



**Adopting Cryptocurrency Apps from a Sharia Perspective:  
The Readiness of Generation Z Muslims in the Digital Technology Era**

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**Abstract:** The development of Web 3.0 technology has led to the emergence of various digital innovations, including cryptocurrencies and blockchain-based financial applications. This phenomenon has influenced technology adoption patterns among Generation Z Muslims, who are known for their technological adaptability while adhering to religious values. This study aims to analyze the readiness of Generation Z Muslims to adopt cryptocurrency applications from an Islamic legal perspective and to assess their understanding of Islamic fiqh law in a digital context. This study uses a qualitative library research methodology, analyzing the content of primary and secondary sources to ensure methodological consistency in examining the Islamic legal perspective on cryptocurrency adoption among Generation Z Muslims. The results show that although most Generation Z individuals possess advanced digital skills, there is a gap in understanding the legal status of cryptocurrencies in Islam. Based on a 2021 fatwa from the Indonesian Ulema Council, cryptocurrencies, as currencies, are considered impermissible because they contain elements of uncertainty (gharar) and panic. However, cryptocurrencies are acceptable as digital assets with clear underlying assets and tangible benefits. This study concludes that improving Islamic financial literacy and digital literacy is essential to support the adoption of Sharia-compliant financial technology. These results contribute to the development of a sustainable, inclusive, and adaptive Islamic digital financial ecosystem, compatible with the dynamics of Web 3.0 technologies.

**Keywords:** Cryptocurrency, Sharia, Islamic economy, Muslim Generation Z, Web 3.0.

**Abstrak:** Perkembangan teknologi Web 3.0 telah mendorong munculnya berbagai inovasi digital, termasuk mata uang kripto dan aplikasi keuangan berbasis blockchain. Fenomena ini memengaruhi pola adopsi teknologi oleh Generasi Z Muslim, yang dikenal adaptif terhadap teknologi namun tetap terikat pada nilai-nilai keagamaan. Penelitian ini bertujuan untuk menganalisis kesiapan Generasi Z Muslim dalam mengadopsi aplikasi cryptocurrency dari perspektif hukum syariah, serta mengevaluasi pemahaman terhadap ketentuan fiqh muamalah dalam konteks digital. Penelitian ini menggunakan pendekatan penelitian kepustakaan kualitatif dengan analisis konten literatur primer dan sekunder untuk memastikan konsistensi metodologis dalam meneliti perspektif syariah tentang adopsi mata uang kripto di kalangan Generasi Z Muslim. Hasil penelitian menemukan bahwa meskipun mayoritas Generasi Z memiliki keterampilan digital yang tinggi, masih terdapat kesenjangan pemahaman terkait status hukum cryptocurrency dalam Islam. Berdasarkan fatwa DSN MUI tahun 2021, cryptocurrency sebagai mata uang dianggap haram karena mengandung unsur gharar dan dharar, namun dapat diterima jika digunakan sebagai aset digital dengan underlying asset yang jelas dan manfaat nyata. Penelitian ini menyimpulkan bahwa literasi keuangan syariah dan literasi digital perlu ditingkatkan secara simultan untuk mendukung adopsi teknologi keuangan yang sesuai prinsip syariah. Temuan ini memberikan kontribusi pada pengembangan ekosistem keuangan digital syariah yang berkelanjutan, inklusif, dan adaptif terhadap dinamika teknologi Web 3.0.

**Kata kunci:** Cryptocurrency, hukum syariah, ekonomi Islam, generasi z muslim, web 3.0.

## Introduction

The evolution of digital technology has entered a new phase marked by the emergence of Web 3.0. This concept, the third generation of the internet, supports the principles of decentralization, data transparency, and automation through blockchain technology. Unlike Web 2.0, which relied on server-side add-ons and third-party control,<sup>1</sup> Web 3.0 empowers users to control their data and participate directly in managing digital systems. Blockchain technology is a cornerstone of this era due to its ability to record transactions transparently and irreversibly, distributing them across multiple network nodes.<sup>2</sup> This innovation opens up significant opportunities in various sectors, including the digital financial system, which has led to the emergence of cryptocurrencies (digital

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<sup>1</sup> Shari S C Shang, et. al., "Understanding Web 2.0 Service Models: A Knowledge-Creating Perspective," *Information & Management* 48, no. 4 (2011), p. 178–84. Evgeny A. Kuzmin, et.al., "Digital Effect: Relationship between Brand Media Image and Company Performance," *Jurnal Ilmiah Peuradeun* 10, No. 2 (2022).

<sup>2</sup> S Wan, et. al., "Web3: The Next Internet Revolution," *IEEE Internet of Things Journal* 11, no. 21 (2024), p. 34811–25.

currencies) as digital currencies independent of central authorities such as central banks. Web 3.0 is not only revolutionizing information and communication systems but also changing the way people interact, conduct transactions, and build trust digitally.<sup>3</sup>

The popularity of cryptocurrencies is growing among younger generations, especially Generation Z, in line with advances in digital technology and the transformation of the global financial system. Generation Z, raised in the digital age, is characterized by technological adaptability, openness to innovation, and a tendency to seek fast, flexible, and affordable financial alternatives, free from traditional constraints. Cryptocurrencies like Bitcoin, Ethereum, and other digital assets are appealing because they offer instant and secure transactions independent of traditional financial institutions.<sup>4</sup> However, for Generation Z Muslims, using cryptocurrency presents a unique dilemma. On the one hand, they are attracted to the convenience and potential benefits. On the other hand, ethical considerations and religious laws are not yet fully understood. Many do not yet have a deep understanding of the suitability of cryptocurrency with Sharia principles, such as the prohibition of *usury*, *gharar* (uncertainty), and *may* (excessive speculation).<sup>5</sup>

However, most Muslim Generation Z showed interest in learning more about whether these digital assets can be adopted halal in financial life. This shows the need for more intensive Islamic financial education and literacy so younger Muslims can use digital financial innovations such as cryptocurrency and Islamic values responsibly.<sup>6</sup>

According to Premkumar et al., cryptocurrency is a peer-to-peer digital exchange system using cryptography to generate and distribute currency units.<sup>7</sup>

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<sup>3</sup> Wensheng Gan et al., "Web 3.0: The Future of Internet," in *Companion Proceedings of the ACM Web Conference 2023*, WWW '23 Companion (New York, NY, USA: Association for Computing Machinery, 2023), p. 1266–1275.

<sup>4</sup> Shaen Corbet et al., "Cryptocurrencies as a Financial Asset: A Systematic Analysis," *International Review of Financial Analysis* 62 (2019), p. 182–99. Matthew Dylag and Harrison Smith, "From Cryptocurrencies to Cryptocourts: Blockchain and the Financialization of Dispute Resolution Platforms," *Information, Communication & Society* 26, no. 2 (2023), p. 372–87.

<sup>5</sup> Mustafa Raza Rabbani, et. al., "Islamic Finance and Cryptocurrency: A Systematic Review," in *FinTech in Islamic Financial Institutions: Scope, Challenges, and Implications in Islamic Finance*, ed. M Kabir Hassan, et.al., (Cham: Springer International Publishing, 2022), p. 279–306.

<sup>6</sup> Saeed Awadh Bin-Nashwan, et. al., "Will Muslims Integrate an Islamic Accounting Principle (Zakat) into the Financial Paradigm Reshaped by Cryptocurrencies? Insights into Cryptocurrencies Holder Perspectives," *Journal of Financial Reporting and Accounting*, January 1, (2024). Olivier Niyitegeka and Sheunesu Zhou, "An Investigation of Financial Contagion between Cryptocurrency and Equity Markets: Evidence from Developed and Emerging Markets," *Cogent Economics & Finance* 11, no. 1 (2023), p. 2203432.

<sup>7</sup> Premkumar Chithaluru, et.al., "Cryptocurrency and Blockchain," in *Information Security and Optimization* (New York: Chapman and Hall/CRC, 2020). Islam Abdeljawad et al.,

In other words, cryptocurrency is a digital currency that can be used for transactions from one person to another online without going through a third party. The currency is not physically available and can be stored in a digital wallet on the user's smartphone.<sup>8</sup> Cryptocurrency is based on a system that can record digital transactions across networks called blockchain.<sup>9</sup> The currency has digital information encrypted into an algorithm to create a unique hash where the hash can be exchanged by users as if exchanging physical currency.<sup>10</sup> Cryptocurrency and its development have several types of currencies, namely bitcoin, permacoin, litecoin, peercoin, ethereum, and many others.

Bitcoin is the most prominent cryptocurrency in Indonesia and has significantly expanded its availability in the marketplace. Based on Katadata, in 2022, the number of crypto asset users in Indonesia has doubled from 2021, so it is estimated that the crypto market will grow even faster this year.<sup>11</sup> Based on data from the Commodity Futures Trading Supervisory Agency (Bappebti). Crypto asset users in trading currently reached 7.5 million people at the end of 2021, and this year, it has jumped by 87.5% or equivalent to two times. When compared to 2020, crypto asset users were 4 million people.<sup>12</sup> However, the

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“Cryptocurrency Market Efficiency Revisited: A Bibliometric Analysis,” *International Journal of Financial Engineering* 12, no. 04 (2025), p. 2550021.

<sup>8</sup> Eloy Gil-Cordero et al., “Crypto-Wallets Revolution! Key Factors Driving Behavioral Intention to Adopt the Coinbase Wallet Using Mixed PLS-SEM/FsQCA Methodology in the Spanish Environment,” *International Journal of Bank Marketing* 42, no. 3 (2024), p. 536–705. Nanda Rizka Syafriani Nasution, et.al., “The Precarious System in GIG Political Economy: A Study of The Vulnerability of Online Drivers in Indonesia,” *Malikussaleh Social and Political Review* 6, No. 2 (2025).

<sup>9</sup> Nanjwan Yale Damap Damap and Kangdim Dingji Maza Maza, “Jurisdictional Challenges in Cryptocurrency Disputes: Navigating the Legal Maze of a Borderless Technology,” *African Journal of Stability and Development (AJSD)* 17, no. 1 (2025), p.132–60.

<sup>10</sup> Alesia Zhuk, “Applying Blockchain to the Modern Legal System: Kleros as a Decentralised Dispute Resolution System,” *International Cybersecurity Law Review* 4, no. 3 (2023), p. 351–64. Mohammad Zakaria Al-Qudah and Aurelio F Bariviera, “Systematic and Bibliometric Reviews of Cryptocurrency Market Regulation: Trends, Influential Contributions, and Future Directions,” *Journal of Financial Regulation and Compliance* 34, no. 1 (2025), p. 1–37.

<sup>11</sup> Bakhrul Huda, et.al., “Assessing the Legality of Cryptocurrency Trading in Indonesia’s Commodity Market: An Analytical Study Based on Maqāsid Al-Sharī’ah,” *SYARIAH: Jurnal Hukum Dan Pemikiran* 25, no. 1 (2025), p. 67–95. Cek Basir, et.al., “Reconstruction of Sharia Economic Procedural Law in Indonesia and Comparison of Sharia Economic Cases in Malaysia and Indonesia,” *Nurani: Jurnal Kajian syari’ah Dan Masyarakat* 24, No. 1 (2024).

<sup>12</sup> Nazaruddin A Wahid, et.al., “From Fiqh to Finance: Assessing Bitcoin Status in Indonesian Monetary System,” *Share: Jurnal Ekonomi Dan Keuangan Islam* 12, no. 2 (2023): 308–33. Samuel Kwaku Agyei et al., “Does Volatility in Cryptocurrencies Drive the Interconnectedness between the Cryptocurrencies Market? Insights from Wavelets,” *Cogent Economics & Finance* 10, no. 1 (2022), p. 2061682.

presence of cryptocurrency and its use has caused pros and cons for many parties. Transactions using cryptocurrency, such as a valueless system, are considered to raise doubts because it is virtual, unlike other currencies.<sup>13</sup> In addition to this, the problem of uncertainty and ambiguity also arises in transactions using cryptocurrency. As stated in Law No. 7, Article 1, paragraph 1 of 2011 explains that the only means of payment accepted in Indonesia is the rupiah currency.<sup>14</sup> Bank Indonesia, as the central bank, has the authority to regulate the use of payment instruments in Indonesia, launching a statement that bitcoin is not a legal means of payment and the risk of its use must be borne by the user himself.<sup>15</sup> As is well known, the cryptocurrency does not have a central authority; the network carries out the issuance process, transactions, and verification without supervision from the central institution.<sup>16</sup>

Based on the Islamic perspective, this has violated existing rules because it does not meet the criteria as a means of buying and selling. If reviewed through the law of fiqh, the requirements for an object to be considered money are that it is printed and circulated by the government, officially declares the money as a means of payment, and has gold and silver reserves as a benchmark for the money in circulation. Based on this, Bitcoin does not meet the payment requirements. In addition, the absence of regulations has the potential for misuse of Bitcoin transactions, which can cause more significant harm. Azli observed that cryptocurrencies may be a more suitable medium of exchange within Islamic banking and finance systems than interest-based fiat currencies, particularly in cross-border trade.<sup>17</sup>

One of the most significant challenges facing the digital revolution, particularly regarding the use of digital assets such as cryptocurrencies, is the digital Islamic financial literacy gap among millennials (Generation Z). Although millennials are known for their IT savvy, this is not always

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<sup>13</sup> Jamal Wiwoho, et. al., "Islamic Crypto Assets and Regulatory Framework: Evidence from Indonesia and Global Approaches," *International Journal of Law and Management* 66, no. 2 (2023), p. 155–71. Amina Amirat and Wafa Alwafi, "Does Herding Behavior Exist in Cryptocurrency Market?," ed. David McMillan, *Cogent Economics & Finance* 8, no. 1 (2020), p. 1735680.

<sup>14</sup> "Peraturan Undang-Undang No. 7, Pasal 1 Ayat 1 Tahun 2011," n.d.

<sup>15</sup> Karmila Sari Sukarno and Pujiyono, "The Use of Cryptocurrency as a Payment Instrument," in *Proceedings of the 3rd International Conference on Law and Governance (ICLAVE 2019)* (Atlantis Press, 2020), p. 366–70. Asep Syarifuddin Hidayat, "Sharia and State's Intervention: Uncertainty Cryptocurrency in Indonesia," *Ahkam: Jurnal Ilmu Syariah* 23, no. 1 (2023), p. 213–34.

<sup>16</sup> Karmila Sari Sukarno and Pujiyono, "The Use of Cryptocurrency as a Payment Instrument," *Advances in Economics, Business and Management Research* 130 (2020), p. 366–70. John Kingsley Woode et al., "Nexus between Cryptocurrencies and Global Uncertainty: A Quantile Regression Approach," *Cogent Economics & Finance* 11, no. 2 (2023), p. 2282809.

<sup>17</sup> Azlin Alisa Ahmad, et.al., "The Position of Smart Contracts in the Light of Islamic Contract Theory," *Samarah* 8, no. 1 (2024), p. 144–71.

accompanied by a sufficient understanding of Islamic financial principles. As a result, many young Muslims engage in digital economic practices that do not always align with Islamic principles of halal and haram, such as speculation, black market trading, and market manipulation.

Asep Sarifuddin presents expert opinions on the permissibility of cryptocurrencies within the Islamic legal framework, highlighting the elements of gambling and uncertainty in cryptocurrency transactions.<sup>18</sup> This study shows that although some scholars consider cryptocurrencies permissible in Islam under certain conditions, there are significant differences in the acceptance of this technology among Muslim-majority countries. Another study by Nashwan examined aspects of Islamic financial literacy among the younger generation, highlighting the low understanding of Generation Z regarding Islamic financial principles in digital transactions. This is related to the lack of formal education regarding digital Islamic finance and limited digital literacy despite Generation Z's high technological skills. However, although several studies discuss this topic, this study found that the gap in digital Islamic financial literacy in the context of Web 3.0 is still rare. These studies tend to focus on technical or legal aspects only, and not many have examined the depth of understanding and awareness of the younger generation regarding the impact of cryptocurrency use in the eyes of Islamic law, as well as how ready they are to adapt to the rapidly developing blockchain-based digital finance.

The method used is qualitative research with library research.<sup>19</sup> This approach is carried out by reviewing relevant written sources to obtain a conceptual and theoretical understanding of cryptocurrency, Sharia law, digital technology readiness, Muslim Generation Z, and the dynamics of Web 3.0 technology. This study emphasizes the search and analysis of primary and secondary literature, including books, scientific journal articles, research reports, fatwas from authoritative institutions (such as DSN-MUI), and official documents that discuss the topic of cryptocurrency from an Islamic perspective.<sup>20</sup> In addition, literature from the information and communication technology discipline is also analyzed to understand the characteristics and

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<sup>18</sup> Hidayat, "Sharia and State's Intervention: Uncertainty Cryptocurrency in Indonesia."

<sup>19</sup> A Amrin, "Strategi Ekonomi Syariah Dalam Mewujudkan Kemakmuran Umat Di Indonesia Pada Era Modern," *Al-Ahkam Jurnal Ilmu Syari'ah Dan Hukum* 7, no. 1 (2022), p. 35-55.

<sup>20</sup> Wahbah Zuhaily, *Al-Fikihu Al-Islami Wa Adillatuhu* (Beirut: Dar al-Fikr, 2004). Ibrahim bin Musa Al-Shatibi, *Al-Muwafaqat* (ttp: Dar Ibn 'Affa, 1997). Jasser Auda, *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach* (London: International Institute of Islamic Thought, 2008). Jumarni J, et.al., "Integration Between Reason and Revelation in The Grounding of Islamic Law in The Contemporary Era," *al-Dustur* 7, No. 2 (2024).

challenges of Web 3.0 technology and its relationship to the digital behavior of Generation Z.<sup>21</sup>

The data collection method in this literature review was carried out by systematically searching scientific sources in libraries, digital journals, academic repositories, and official websites of Islamic institutions and financial regulators. The data analysis technique used is content analysis, which identifies, reviews, and interprets the contents of various literature collected.<sup>22</sup> Researchers present data to filter important information, present data in thematic synthesis, and conclude logically and argumentatively based on literature reviews. The study aims to formulate a theoretical framework for understanding Generation Z Muslims' readiness to adopt cryptocurrency applications that follow Sharia principles in the increasingly advanced digital era through this approach.<sup>23</sup>

### **Shariah Perspective on Cryptocurrency: Navigating Faith in the Digital Economy**

With technological advancements, the application of Islamic law (Sharia) to the world of digital finance, including cryptocurrencies, has become a crucial issue. Cryptocurrencies, one of the most prominent innovations in blockchain-based digital finance, present challenges for Islamic scholars and legal experts in assessing their permissibility according to Sharia principles. Sharia principles in economics emphasize the prohibition of practices involving usury (*riba*), uncertainty (*gharar*), and gambling (*maysir*), and these are often the basis for scholars' considerations when evaluating the permissibility of cryptocurrency transactions.<sup>24</sup> Therefore, the Sharia perspective on cryptocurrencies depends on how the technology is used and whether it violates these principles.

One key consideration is the price volatility of cryptocurrencies, which inherently involves an element of uncertainty. Cryptocurrencies often experience sharp price fluctuations within a short period of time, creating uncertainty for traders. According to Al-Qaradawi, uncertainty in financial transactions can lead to unfair losses for the parties involved, which contradicts the principles of Islamic law that require fair and transparent transactions.<sup>25</sup>

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<sup>21</sup> Monzer Kahf, "Institutional Structure of the Islamic Economic System," in *Institutional Islamic Economics and Finance* (London: Routledge, 2022), p. 9.

<sup>22</sup> John W Creswell and J David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (California: Sage publications, 2017).

<sup>23</sup> Peter Connolly, *Approaches to the Study of Religion* (London: The Continuum International Publishing Group, 2006).

<sup>24</sup> Muneer M. Alshater et al., "Fintech in Islamic Finance Literature: A Review," *Heliyon* 8, no. 9 (2022). e10385.

<sup>25</sup> Yusuf Al-Qardawi, *Ri'ayat Al-Biah Fi Shari'ah Al-Islam* (Kairo: Da>r al-Shuruq, 2001).

Therefore, some scholars believe that cryptocurrencies, especially in their speculative form, are unacceptable in Islamic economic transactions due to the potential for significant losses resulting from price volatility. Conversely, others argue that blockchain technology, the foundation of cryptocurrencies, if used properly, can create a more transparent and efficient system.

According to Chapra, the principle of transparency in transactions is a cornerstone of Islamic economics, and this is also reflected in the architecture of blockchain technology.<sup>26</sup> This technology ensures that every transaction is recorded in an unmanageable ledger, which can be seen as a step towards reducing uncertainty and fraud in transactions. Several leading scholars in this field see the potential to create a fairer financial system. However, they emphasize the need for strict oversight to avoid violating Islamic principles. Besides volatility, another debated issue in Islamic law is whether cryptocurrencies can be considered legal tender or simply traded commodities. According to Martinson and Stephen, this depends on how cryptocurrencies function within the economic system. If a cryptocurrency is used as legal tender and is widely accepted in the market, it can be considered a currency.<sup>27</sup> However, some researchers argue that cryptocurrencies cannot be considered legal tender because they are not backed by tangible assets or a government authority authorized to issue currency, unlike fiat currencies, which are guaranteed by a central bank.<sup>28</sup>

According to Sharia, a more conservative view views cryptocurrencies as a form of excessive speculation, more akin to gambling than a legitimate investment. Ma'Sum Billah and Fawzi state that many cryptocurrency transactions are conducted in the hope of quick profits without considering the high risks, which under Sharia can be considered gambling.<sup>29</sup> Sharia principles prohibit transactions involving high levels of speculation, as this can harm the parties involved and contradict the principles of justice and prudence. On the other hand, some academics support the adoption of cryptocurrencies, arguing that this technology offers a more efficient system and can be used to introduce

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<sup>26</sup> M. Umer Chapra, *The Future of Economics: An Islamic Perspective* (Leicester: Kube Publishing, 2016).

<sup>27</sup> John Marthinsen and Steven and Gordon, "A Theory of Optimum Cryptocurrency Scope," *Economics of Innovation and New Technology* 30, no. 2 (2021), p. 183–96.

<sup>28</sup> Cameron Harwick, "Cryptocurrency and the Problem of Intermediation," *The Independent Review* 20, no. 4 (2016), p. 569–88. Steve Springer Laryea, et al., "Maximising Investors' Wealth in the Cryptocurrency Market: A Behavioural Perspective," *Cogent Economics & Finance* 13, no. 1 (2025), p. 2468887. Siti Hasanah, et.al., "Digital Government in Social Sciences Discipline: Mapping Pivotal Features and Proposed Theoretical Model," *Jurnal Ilmiah Peuradeun* 11, No. 1 (2023).

<sup>29</sup> Mohd Ma'Sum Billah and Mohammed Fawzi Aminu Amadu, "Shari'ah Code of Ethics in Cryptocurrency," in *Halal Cryptocurrency Management*, ed. Mohd Ma'Sum Billah (Cham: Springer International Publishing, 2019), p. 149–63.

fairer financial innovations. Some cryptocurrency models even integrate Sharia principles, such as avoiding interest and basing exchange rates on more stable assets, to ensure that transactions do not violate Islamic law (fiqh muamalah).

Despite some support for the adoption of Sharia-compliant cryptocurrencies, significant challenges remain. According to Arif Gilani and Aisha, the widespread adoption of these currencies necessitates in-depth education on the application of Sharia principles to digital technology.<sup>30</sup> Without sufficient understanding from both users and developers, their adoption may not be effective. Therefore, regulators and Islamic financial institutions must take a proactive role in guiding and educating the Muslim community on the Sharia-compliant use of cryptocurrencies. Furthermore, while Hassan acknowledged the potential of blockchain technology to provide transparency and efficiency, he raised concerns about how to integrate cryptocurrencies into the broader legal and economic system, particularly within the framework of Sharia.<sup>31</sup> The ambiguity surrounding the regulations and policies governing cryptocurrency transactions has deterred many from investing in this technology, especially in countries that strictly adhere to Sharia law.

Al-Qaradawi warned that despite the numerous benefits this technology may offer, cryptocurrencies, in the absence of strict regulation, could be misused for purposes contrary to Islamic law.<sup>32</sup> Therefore, stricter oversight by religious authorities and regulatory bodies is essential to ensure that cryptocurrencies are used for legitimate purposes and in accordance with Islamic law. Many scholars also emphasize the importance of exercising caution when adopting new technologies that have not yet been fully proven. Chapra argues that while new technologies may bring about progress, the risks must be carefully considered.<sup>33</sup> While cryptocurrency technology has the potential to fundamentally transform the financial system, its adoption in Muslim societies should be approached with careful economic and legal analysis.

The Islamic legal position on cryptocurrencies cannot be separated from the fundamental sources of Islam: the Holy Quran, the Sunnah (Prophetic traditions), and the opinions of scholars. The Holy Quran strongly emphasizes the principles of fair transactions, free from any harmful elements. God Almighty says in Surah Al-Baqarah, verse 275: “*And Allah permits trade and*

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<sup>30</sup> Muhammad Arief Jailani and Aishath Muneeza, “Crypto Assets: The Need For Shariah Screening Criteria for Digital Assets in Malaysia,” *International Journal of Islamic Economics and Finance Research*, no. 1 (2023), p. 27–47.

<sup>31</sup> M Kabir Hassan, et.al., “Cryptocurrencies from Islamic Perspective,” *Journal of Islamic Accounting and Business Research* 16, no. 2 (2025), p. 390–410.

<sup>32</sup> Al-Qardawi, *Ri'ayat Al-Biah Fi Shari'ah Al-Islam*.

<sup>33</sup> Chapra, *The Future of Economics: An Islamic Perspective*.

*livestock and forbids usury.*”<sup>34</sup> This is the foundation of Islamic transactions, which are free from usury and excessive speculation. This is closely related to cryptocurrency trading, which is often speculative and susceptible to elements of usury or uncertainty, especially if it is done in the short term for quick profits.<sup>35</sup>

In the Sunnah, the Prophet Muhammad (peace and blessings be upon him) said: “*Do not sell what does not belong to you*” (reported by Abu Dawud). This hadith emphasizes the importance of clear ownership and the subject matter of transactions. In the field of cryptocurrencies, the debate continues regarding the possibility of recognizing ownership of digital tokens according to Islamic law, especially since some cryptocurrencies do not have clear intrinsic assets or are not based on physical assets such as gold or other precious metals.<sup>36</sup> Therefore, some scientists criticize digital currencies that are not based on value, fearing that they resemble fictitious or virtual transactions.<sup>37</sup>

According to Imam al-Ghazali in his book “*Ihya Ulum al-Din*” (Revival of Religious Sciences), currency in Islam must possess intrinsic value and maintain the economic stability of the people.<sup>38</sup> This poses a problem for cryptocurrencies, which are characterized by extreme volatility and lack intrinsic value. In contrast, contemporary scholars, such as Sheikh Taqi Usmani, have stated that cryptocurrencies are not classified as currency in Islamic law because they lack a guarantor and are not generally accepted as a medium of exchange.<sup>39</sup> However, he did not rule out the possibility of accepting a blockchain-based system in Islam if it were directed towards a more stable financial instrument that complies with Sharia principles. Mufti Muhammad Abu Bakr, Sharia advisor at Blossom Finance, adopts a more moderate view, stating that some types of cryptocurrencies, such as Bitcoin, may be permissible depending on their use. According to him, if cryptocurrencies are used as a medium of exchange, not for speculation, and do not contain other prohibited elements, their use can be accepted within the framework of Islamic commercial jurisprudence. He added that it is essential for Muslims to understand the

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<sup>34</sup> Departemen Agama RI, *Al-Jumanatul ‘Ali Al-Qur’an Dan Terjemahannya* (Bandung: J-ART, 2014).

<sup>35</sup> Mohd Shahid Mohd Noh, et.al., “A Review on Gharar Dimension in Modern Islamic Finance Transactions,” *Journal of Islamic Accounting and Business Research*, 2024.

<sup>36</sup> Arief Jailani and Muneeza, “Crypto Assets: The Need For Shariah Screening Criteria for Digital Assets in Malaysia.”

<sup>37</sup> Asif Zaman et al., “Assessing the Potential of Blockchain Technology for Islamic Crypto Assets,” *Competitiveness Review: An International Business Journal* 35, no. 2 (2025), p. 229–50.

<sup>38</sup> Abu Hamid Ghazali, *Ihya Ulumuddin*, 2nd ed., 2005.

<sup>39</sup> Hussain Mohi ud din Qadri et al., “Exploring Crypto Currency through the Lens of the Sharī’a Law: A Comparative Analysis of Scholarly Evaluations,” *Journal of Islamic Thought and Civilization* 13, no. 2 (2023).

substance and not just the form in assessing the law of a modern financial transaction, including crypto.<sup>40</sup>

From the perspective of Islamic economic theory, Monzer Kahf argues that the Islamic financial system should ideally direct people toward productive, fair, and prosperous economic activities.<sup>41</sup> Therefore, cryptocurrency can be seen as an opportunity to develop technology-based economic innovation if it is directed towards instruments that support real activities,<sup>42</sup> such as smart contracts for *zakat*, digital *waqf*, or tokenization of *halal* assets.<sup>43</sup> However, he also reminded us that regulation and consumer protection are essential aspects that must be built to guard against misuse of this technology.<sup>44</sup>

In the 7th Ijtima' Ulama of the Fatwa Commission of the Indonesian Ulama Council (MUI) in 2021 held in Jakarta, several legal provisions regarding cryptocurrency were agreed upon. First, the use of cryptocurrency as a currency is declared haram because it contains elements of *gharar* (uncertainty), *dharar* (loss), and *qimar* (speculation or gambling).<sup>45</sup> In addition, cryptocurrency is not recognized as legal tender in Indonesia, as regulated in Law Number 7 of 2011 concerning Currency and Bank Indonesia Regulation Number 17 of 2015. Thus, using Bitcoin as a medium of exchange is considered contrary to both positive law and the basic principles of *fiqh muamalah*.<sup>46</sup>

Second, cryptocurrency as a commodity or digital asset is also considered illegitimate to be traded if it does not meet the requirements for a valid *sil'ah* (commodity) according to sharia. Among these requirements are that

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<sup>40</sup> N M Ibrahim et al., "Cryptocurrency as Digital Asset According to the Principles of Usul Al-Fiqh: A Critical Analysis by Mohd Daud Bakar," in *2024 3rd International Conference on Creative Communication and Innovative Technology (ICCIT)*, (2024), p. 1–6.

<sup>41</sup> Kahf, "Institutional Structure of the Islamic Economic System." Monzer Kahf, "The Performance of the Institution of Zakah in Theory and Practice.," in *International Conference on Islamic Economics towards the 21st Century* (Kuala Lumpur, 1999).

<sup>42</sup> Klaus Ulrich et al., "Blockchain Technology-Based Crypto Assets: New Insights into the Evolution of the Understanding of Digital Entrepreneurship," *Management Decision* 62, no. 9 (2023), p. 2836–54.

<sup>43</sup> Reilly White et al., "Is Bitcoin a Currency, a Technology-Based Product, or Something Else?," *Technological Forecasting and Social Change* 151 (2020), p. 119877. H Mora et al., "Social Cryptocurrencies as Model for Enhancing Sustainable Development," *Kybernetes* 50, no. 10 (2021), p. 2883–2916.

<sup>44</sup> Masdar Hilmy et al., "A Maslahah-Based Review of MUI's Fatwa on Cryptocurrency: A Cognizant Human Perspective," *SYARIAH: Jurnal Hukum Dan Pemikiran* 25, no. 1 (2025), p. 43–66.

<sup>45</sup> Jamal Wiwoho, "Examining Cryptocurrency Use among Muslim Affiliated Terrorists: Case Typology and Regulatory Challenges in Southeast Asian Countries," *Al-Ihkam: Jurnal Hukum Dan Pranata Sosial* 18, no. 1 (2023), p. 102–24. Katrin Becker, "Blockchain Matters—Lex Cryptographia and the Displacement of Legal Symbolics and Imaginaries," *Law and Critique* 33, no. 2 (2022), p. 113–30.

<sup>46</sup> Wiwoho, "Examining Cryptocurrency Use among Muslim Affiliated Terrorists: Case Typology and Regulatory Challenges in Southeast Asian Countries."

it must have a clear value, tangible benefits, can be legally owned, and can be transferred. In this case, most forms of cryptocurrency, such as Bitcoin, do not meet these criteria because they are only digital data without underlying assets that underlie their value and are often used as objects of excessive speculation.<sup>47</sup> This makes the sale and purchase of cryptocurrencies that do not meet these requirements contain elements of *gharar* and *qimar*, so the law is *haram*. However, the MUI Fatwa provides an important exception. If cryptocurrency is used as a commodity that meets the requirements of *sil'ah* according to sharia, has underlying assets, and offers tangible and apparent benefits to its owner, then it is permissible to trade.<sup>48</sup> This exception demonstrates the existence of a contextual jurisprudential approach that considers contemporary economic dynamics without neglecting the fundamental principles of Islamic law. Within this framework, cryptocurrencies that represent ownership of real assets, such as digital gold or blockchain-based stocks, can be considered permissible under Islamic law.

This view aligns with Islamic Sharia legal theory, particularly regarding the preservation of wealth and the avoidance of loss.<sup>49</sup> Islam, as a legal system, permits economic innovation as long as it does not conflict with fundamental values such as justice, transparency, and protection from harmful practices.<sup>50</sup> Classical Islamic jurisprudence supports this approach. Sharia rules stipulate the permissibility of financial transactions unless proven otherwise. Therefore, not all forms of digital currency are prohibited, provided their benefits can be proven and they do not involve excessive speculation or fraud. This underscores the importance of verifying the structure of the digital economy and the transparency of transactions to avoid practices prohibited by Islamic law. Contemporary scholars hold differing opinions regarding the phenomenon of digital currencies. For example, Sheikh Shawqi Allam, the Grand Mufti of Egypt, stated in one of his fatwas that the use of Bitcoin as a medium of exchange is prohibited due to its volatility and the lack of clarity

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<sup>47</sup> Moh. Nasrulloh and Akhmad Faozan, "Existence of Cryptocurrency As A Tool of Exchange and Investment In The Perspective of The Fatwa of The Indonesian Ulama Assembly," *International Conference of Humanities and Social Science (ICHSS)*, (2022), p. 676–84.

<sup>48</sup> Endi Aulia Garadian and Harun Arrasyid, "Understanding the Role of Indonesian Millennials in Shaping the Nation's Future," in *6 Millennial Muslims and "Haram Fatwas" on Cryptocurrency in Contemporary Indonesia*", ed. Ju-Lan Thung and Maria Monica Wihardja (ISEAS Publishing, 2024), p. 155–88.

<sup>49</sup> Muhammad Nazir Alias et al., "The Position of Maqasid Al-Shariah within Islamic Legal Sources: A Comprehensive Analysis," *Samarah: Jurnal Hukum Keluarga Dan Hukum Islam* 9, no. 2 (2025), p. 937–64.

<sup>50</sup> Mohamed Cherif El Amri and Mustafa Omar Mohammed, "The Analysis of Cryptocurrency Based on Maqasid Al-Shari'ah," in *Halal Cryptocurrency Management*, ed. Mohd Ma'Sum Billah (Cham: Springer International Publishing, 2019), p. 119–31.

regarding the source of its value.<sup>51</sup> Conversely, scholars such as Muhammad Taqi Usmani emphasize the importance of guaranteeing the value of the underlying asset ("basis") of any form of digital asset for it to be classified as a legitimate asset.<sup>52</sup> These differences of opinion demonstrate that the rules governing digital currencies are dynamic and can change depending on the context, as well as their characteristics and the accompanying regulatory framework.

This fatwa is particularly relevant for young Muslims, especially millennials, who are highly tech-savvy and active in the digital finance sector. With a solid understanding of Islamic law (Sharia), they can exercise caution in cryptocurrency transactions, avoid excessive speculation, and encourage the development of innovative digital assets that comply with Sharia principles. In the long run, this will contribute to the emergence of a modern and sustainable Islamic financial system.

While the legal framework of Sharia, embodied in the objectives and principles of Islamic jurisprudence (fiqh), provides a space for digital economic innovation, a purely normative approach is insufficient to address the practical complexities of cryptocurrencies. The author argues that integrating the law of cryptocurrencies should not be limited to the textual aspects of halal and haram, but should also be understood through a multidisciplinary approach that integrates Islamic jurisprudence of transactions, digital economics, and financial risk theory. In this context, some general fatwas tend to overlook the specific characteristics of crypto assets, such as the distinction between speculative cryptocurrencies, utility tokens, and asset-based tokens. Therefore, a more adaptive and maqasid-based contemporary ijtihad model is needed, so that Islamic law not only protects against risk but is also progressive in encouraging technological innovation that aligns with the principles of justice, welfare, and sustainability of the Islamic economy.

### **Shariah Policy Implications on Cryptocurrency Adoption Among Muslim Gen Z: Faith Meets Financial Innovation**

Generation Z Muslims' decision to use cryptocurrency is not only determined by technological factors but also by the norms and values of their religion. The Ajzen Theory of Planned Behavior states that a person's behavior is influenced by intention, which is formed from attitudes toward behavior, subjective norms, and perceived behavioral control.<sup>53</sup> Suppose sharia policies consistently convey that cryptocurrency can be justified within certain limits. In

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<sup>51</sup> Hassan, Muneeza, and Mohamed, "Cryptocurrencies from Islamic Perspective."

<sup>52</sup> Qadri et al., "Exploring Crypto Currency through the Lens of the Sharī'a Law: A Comparative Analysis of Scholarly Evaluations."

<sup>53</sup> Icek Ajzen, "The Theory of Planned Behavior: Frequently Asked Questions," *Human Behavior and Emerging Technologies* 2, no. 4 (2020).

that case, this norm will influence the attitudes and intentions of Generation Z Muslims to use it ethically. Sharia policy in this context means prohibition or permission, as well as in-depth education and regulation. Fatwas issued by institutions such as the MUI or DSN-MUI are moral and legal references. However, the challenge is the gap in understanding between the fatwa and practice in the field.<sup>54</sup> Therefore, sharia policies need to be transformed into applicable public policies, such as technical guidance, halal digital investment guides, and social media-based education, which are based on the communication style of Generation Z.

Institutionally, this is a crucial factor in supporting effective sharia policy. The government, financial regulators, and Islamic educational institutions are responsible for providing an inclusive and progressive discussion space regarding cryptocurrencies.<sup>55</sup> Steps such as those taken in Malaysia, which provides a sharia legal framework for digital assets through the Securities Commission, demonstrate how the state can bridge religious interests and technological advancements. This approach aligns with the sharia principle of *maqasid* (protecting religion, life, mind, property, and descendants).<sup>56</sup> At the grassroots level, Generation Z Muslims are heavily influenced by digital influencers and Islamic influencers. Therefore, the delivery of sharia policy must also use language and platforms that are appropriate to the characteristics of this generation. Educational campaigns through TikTok, YouTube, or Instagram can be an effective way to convey an understanding of the halal and haram aspects of cryptocurrencies. This also supports the behavioral economics approach: shaping behavior through social influence and the information environment.

Institutionally, it is an essential factor in supporting effective sharia policy. Governments, financial regulators, and Islamic educational institutions are responsible for providing an inclusive and progressive discussion space regarding cryptocurrency. Steps such as those taken in Malaysia, which provides a sharia legal framework for digital assets through the Securities Commission, show how the state can bridge religious interests and technological progress. This approach aligns with the principle of *maqashid sharia*, namely protecting

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<sup>54</sup> Muhammad Ilyas Marwal, et. al., "Responsive Law of the National Sharia Council of the Indonesian Ulama Council's Fatwa on Permissibility of Electronic Money," *El-Usrah: Jurnal Hukum Keluarga* 8, no. 1 (2025), p. 1–25. Shelviana Rusdiana, et.al., "Rethinking Indonesian Anti-Money Laundering Laws in the Age of Online Gaming Economies," *Nurani: Jurnal Kajian syari'ah Dan Masyarakat*, 24, No. 2 (2024).

<sup>55</sup> David Hardiogo et al., "Law and Digitalization: Cryptocurrency as Challenges Towards Indonesia's Criminal Law," *Indonesian Journal of Criminal Law Studies* 10, no. 1 (2025), p. 297–340.

<sup>56</sup> Amri and Mohammed, "The Analysis of Cryptocurrency Based on Maqasid Al-Shari'ah."

religion, life, mind, property, and descendants. At the grassroots level, Generation Z Muslims are heavily influenced by digital figures and Islamic influencers. Therefore, the delivery of sharia policy must also use language and platforms that are by the characteristics of this generation. Educational campaigns through TikTok, YouTube, or Instagram can be an effective means of conveying an understanding of the halal-haram of cryptocurrency. This also supports the behavioral economics approach: shaping behavior through social influence and the information environment.

Sharia policy regarding cryptocurrencies must also adapt to market and technological dynamics. The crypto world is evolving rapidly, so fatwas or regulations that are not regularly updated can become outdated.<sup>57</sup> Therefore, a collective ijtihad approach is needed, namely cross-sectoral deliberation between religious scholars, academics, and technology experts in formulating new policies. This will ensure that sharia policies remain relevant and responsive to the challenges of the times. It is important to recognize that the use of cryptocurrency by Generation Z Muslims is not always for investment purposes but also due to existential needs in the digital economy, such as e-commerce transactions, NFTs, or blockchain-based work.<sup>58</sup> A rigid approach to sharia policies encourages them to seek alternatives outside the formal system. Therefore, inclusive policies are needed that not only regulate but also facilitate the participation of Generation Z Muslims in a halal and just digital economy.

The views of Monzer Kahf, an Islamic economist, are crucial for understanding the position of cryptocurrencies. He suggests that cryptocurrencies be studied in terms of their utility and stability, not just their physical form.<sup>59</sup> Within the framework of sharia maqasid (obligatory obligations), if cryptocurrencies provide tangible benefits in improving transaction efficiency, expanding financial inclusion, and supporting economic justice, they can be categorized as *maslahah* (beneficial benefits).<sup>60</sup> Thus, the implications of sharia policy do not necessarily involve a total prohibition, but rather the establishment of limits and oversight mechanisms in accordance with sharia.

In his work on contemporary *fiqh muamalah* (Islamic jurisprudence), Yusuf al-Qaradawi states that Islamic law must adapt to changing times and

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<sup>57</sup> Ismail Adelopo and Xiaojun Luo, "How Do Cryptocurrency Features Determine Their Dynamic Volatility and Co-Movements with Stocks?," *Cogent Business & Management* 12, no. 1 (2025), p. 2461732.

<sup>58</sup> Samina Naz and Naila Nazir, "Compatibility of Cryptocurrency with Islamic Law : Perspectives of Sharia Scholars through Focus Group Discussions," *COMSATS Journal of Islamic Finance (CJIF)* 9, no. 1 (2024).

<sup>59</sup> Amri and Mohammed, "The Analysis of Cryptocurrency Based on Maqasid Al-Shari'ah."

<sup>60</sup> Hassan, Muneeza, and Mohamed, "Cryptocurrencies from Islamic Perspective."

technology as long as core Islamic values are maintained. This demonstrates the importance of the *fiqh al-waqi'* approach, which involves understanding social and technological realities to formulate relevant laws. In this context, sharia policy on cryptocurrencies for Generation Z Muslims must be formulated with a deep understanding of this generation's circumstances, including their digital characteristics, economic challenges, and technological potential. A sharia policy approach to cryptocurrency use by Generation Z Muslims must be participatory and interdisciplinary. Collaboration between sharia experts, Islamic economists, technology developers, and regulators is necessary to develop a legal framework that is valid within Islamic jurisprudence and applicable in the real world.

In his work on contemporary *muamalah fiqh*, Yusuf al-Qaradawi states that Islamic law must be adaptive to changes in time and technology as long as the basic values of Islam are maintained. This shows the importance of the *fiqh al-waqi'* approach, namely understanding social and technological realities to formulate relevant laws. In this context, Sharia policy on cryptocurrency for Generation Z Muslims must be shaped by a deep understanding of this generation's circumstances, including their digital characteristics, economic challenges, and technological potential. The Sharia policy approach to cryptocurrency use by Generation Z Muslims must be participatory and interdisciplinary. Collaboration between Sharia experts, Islamic economists, technology developers, and regulators is necessary to develop a legal framework that is valid within Islamic jurisprudence and applicable in the real world.

The primary implication of Sharia policy on cryptocurrency use by Generation Z Muslims is the emergence of religious awareness in digital financial decision-making. This generation is beginning to consider *halal* (permissible) and *haram* (prohibited) aspects before investing or transacting with crypto assets. This awareness is driving demand for fatwas, literature, and clear guidance on the Sharia position on digital assets. In this context, educational Sharia policies play a crucial role in shaping the financial behavior of the younger generation to be more ethically and spiritually responsible. However, the lack of uniformity among Islamic scholars regarding the legal status of cryptocurrencies creates regulatory ambiguity among Muslim users.<sup>61</sup> This ambiguity can raise doubts about usage and even potentially lead to distrust of religious authorities if not promptly addressed with an inclusive and dialogical approach. Generation Z, accustomed to open information, will seek alternative references, including from foreign sources or digital influencers, which may not

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<sup>61</sup> Qadri, et. al., "Exploring Crypto Currency through the Lens of the Sharī'a Law: A Comparative Analysis of Scholarly Evaluations."

align with the context of Islamic law in Indonesia.<sup>62</sup> This highlights the need for national Sharia authorities to strengthen a *wasathiyah* (moderate) approach, which can address current needs without neglecting fundamental Sharia principles.

From an economic perspective, this is highly significant. If Islamic law supports and regulates the use of digital currencies in accordance with its principles, it will open up significant opportunities for the growth of a Sharia-compliant digital currency industry.<sup>63</sup> This could include the development of halal tokens, Sharia-compliant blockchain platforms, and cryptocurrency-based zakat and waqf instruments. Here, the objectives of Sharia can be applied in a digital context, particularly in the preservation and distribution of assets (wealth preservation). As pioneers in digital technology, Muslim millennials have the potential to be leaders in building an innovative and sustainable Islamic economic system.

Conversely, if Sharia is too rigid and does not allow for innovation, it could negatively impact Muslim millennials, potentially pushing them to operate outside the formal system due to a lack of appropriate solutions from regulators and religious institutions. This would undermine their potential contribution to the Islamic economic system. Therefore, adaptive and contemporary regulations based on research are needed to avoid friction between the younger generation and religious authorities. From a social perspective, the implications of Sharia policy are shaping the identity of Islamic finance in the digital age. Millennial Muslims who use cryptocurrencies while adhering to Sharia values have the potential to become agents of change and promote more ethical digital financial practices.<sup>64</sup> They can spearhead a values-based economic movement that seeks profit while considering the common good, social justice, and environmental sustainability. Therefore, Sharia policy on cryptocurrencies is not merely a legal framework but also a tool for social change among young Muslims.

The tension between Sharia and the imperative of digital innovation reflects a structural challenge in contemporary Islamic economic governance. A rigid Sharia policy risks creating a knowledge and institutional gap between religious authorities and millennial Muslims growing up in a rapidly evolving and decentralized digital environment. In this environment, inadequate

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<sup>62</sup> Ajithakumari Vijayappan Nair Biju and Ann Susan Thomas, "Uncertainties and Ambivalence in the Crypto Market: An Urgent Need for a Regional Crypto Regulation," *SN Business & Economics* 3, no. 8 (2023), p. 136.

<sup>63</sup> Jamal Wiwoho et al., "Islamic Crypto Assets and Regulatory Framework: Evidence from Indonesia and Global Approaches," *International Journal of Law and Management* 66, no. 2 (2024), p. 155–71.

<sup>64</sup> Roni Andespa, et. al., "A Systematic Review of Customer Sharia Compliance Behaviour in Islamic Banks: Determinants and Behavioural Intention," *Journal of Islamic Marketing* 15, no. 4 (2024), p. 1013–34.

regulation may encourage informal economic practices and weaken Sharia's oversight role. Therefore, it is crucial to develop an evidence-based regulatory approach (evidence-based Sharia policy) that integrates Islamic jurisprudence (*fiqh al-mu'amalat*), the sociology of Islamic law, and digital economics. The function of Sharia policy is not limited to being a normative tool, but extends to being a social empowerment mechanism capable of bridging the gap between the opinions of religious authorities and the aspirations of the younger generation in building a comprehensive and sustainable financial system that is consistent with Islamic Sharia.

In the context of the development of the Muslim millennial generation in Indonesia, the Sharia-based legal approach to cryptocurrencies relies exclusively on the normative dichotomy of *halal* (permissible) and *haram* (forbidden). This approach must be guided by a contemporary, contextual, and pragmatic approach to transactions (*fiqh al-waqi'*). Millennials live in a decentralized digital economy characterized by value tokenization and smart contracts. Therefore, cryptocurrencies often function not only as speculative instruments but also as new economic infrastructure. Consequently, a Sharia-compliant analysis requires evaluating cryptocurrencies based on their economic function (their economic essence), their intended use (the intention behind the transaction), and their associated risk control and mitigation mechanisms. From this perspective, Islamic jurisprudence (*fiqh al-mu'amalat*) can be adapted to digital innovation, provided it aligns with the principles of justice, contract clarity, capital protection, and loss prevention. This approach is particularly relevant for Indonesia, where millennial Muslims are not only consumers of crypto assets but also active participants in the digital economy, innovators of Web 3.0 technologies, and drivers of technology-based Islamic social finance.

## Conclusion

The use of cryptocurrency applications among Generation Z Muslims in the Web 3.0 era is a complex phenomenon influenced by advances in digital technology and their level of understanding and adherence to Islamic Sharia principles. Although Generation Z has a high level of digital literacy and openness to innovation, misunderstandings persist regarding Sharia-compliant aspects of cryptocurrencies, particularly regarding their permissibility, their function as a medium of exchange, and the potential risks associated with *gharar* (uncertainty), *dhimma* (debt), and *qamar* (fraud) in transactions. Globally, there is no Islamic legal framework that definitively permits the use of cryptocurrencies. In contrast, in Indonesia, a 2021 fatwa issued by the Indonesian Ulema Council (DSN-MUI) affirmed the prohibition of cryptocurrencies as a means of payment but permitted their use as assets or commodities, provided they comply with Sharia principles, such as having a

clear underlying asset, tangible benefits, and not involving excessive control. Therefore, an integrated effort is needed between increasing digital literacy and knowledge of contemporary transaction-based Islamic finance, increasing understanding of Web 3.0 technology, and synergy between regulators and Islamic financial institutions so that Generation Z can play an effective role in building a digital financial system that is halal, safe, sustainable, and sharia-compliant.

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