inclusively than paper money, as they can be used by unbanked individuals. Decentralization, a key feature of cryptocurrencies, allows peer-to-peer transactions without financial intermediaries (Nakamoto, 2008). However, Islamic scholars such as Meera (2018), Alzubaidi & Abdullah (2017), and Nurhisam (2017) oppose cryptocurrencies due to their decentralized nature, which they argue increases the likelihood of illegal activities due to the lack of central regulation. Moreover, the absence of a responsible authority can lead to societal chaos and anarchy. The value of cryptocurrencies is highly volatile and often used for speculative investments rather than as a stable currency (Wolla, 2018; Yermack, 2015; Lo and Wang, 2014; Baur and Dimpfl, 2018). Despite these issues, Bitcoin and similar cryptocurrencies are considered highly secure because they use blockchain technology with a proof of work algorithm.

Despite the security offered by blockchain technology and proof of work algorithms, cryptocurrencies are vulnerable to hacking, leading to significant losses from exchanges worldwide, with anonymity complicating the tracing of stolen assets. This anonymity also introduces opportunities for illicit activities like money laundering, tax evasion, and terrorism financing (Velde, 2013; Foley et al., 2018; Forgang, 2019). Additionally, cryptocurrencies are seen to embody elements of *gharar* (uncertainty) and *maysir* (gambling), which are prohibited in Islamic finance for causing economic harm and distraction from religious duties (Meera, 2018; Bakar et al., 2017; Hameed, 2009; Al-Razi, 1981; Uddin, 2015).

Given these concerns, it is crucial to evaluate the legitimacy of cryptocurrency based on characteristics identified by Muslim scholars. The novelty of digital currencies presents adoption challenges within the Islamic financial system. This study used an online focus group to gather in-depth knowledge from Sharia scholars about the key parameters of cryptocurrency and to determine their consensus on its compliance with Sharia principles. However, the ultimate authority to determine the legitimacy of cryptocurrency in Islam lies with the *Faqih*.

2. Literature review

2.1. The Potential and Limitations of Bitcoin as a Form of Currency

According to Lee et al. (2015), cryptocurrencies are decentralized peer-to-peer payment systems that represent digital value and can be transferred, stored, and traded electronically. They differ from other digital payments e.g., PayPal by allowing value transfer between two parties without an

intermediary. Cryptocurrencies lack legal tender status and operate without central authority or banks (Murphy et al., 2015).

Bitcoin, a prominent cryptocurrency, relies on cryptographic principles to validate transactions and control currency production. Each Bitcoin end-user is encrypted with a unique identity, and transactions are recorded on a decentralized public ledger, or blockchain, visible to all network computers but concealing personal information of the parties involved (Bohme et al., 2015).

Bitcoin has some attractive attributes and has the potential to become a major means of payment as mentioned by Woo (2013); Rose (2015); Stroukal (2018). Du Plessis (2014) supports the features of Bitcoin, noting that it has emerged as a new form of money that functions innovatively without relying on a central authority for transactions. This absence of a central intermediary creates new opportunities but also introduces potential risks. Users can transfer funds over the internet securely, independently, irreversibly, and with low transaction costs. Bitcoin also enables the unbanked to participate in the global economy. However, despite acknowledging the benefits of blockchain-based cryptocurrencies, the author expresses concerns about Bitcoin. Additionally, Yuneline (2019) found Bitcoin acceptable as money because it meets six out of seven key requirements for money: homogeneity, divisibility, mobility, durability, rarity, and stable value. However, the stable value condition for Bitcoin is not consistently observed, so this claim is not fully recognized

Though Bitcoin has made innovative contributions to the payment system, its network operations are not guaranteed and carry certain risks (Kubát, 2015). Created in 2008 to serve as an alternative form of money without relying on a trusted third party (Nakamoto, 2008), Bitcoin has been criticized by several scholars, including Yermack (2013), Kubát (2015), Lo and Wang (2014), Wolla (2018), DeVries (2016), and Johnson (2014). They argue that Bitcoin does not meet the criteria of commonly used definitions of money due to its volatility, which undermines its ability to function as a store of value, unit of account, and medium of exchange. For money to operate as a medium of exchange, it must be widely accepted as payment for a broad range of products and services. Bitcoin, however, is only accepted for a limited number of items. Additionally, people prefer transaction mediums with a consistent value over time. The volatility of Bitcoin, along with hacking attacks and other security issues, diminishes its effectiveness as a store of value. As a unit of account, money provides a popular measure of the worth of products and services. Bitcoin's intense price fluctuations force retailers to frequently recalculate its prices, which can be confusing for both sellers and buyers. Moreover, the varying prices of Bitcoin on different exchanges further complicate price decisions for sellers. The high cost of one bitcoin compared to regular items also necessitates pricing to four or five decimal places. Volatility, therefore, is a major factor preventing Bitcoin from performing its intended functions and instead turns it into a speculative investment rather than a currency (Velde, 2013; Woo, 2013; Yermack, 2013; Lo and Wang, 2014; Baur et al., 2018).

In addition to its volatility, which impedes Bitcoin's function as money, it also lacks several key properties associated with modern currencies. For instance, Bitcoin cannot be deposited in banks, there is no developed insurance for Bitcoin owners, and it is not used as a unit of account by lenders for auto loans, standard consumer finance credit, or mortgages. Furthermore, no debit or credit cards are denominated in Bitcoin (Yermack, 2013).

2.2 Cryptocurrency under Sharia

Muslim scholars debate the validity of cryptocurrencies under Sharia, with some in favor of Bitcoin and others opposed, each group providing various arguments to support their views. Among the

proponents, Muedini (2018) compared paper money with cryptocurrency, arguing that paper money is unsuitable for the Islamic financial system due to its unlimited supply, inflationary nature, government abuse, and susceptibility to forgery. In contrast, he suggested that Bitcoin and other cryptocurrencies align with principles of social justice due to their limited supply, ease of transport, and decentralized nature. Bakar and Rosbi (2018) also supported cryptocurrencies for their potential to lower bank transaction fees, their resistance to double spending and forgery, and their utility in social development projects. Cryptocurrencies and blockchain technology offer unbanked individuals the power and protection over their wealth without relying on banks or the state, reflecting compatibility with Islamic finance and its message of justice for all. From an Islamic perspective, cryptocurrencies possess attributes that align with social justice, surpassing traditional currencies.

Another scholar, Evans (2015), also favored Bitcoin over fiat money. The study argued that Bitcoin is free from *riba* (interest) and incorporates the principle of *maslaha* (social benefits), enabling the billions of unbanked adults with internet access to participate in an integrated global marketplace, thus avoiding inefficient banks. Additionally, Bitcoin users collectively benefit from price increases if they take positive steps to promote its benefits. The study also found that Bitcoin adheres to the principle of mutual risk sharing, as the Bitcoin system operates on the principle of *musharaka*, where miners share the costs and benefits of maintaining the system. There is a direct relationship between miners' share of Bitcoin released by the system and their investment in the equipment used to confirm transactions. In contrast, fiat money is associated with *riba* and must inevitably inflate.

Abu-Bakar (2018) declared Bitcoin permissible because it is accepted as payment by a large number of merchants and is considered valuable, as reflected by its market price. In this study, Bitcoin is regarded as *mal*, which requires certain attributes: (i) it must be lawful and permissible in Sharia (*mutaqawwum*). *Mutaqawwum* refers to something that is present or stored and permissible to use; it is not considered *mal* if it is not present or stored. (ii) It must have some benefits and uses. (iii) It must be capable of being possessed and owned. (iv) The custom must recognize and determine it as *mal*.

Yuneline (2019) also suggested that Bitcoin can be considered *mal* due to its storability and desirability from a Sharia perspective, but it cannot be considered *thamaniyyah* because fiat currency is still needed to determine the value of cryptocurrency. Despite Bitcoin having market value, it is accepted for only a limited number of goods and services. Furthermore, it is debatable whether Bitcoin qualifies as *mutaqawwum* (lawful and permissible in Sharia), as a number of scholars argue it is forbidden due to excessive *gharar* (uncertainty) and *maysir* (gambling).

Abubakar et al. (2018) also supported cryptocurrency by analyzing secondary sources to explore Muslim experts' opinions on Bitcoin from a Sharia perspective. Ultimately, the researchers tended to support the proponents' view on cryptocurrency, suggesting that most arguments from opponents are based on temporary problems that could be mitigated through proper regulation by the government.

Among the opponent scholars, Adam (2017) used interactive and inductive methods to identify the principles of defining money in Islamic law. He argued that Bitcoin fails to fulfill the role of money as described by Sharia, a view also supported by Yussof and Al-Harthy (2018). Highlighting the risks associated with Bitcoin, Adam (2017) examined that Bitcoin does not adhere to the *maqasid al-*

Shari'ah principle of wealth preservation. Evaluating Bitcoin within the principles of the Islamic moral economy, he found that cryptocurrency investments do not benefit the real economy or promote genuine economic growth. Thus, he concluded that Bitcoin is unsuitable as a long-term investment and should not be used in the Islamic finance industry until a transparent and regulated framework is established. This view aligns with Meera (2018), who stated that, money or payment system is considered Islamic if it assists in attaining the *maqasid al-Shari'ah*. Additionally, Siswanto et al. (2020) noted that money in the Islamic paradigm must have unique features such as stability and being asset-dependent. Cryptocurrencies fail to meet these criteria, raising Islamic concerns about their use as money. The study suggested that cryptocurrency is extremely volatile and limited in its ability to function as money, being largely restricted to speculative uses.

Furthermore, Meera (2018) stated that cryptocurrencies are not backed by any real assets and thus are not Sharia-compliant. Alzubaidi and Abdullah (2017) made similar arguments, emphasizing the necessity of intrinsic worth and physical presence for money to align with Sharia principles. Bitcoin lacks intrinsic value and is not issued or controlled by any central authority, leading to its misuse. In the case of suspicious activity, tracing the real account holder is challenging due to the pseudonymous nature of Bitcoin transactions (Baker et al., 2017; Bakar and Rosbi, 2018). It was also concluded that Bitcoin contributes to socioeconomic injustice due to the elements of *gharar* (uncertainty) and *maysir* (gambling), jeopardizing the *maqasid al-Shari'ah*. Therefore, fiat cryptocurrency is not considered Sharia-compatible money, as it includes forbidden components like *maysir* and *gharar*, undermining the *maqasid al-Shari'ah*. The high uncertainty in Bitcoin transactions was also confirmed by Baker et al. (2017). Bangash (2017) found that Bitcoin involves speculation, uncertainty, and gambling, and ruled that investments in Bitcoin are forbidden by Sharia. Additionally, Bakar and Rosbi (2018) argued that the anonymity of the Bitcoin system increases the likelihood of involvement in criminal transactions and online gambling operations. Regarding whether digital currency can achieve the *maqasid al-Shari'ah* principle, Alzubaidi and Abdullah (2017) suggested that cryptocurrency should be modified to ensure the preservation of wealth, one of the major objectives of Islamic law.

Although Amalin (2018) supported cryptocurrency for achieving the principles of Islamic banking, he acknowledged that the anonymity of cryptocurrency users and the lack of regulation in cryptocurrency trading caused *gharar*. Febriandika and Sukmana (2018) analyzed that Bitcoin involves *gharar* when treated as a commodity because it lacks intrinsic use or function. Therefore, they did not recommend Bitcoin's use due to its significant elements of *shubhat*.

Ozиеv and Yandiev (2017) criticized cryptocurrency for its speculative nature and the risk of stolen money. They expressed concern that if someone lost their wallet password or if a person died without informing their family about the wallet address, the money would be inaccessible. They believed in the permissibility of cryptocurrency under Sharia but emphasized specific aspects. The acquisition of Bitcoin for immediate payment of goods and services is permissible, whereas using it for saving or investment is not. Similarly, mining Bitcoin is permissible if done for immediate payment but not for saving in hopes of future price increases. Due to the anonymity of Bitcoin leading to tax evasion, they believed that Bitcoin's permissibility should be limited until a new cryptocurrency free from these drawbacks emerges.

Several experts have not yet reached a consensus on whether Bitcoin is permitted under Sharia. Mahomed and Mohamad (2017) analyzed whether cryptocurrency is considered *mal*, considering

the views of contemporary scholars. The study concluded that as more is learned about cryptocurrencies, including their tradability, mining, security, and systemic influence, judgments will become more well-informed. Haq and Ali (2018) also noted that more research on cryptocurrencies is needed due to their fundamentally distinct nature.

This study is unique because it utilizes primary data to examine the key characteristics of cryptocurrency in the context of Sharia. Unlike the work of Naz and Nazir (2018), who gathered fatwas through primary data to assess the Sharia legitimacy of cryptocurrency, this research paper collects detailed insights from Sharia experts through focus group discussions.

3. Methodology

Traditionally, focus group research has been used to collect qualitative data by involving a small number of people in informal group discussions on a specific topic (Wilkinson, 2004). The focus groups for the present study comprised individuals with background knowledge of the crypto world.

Given that the majority of the participants were situated in remote regions and in consideration of the COVID-19 pandemic, this study employed online focus group discussions. Despite being conducted in an online setting, online focus groups are similar in nature to face-to-face group discussions (Kamberelis and Dimitriadis, 2005).

Four major steps are involved in conducting the online focus group discussions, as identified by Morgan *et al.* (1998). These included the research design, data collection, analysis, and reporting of the results.

As far as the present study is concerned, the research design process began by identifying the main aims and objectives of the study. To discuss the nature and working of cryptocurrency, a thorough reading of the literature helped the authors to sort out the main issues confronting the currency in fulfilling Sharia-compliance. These all issues have been incorporated in the interview. The most critical step in a focus group discussion is the identification of participants (Green *et al.*, 2003; Kitzinger, 1994; Thomas *et al.*, 1995). For this purpose, information about Sharia experts was collected from the Securities and Exchange Commission of Pakistan and various other sources. Sharia scholars with background knowledge of cryptocurrencies were identified and contacted by telephone. The respondents were residing in distant areas. Based on the initial information, Karachi, and Islamabad were considered to get more educated and relevant field experts.

Another important consideration was the number of respondents invited for discussion. Focus group participants were not randomly selected. Purposive and snowball sampling techniques have been used to access respondents who were familiar with the Sharia perspective of cryptocurrency. In this regard, education qualification, nature of job and job experience were the key aspects considered towards their selection

Anderson (1990), Patton (2002), and Stewart *et al.* (2007) recommended that the size of a focus group should range from six to twelve participants. However, for this study, a “mini focus group” was used, which is appropriate for participants with specialized knowledge and experience to discuss in the group. The participants were over-recruited; that is, there were seven participants recruited in each of the two sessions. However, not all of them participated and the sample size for the online focus group discussions was three participants for each of the two sessions. This sample size is consistent with the recommendation for smaller groups to generate in-depth and rich data (Krueger, 1994). The online focus group meetings were conducted in two sessions until a clear

pattern emerged, and subsequent discussion produced no new information, following the recommendations of several authors (Strauss and Corbin, 1990; Sandelowski, 2008; Saumure and Given, 2008). Each focus group session lasted just over one hour, which is within the recommended range for focus group duration (Vaughn *et al.*, 1996).

To analyze focus group data, the study has used simple descriptive counts for categories, as proposed by Carey (1995), Kidd and Parshall (2000).

4. Results and Discussions

Because of the new nature of cryptocurrency, the respondents in the focus group discussions must be experts in Sharia law, economics, and finance. The qualifications, occupation, and job experience of the respondents are summarized:

The academic qualifications of the respondents have shown that most of the respondents (5 out of 6) had master's degrees with specialization in either Sharia law, Economics, Islamic banking, or Finance. The number of respondents with PhD degrees in Islamic Economics and Islamic Finance was one. Moreover, all the respondents had Sharia knowledge of cryptocurrency. The qualification thus fulfills the requirement to discuss the issue and to get their opinion.

The occupation of the respondents is another aspect that helped to get sound opinion from the field. Among the total, three respondents were performing their services as academician and were affiliated with different academic institutions in the required field, while one was banker. And two respondents were performing their services as both bankers and academicians. Thus, the data shows their expertise in understanding the emerging issues.

Experience of the respondents has also been considered. Most of the respondents (4 out of 6) had 10-15 years of job experience in the relevant area. About two respondents were having 1-5 years of experience.

The questions of focus group discussions were based on important features of cryptocurrency. These features and the resultant response are given in table 1.

After thorough review of the literature, important features of Cryptocurrency have been sorted out. A list of five features has been figured out to bring under discussion to get a clear picture and justification for the acceptance and rejection of cryptocurrency with respect to Sharia.

Table 4.1: Cryptocurrency and Sharia-Compliance

S.No	Important Issue of cryptocurrency	Sharia-Compliance	Summary of responses from focus group discussions
1	Decentralized Nature	Centralization is necessary for a currency in Sharia	Both groups agreed on the necessity of government involvement: The first group emphasized compliance with government orders. The second group focused on the need for government monitoring to prevent fraud
2	Element of uncertainty	Cryptocurrency involves <i>gharar</i>	Both groups offered nuanced views on whether Bitcoin involves gambling, with the first group emphasizing regulatory conditions and the second group discussing control and intent behind investment

3	Element of Gambling	Cryptocurrency involves <i>maysir</i>	Both groups discussed the concept of <i>gharar</i> in cryptocurrency but approached it from different angles. The first group noted the transition from high to low uncertainty, while the second group argued that transparency and standardization mitigate the presence of <i>gharar</i> .
4	Achievements of Benefits and Prevention of Haram	Cryptocurrency jeopardizes <i>maqasid al-Sharia</i>	The first group emphasized the differing opinions based on the user's familiarity with cryptocurrency, while the second group highlighted the importance of government regulation to ensure alignment with <i>maqasid al-Shari'ah</i> .
5	Vulnerable Existence	Totally computerized and vulnerable nature of currency, is permissible in Sharia	Both focus groups agreed that Sharia permits the use of vulnerable currencies like cryptocurrencies, provided the government authorizes and regulates them effectively.

The results of two focus group discussions are as follows:

4.1 Decentralized currency from a Sharia perspective

The experts in two focus group discussions present their views on the use of decentralized currency, particularly in the context of Sharia law. In the first discussion, experts agreed that central bank recognition is not necessary for a currency to be considered valid in Sharia. They believed that as long as people accepted it as a currency, it was sufficient. However, they also acknowledged that if a government prohibited its use, it would be necessary to comply with that order.

The experts in the second focus group discussion agreed that Sharia permits the use of decentralized currency as long as it meets certain conditions. The first condition is that people should use it, and the second is that it should not violate any principles in the Quran and Hadith. However, they also highlighted the risk of fraud associated with decentralized currencies and recommended government monitoring to protect people from scams.

Accordingly, both groups of experts agree that government involvement in issuing and monitoring currencies is essential. The first group emphasized the need to comply with government orders, while the second group believed that government monitoring was necessary to protect people from fraud. These two discussions highlight the complexity and diversity of views regarding the use of decentralized currency in Sharia law. While both groups of experts agree that government involvement is necessary, they differ in their opinions on the recognition of central banks and the level of government control over the issuance and monitoring of currencies.

4.2 Maysir's Involvement in Cryptocurrency

In the focus group discussion, experts were asked whether Bitcoin involves *maysir* (gambling). Two experts in the first focus group disagreed that cryptocurrency, particularly Bitcoin, did not involve

maysir. The experts agreed that if we assume that cryptocurrency is *mal*, it cannot be counted as gambling, regardless of whether the price decreases or increases. They stated that although the original purpose of a currency should be its usage as a medium of exchange and not as a subject matter of trade itself, there is no problem in purchasing Bitcoin if the basic conditions for *bai al-sarf* are strictly fulfilled.

In the second focus group discussion, an expert stated that cryptocurrency does not involve gambling. He suggested that, as far as investment in anything for speculative purposes is concerned, Sharia has actually forbidden speculation that is done with the intention of gambling. If you invest in something with the expectation that its price will rise and you will earn a profit, this is literal speculation, but it is not prohibited by Sharia. Every person who invests in anything does so that they can earn money. Another expert provided a different opinion. According to him, cryptocurrency is in the hands of a few people, resulting in extraordinary fluctuation, because of which it has the element of gambling to some extent. However, if it is controlled by a country or an international organization, whether a country recognizes it or it is organized at an international level, then it will no longer have the element of gambling in it.

4.3 Gharar's Involvement in Cryptocurrency

The involvement of *gharar* (uncertainty) in cryptocurrency was another point of discussion with experts. One of the experts stated that, at present, it has exited the limits of *gharar fahish* and entered *gharar yasir*. He explained that it had a lot of *gharar* and fluctuated a lot, but now it is going towards stability, and it is slowly becoming more and more commonly accepted. That is why, he reasoned, it exited the limits of *gharar fahish* and entered *gharar yasir*. The other two experts agreed to this view of the expert.

Concerning the involvement of *gharar* in cryptocurrency, two experts from the second discussion stated that just because something has price volatility does not mean that it contains *gharar*, which is haram in Sharia, because *gharar* can be found in anything in the world. In Sharia, an unacceptable *gharar* is one in which the reality of the thing is unknown. One of the experts added that *gharar* would only mean that you are investing in something, and you do not know where your money is going. As its parameters are obvious and standardization has been achieved, crypto exchanges have been established worldwide. He added that if you do a little research on it, you can find a lot of things, which is why it does not have an element of *gharar*.

4.4 Vulnerable Currency in Light of Sharia

The stability and sustainability of the financial system are crucial concerns for many individuals and organizations, particularly in light of potential destabilizing events such as war or the widespread shutdown of electric power systems. Therefore, experts were asked whether Sharia permitted such a vulnerable currency. All three experts in the first group agreed and stated that administratively, if we see our whole banking system or the Internet system, it is based on a system that can collapse due to an electric power outage, a virus, or a cyber-attack, and all the currency or money in his account would then become zero. We still do not think that it has too much risk and the government does not think that it should not be used. However, they stated that even if the ulama issue a fatwa that it is legitimate, the government has the authority to restrict it if it thinks that it is causing harm for some reason. In that case, it would be necessary to comply with the government's order in Sharia.

The experts in the second focus group were also asked to discuss their Sharia opinions regarding the vulnerability of cryptocurrency, as the financial system may collapse because of war or because of the shutdown of the entire electric power system in the case of cryptocurrency. These experts held the same opinions as those of the first focus group. Therefore, they suggest that if the government properly allows cryptocurrency and then manages it, it can also be called a currency.

4.5 Cryptocurrency and Maqasid al-Shari'ah

All three experts in the first focus group discussion agreed that some people who understand it better claim that it fulfils *hifz al-mal* and *maqasid al-Shari'ah*. These findings are in accord with Meudini (2018) and Evans (2015), but contradict Meera (2018) and Adam (2017). The focus group experts pointed out that those who do not have much experience with it say that the fear of losing investment is too great and that wealth may be wasted, so they do not permit it.

In the second group discussion, the two experts stated that cryptocurrency was not against *maqasid al-Shari'ah*. They explained that there is misuse, the wealth of people is being harmed, and there is a problem with accessibility for people due to an electric power outage; all these factors are external. Certain conditions can be maintained for these purposes. A fatwa is being given here that a government must have a system to solve such harms and problems. This is why it is not against *maqasid al-Shari'ah* when permitted under such conditions.

A consensus was reached between the experts that if a person well-versed in technology can trust it as safe and stable and wants to use it, they can use it, but if a person cannot afford such a risk and cannot understand its nature and essence, it is better for them to abstain from it.

5. Conclusion

Over time, the nature of money has evolved significantly, with the recent emergence of cryptocurrencies like Bitcoin revolutionizing the financial landscape. Bitcoin, created in 2008, functions as a medium of exchange in certain environments but lacks all characteristics of real currency. While cryptocurrencies offer benefits such as transparency, security, and financial inclusion for the unbanked, they also face criticism, particularly from Islamic scholars. Critics argue that decentralization increases the likelihood of illegal activities and societal instability due to the lack of central regulation. Additionally, the high volatility of cryptocurrencies often leads to speculative investments rather than stable currency use. Given these concerns, it is essential to evaluate the legitimacy of cryptocurrency based on characteristics identified by Muslim scholars. The novelty of digital currencies poses challenges for their adoption within the Islamic financial system. This study used an online focus group to gather the opinions of Sharia scholars and determine their consensus on cryptocurrency's compliance with Sharia principles. However, the ultimate authority on this matter lies with the *Faqih* (Islamic legal expert).

This study employed online focus group discussions to collect qualitative data from individuals knowledgeable about cryptocurrencies, particularly in the context of Sharia-compliance. Due to participants being in remote regions and the COVID-19 pandemic, the discussions were conducted online, which are similar to face-to-face group discussions. The research design involved identifying the study's aims and integrating issues from the literature review into the interview questions. Participants were selected using purposive and snowball sampling, focusing on their educational qualifications, job nature, and experience. The study aimed for a "mini focus group" with three participants in each of the two sessions, consistent with recommendations for generating in-depth

data. Sessions lasted just over an hour and continued until no new information emerged. Data analysis employed simple descriptive counts for categories.

The results of two focus group discussion are as follows: Centralization is not compulsory for a currency in Sharia; rather, general acceptability among the people was considered important by experts in the focus groups. However, if a government restricts a currency or orders that it not be used as currency, Sharia requires that the order be obeyed. The experts also claimed that Bitcoin does not involve *maysir* or *gharar fahish*. In addition, they stated that although the original purpose of a currency should be its usage as a medium of exchange and not as a subject matter of trade itself, there is no problem in purchasing cryptocurrency for investment purposes if the basic conditions for *bai al-sarf* are strictly fulfilled. These experts claimed that cryptocurrency fulfills *maqasid al-Shari'ah*; however, the wealth and interests of the people can be well protected if the currency is backed by a central authority. Another important point of discussion was whether Sharia permits a vulnerable currency, such as Bitcoin. Sharia allows such currency, as the majority of experts suggested. All the experts agreed and stated that, administratively, if we see our whole banking system or the Internet system, it is based on a system that can collapse due to an electric power outage, a virus, or a cyber-attack, and all the currency or money in his account would then become zero. We still do not think that it has too much risk and the government does not think that it should not be used. Finally, the experts suggested that if the government properly allows cryptocurrency and manages it, it can also be called a currency.

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