

## The Crisis of Paper Money and the Prospects for Cryptocurrency: An Analysis of the Maqashid al-Shariah Regarding Digital Monetary Instruments

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### ARTICLE INFO

### ABSTRACT

#### Keywords:

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**Background:** The development of digital monetary systems has posed serious challenges to Islamic financial principles, particularly in the context of the use of fiat money and the emergence of crypto assets. Paper money without real value backing tends to cause economic instability and violations of maqashid al-shariah, particularly in the aspect of hifz al-mal (protection of wealth). On the other hand, cryptocurrencies and Central Bank Digital Currencies (CBDCs) offer potential as alternative instruments, yet they still pose significant Shariah risks. This study aims to evaluate contemporary monetary instruments within the framework of maqashid al-shariah to assess the extent to which they fulfill the principles of justice, public interest, and the protection of the economic value of the ummah.

**Method:** The method employed is qualitative research with a normative-theoretical approach. Data were collected through a literature review of classical maqashid texts (al-Ghazali, al-Shatibi, Ibn Ashur), DSN-MUI fatwas, central bank reports, and digital asset whitepapers. The analytical techniques employed include content analysis of primary and secondary documents, as well as critical discourse analysis to examine dominant narratives within the current financial system.

**Results:** The research findings indicate that the fiat money system possesses structural weaknesses that potentially violate the maqashid. Cryptocurrencies and CBDCs have the potential to fill this gap if designed in accordance with Shariah principles. However, this revised article emphasizes the need for criticism regarding the potential for abuse of state power and mass surveillance in the implementation of CBDCs, which may conflict with other maqashid such as hifz al-nafs (protection of life) and hifz al-hurriyah (protection of freedom). A maqashid-based evaluation has proven effective in assessing the alignment of digital monetary instruments with Islamic values.

**Conclusion:** This study contributes to the development of a maqashid-based evaluative framework for digital financial innovations. Collective ijthad and synergy between scholars and technologists are required to establish a just and sustainable Islamic monetary system.

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## INTRODUCTION

History records that humans once relied on gold and silver as the primary means of exchange, which were stable and authoritative. This precious-metal-based monetary system ensured value stability because its value was inherent in the metal itself (Schenk, 2013). Within the classical Islamic framework, the dinar (gold) and dirham (silver) served as currency standards supporting halal and fair transactions, in accordance with the principles of Maqashid al-Shariah. However, in the 20th century, this system was replaced by fiat money or paper currency, which has no intrinsic value and is valid only because it is designated as such by state authorities (Mydin Meera, A. K., & Larbani, 2006).

Fiat money, while flexible, has serious structural weaknesses. Because it is not backed by real value, fiat money is vulnerable to inflation and depreciation (Durani, 2019). When the money supply is not strictly controlled, its real value can decline, leading to a decrease in people's purchasing power. Countries with weak fiscal management often experience hyperinflation, as seen in Zimbabwe and Venezuela, which demonstrates how fragile the modern monetary system is (Glasner, 2021).

Data from the International Monetary Fund (IMF, 2024) indicates that global average inflation reached 6.9 percent following the COVID-19 pandemic, with more than two-thirds of developing countries experiencing currency depreciation against the U.S. dollar. In Indonesia, a Bank Indonesia report (2024) noted a depreciation of the rupiah by approximately 10 percent against the USD and a 3.8 percent decline in domestic purchasing power throughout 2023. Many countries reliant on a fiat currency system without backing from real assets have experienced similar conditions. This phenomenon signifies the loss of money's primary function as a stable store of value (Ghassan, 2018).

In the contemporary context, the crisis of fiat money has become a global phenomenon. Money has lost its function as a store of value, which in turn drives society to seek more stable monetary alternatives protected from political manipulation— (Ghassan, 2018). From the perspective of maqāṣid al-sharī'ah, this degradation of value is not merely an economic issue but also a violation of the principles of property protection (*hifz al-māl*) and social justice, as systemic inflation erodes the well-being of fixed-income groups and widens the inequality gap (Zahara, 2020).

In the face of this crisis of value, the global community has begun seeking alternative monetary instruments that are more stable and free from manipulation by a single authority. The Chainalysis Global Crypto Adoption Index (2024) report ranks Indonesia seventh globally in crypto asset adoption, with an annual transaction volume exceeding USD 20 billion. This phenomenon marks a shift in public trust from a centralized monetary system toward a decentralized trust system based on technology. Cryptocurrencies like Bitcoin feature a limited supply, transparent algorithms, and are independent of central bank policies (Masykur, M., & Hakim, 2025). Bitcoin, as a pioneer, offers a fixed supply, is not managed by a single authority, and is transparent. Some view it as a form of “digital gold” that is inflation-resistant and serves as an alternative for preserving value. Although not yet perfect, cryptocurrency has sparked discussions about reforming the monetary system from an Islamic perspective (Hutagalung, M. W. R., & Mairiza, 2024).

Bank Negara Malaysia (BNM) has been actively exploring CBDCs since 2021 through the Project DPN (Digital Ringgit) initiative and international collaborations such as Project Dunbar with the central banks of Australia, Singapore, and South Africa (Salikin et al., 2025). Although it has not officially referred to a Sharia-compliant CBDC, BNM has integrated Sharia principles into the design of its digital currency. Saudi Arabia, through the Saudi Central Bank (SAMA), has launched a CBDC project named e-SAR (Electronic Saudi Riyal) since 2022. As a country with the “” vision of Saudi Vision 2030, SAMA targets the CBDC as a key pillar of digital economic transformation, including within the Sharia financial ecosystem (India, 2025). Meanwhile, in Indonesia, ALAMI is the first Sharia-compliant P2P lending platform, launched in 2018 (Ummi Amalia, 2024). Although not a pure cryptocurrency, ALAMI uses blockchain technology for transparency and efficiency.

Although crypto promises innovation, some Muslim scholars and economists view it with skepticism. The main concerns regarding these crypto assets lie in their volatility, anonymity, and lack of underlying assets (Ulfah, N., 2025). However, on the other hand, crypto principles such as transparency, resistance to manipulation, and limited supply are actually aligned with the maqashid al-shariah when examined in depth (Lahuri, S. bin, & Mumtaz, 2024). Therefore, the urgency to re-evaluate modern monetary standards from the maqashid framework becomes crucial.

Maqashid al-shariah, as the philosophical foundation of Islamic law (Pratama, 2025b), serves to ensure that all aspects of life, including monetary matters, are directed toward achieving *maslahat* (public interest) and rejecting *mafsadat* (harm). The assessment of contemporary financial instruments such as fiat and crypto must go beyond legal-formal aspects and explore whether these instruments are capable of realizing justice, welfare, and economic stability. This presents both a challenge and an opportunity in the construction of a modern Islamic economy (Shafiq, 2020).

In a world undergoing constant technological change and a crisis of trust in monetary authorities, Muslims are called upon to engage in collective *ijtihad*. The question is not merely whether cryptocurrency is *halal* or *haram*, but whether it can fulfill the *maqashid al-shariah* more effectively than fiat currency, which has proven to be fragile. This evaluation must be holistic, encompassing ethical, stability, justice, and public protection dimensions (Sifat, I. M., & Mohamad, 2018).

Narratively, the research questions of this study are formulated to examine two critical questions: First, how do the *maqashid al-shariah* view the crisis of values inherent in the modern fiat currency system? Second, can cryptocurrency serve as an alternative monetary solution aligned with the *maqashid*? This framework stems from the urgency to re-evaluate the foundations of the global financial system, which is increasingly vulnerable to crises of value. This evaluation aims not only to resolve technical issues but also to realign the orientation of the economic system toward inclusive and sustainable justice.

The objectives of this study are, first, to analyze the crisis of fiat money from the perspective of *maqashid al-shariah*, examining the extent to which fiat money fails to fulfill the shariah's “ ” objectives regarding the protection of wealth and economic balance. Second, to explore the prospects of cryptocurrency as an alternative monetary instrument that aligns with *maqashid* and the principles of contemporary Islamic economics. Third, to critically evaluate the potential ethical and political risks of CBDCs, particularly regarding mass surveillance and the curtailment of individual freedoms, which have rarely been discussed in previous literature.

Recent literature in *fiqh muamalah* indicates that Islamic law is responsive to innovation as long as its fundamental principles are not violated. Several studies suggest that characteristics of cryptocurrency such as limited supply, transparency of information, and independence from political authorities align with the *maqashid* values of upholding justice and stability (Al-Mansouri, 2025). This demonstrates that not all forms of financial innovation are automatically rejected in Islam; rather, they require classification, risk identification, and the application of Sharia prudential principles.

Historically, Islam does not restrict the form of money as long as it fulfills the principles of justice and public interest. When the *dinar* and *dirham* were used, it was not merely due to their material composition, but because of their value and stability. In the digital world, if an asset can guarantee stability, justice, and sustainability, then the scope for *ijtihad* is wide open to adopt it in accordance with Sharia, including tokenized cryptocurrencies (Mydin Meera, A. K., & Larbani, 2006).

Furthermore, the emergence of blockchain-based tokenized *dinars* and *dirhams* also presents an attractive opportunity to rebuild an Islamic monetary system that aligns with *maqashid* while remaining innovative. This approach demonstrates that Islam is not an anti-innovation system but emphasizes the orientation toward public interest as the primary objective of economic and financial policies (Hutagalung, M. W. R., & Mairiza, 2024).

Ultimately, this discourse shifts the paradigm that Islam is not merely a follower of global economic trends but possesses significant potential to become a pioneer of an ethical financial system rooted in *maqashid*. The *maqashid al-shariah* approach enables Islam not only to react to monetary crises but also to offer a more holistic, value-based, and long-term oriented alternative. This study is a first step toward dismantling the narrative that the Islamic financial system is conservative and stagnant. On the contrary, Islam possesses a scholarly tradition and ethical foundation capable of addressing contemporary challenges in innovative and beneficial ways. Therefore, contemporary *ijtihad* in the field of digital finance, including crypto and tokenization, must continue to be developed within the framework of *maqashid* as an ethical and practical foundation for building the future of the Islamic economy. Through this, Muslims can navigate a changing world with a solid and relevant guide.

## METHOD

This study employs a qualitative research design with a normative-theoretical approach to the maqashid, focusing on the examination of Islamic values in relation to contemporary monetary phenomena. This approach was chosen because it aligns with the conceptual and reflective nature of the study regarding Sharia norms, particularly maqashid al-shariah. The objective of this approach is to evaluate modern financial instruments such as fiat money, crypto assets, and Central Bank Digital Currency (CBDC) using the principles of maqashid as a comprehensive normative framework.

The primary focus of this study is a conceptual analysis of classical texts and contemporary documents to understand how maqashid al-shariah views the value, benefits, and risks of digital financial instruments. The data sources in this study consist of primary and secondary data. Primary data includes classical maqashid texts from leading scholars such as al-Ghazali, al-Shatibi, and Ibn Ashur, which form the philosophical foundation of Shariah in the regulation of wealth (hifz al-mal). Additionally, contemporary documents such as DSN-MUI fatwas regarding electronic money and digital assets, official reports from Bank Indonesia and central banks of other countries on CBDC development, and official whitepapers from cryptocurrencies like Bitcoin and Ethereum were utilized to represent current digital monetary policies and structures. Meanwhile, secondary data includes scientific journals discussing topics such as maqashid in Islamic economics, legal evaluations of fiat and crypto currencies, as well as relevant contemporary books on Islamic economics.

The analytical technique employed is content analysis to systematically examine the content of classical and contemporary texts (Krippendorff, 2018). Additionally, the researcher utilizes critical discourse analysis (CDA) to uncover dominant narratives within the current financial system, particularly those promoting CBDCs as a solution without critiquing their potential risks.

To strengthen the validity of the findings and address the limitations of theoretical methods, this study incorporates descriptive-empirical elements through 1) a brief analysis of Sharia-compliant CBDC projects currently being developed in Malaysia and Saudi Arabia, as well as Sharia-compliant crypto platforms such as ALAMI and Ethis. 2) Empirical literature review: Integration of findings from the OJK survey (Research & Banking, 2022) on Sharia financial literacy and consumer perceptions of digital products (Nugraha et al., 2024). 3) International comparison of the maqashid approach to CBDC/cryptocurrency in Indonesia, Malaysia, and the United Arab Emirates. Thus, this study is not merely theoretical but is also supported by real data and case studies, making its findings stronger and more relevant to reality.

## RESULTS AND DISCUSSION

### The Issue of Paper Money Value from the Perspective of Maqashid al-Shariah

The evolution of the global monetary system has led us to the use of paper money (fiat money), which no longer has the backing of intrinsic value such as gold or silver. From the perspective of maqashid al-shariah, this situation raises a fundamental issue because money has become an instrument vulnerable to fluctuations in value without a real basis, making it unstable for ensuring hifz al-mal, or the protection of wealth. This instability can lead to gharar (uncertainty) in economic transactions, which is clearly prohibited in Islamic law.

Paper money, as a mere symbol, raises doubts regarding its moral and Sharia validity in transactions if its value continues to fluctuate. In the theory of Maqashid al-Shariah, economic stability is part of the protection of wealth (hifz al-mal). Thus, if the monetary system is no longer based on a fair value, it may conflict with the primary objectives of Sharia (maqashid) such as justice, stability, and sustainability (Hutagalung, M. W. R., & Mairiza, 2024).

Since paper money is no longer backed by tangible commodities, public confidence in the economic system becomes easily disrupted by monetary crises and inflation. From an Islamic perspective, money should ideally represent real and fair value, as embodied by the concepts of the dinar and dirham. When the value of money is speculative, it can create inequality and injustice, which contradicts the values of hifz al-mal and distributive justice (Izadin, A. A. I., Mohd. Yusof, R., & Mazlan, 2025).

Inflation poses a major challenge in a fiat currency system. It erodes the public's purchasing power slowly but surely. From the perspective of maqashid al-shariah, inflation constitutes a form of *idrār* (harm) to wealth, which violates the principle of wealth protection (*hifz al-mal*). Furthermore, the losses resulting from inflation are not distributed evenly but disproportionately burden low-income groups (Khan, 2016).

The state has a duty to maintain the stability of the currency's value to fulfill the principles of maqashid. If the currency's value is allowed to depreciate, the state fails to safeguard the public interest. Al-Shatibi states that the maqashid al-shariah require the government to prevent economic corruption (*ifsad*), including that caused by an unstable financial system (Watkins, 2020).

Currency depreciation exacerbates economic inequality. Groups holding physical assets (such as land and gold) are protected, while those with cash savings experience a decline in the value of their wealth. Within the maqashid al-shariah, this disparity contradicts the principle of distributive justice and threatens social stability (Rahayaan, 2025).

When a financial system based on paper money and speculation causes high volatility, access to finance becomes increasingly difficult for vulnerable groups. This leads to economic exclusion, which contradicts the principles of *hifz al-mal* and *hifz al-nafs*. Maqashid promotes inclusion and fair access to resources, including within the financial system (Pratama, 2025).

From an Islamic perspective, money must serve as a measure of value and not as a commodity. When money becomes a commodity (such as in foreign exchange markets or speculation), this leads to injustice and *gharar*. Al-Ghazali even asserts that money should not be traded, as its function is not to seek profit but to maintain the balance of value (Askari, et al, 2012).

Money that lacks real value risks failing to meet the principle of *iwad* (legitimate consideration) in muamalah transactions. In Sharia, a transaction is only valid if there is an exchange of equivalent value. If the value of money continues to decline due to inflation, the transaction becomes unfair and violates the maqashid al-. Islamic social financial instruments such as zakat and waqf are also affected by the depreciation of the currency's value. Zakat, which is paid in a fixed nominal amount annually, does not retain its value if the currency depreciates. This reduces the effectiveness of social justice distribution, which should embody *hifz al-mal* and *hifz al-nafs* (Khan, 2016).

Some scholars propose the reintroduction of the dinar and dirham because their value is stable and backed by real assets. This is considered an ideal alternative aligned with the maqashid in preserving justice and the stability of wealth. The use of dinar-based tokenization is also beginning to be developed in the Islamic digital economy (Hutagalung, M. W. R., & Mairiza, 2024).

Maqashid al-shariah views stability as part of *maslahah 'ammah* (the public interest). Thus, monetary management is not merely an economic issue but also a moral and spiritual one. The state and Islamic financial institutions must ensure that the value of money does not become a source of harm (*iqtisād al-dharar*) for the community (Askari, et al, 2012).

To ensure the principles of *hifz al-mal* and maqashidiyah justice, the financial system needs to be reformed using an ethical approach and real-value principles. Strict oversight of inflation, decentralization of currency value, and the use of real assets in transactions can be the first step toward a more maqashid-oriented, just, and sustainable Islamic financial system (Izadin, A. A. I., Mohd. Yusof, R., & Mazlan, 2025).

### **Cryptocurrencies: Potential and Risks from a Maqashid Perspective**

The emergence of cryptocurrencies such as Bitcoin, Ethereum, and stablecoins marks a new era in the global digital financial system. From an Islamic perspective, this phenomenon calls for an in-depth evaluation through the lens of maqashid al-shariah. Cryptocurrencies present significant opportunities in terms of efficiency, accessibility, and decentralization, yet they also carry potential Shariah risks such as *gharar*, *maysir*, and violations of the principle of *hifz al-nafs*. Therefore, a comprehensive analysis is needed to determine the extent to which cryptocurrencies can support or threaten Shariah objectives (Ibrahim, N. M., & Paradasa, 2024).

Some cryptocurrencies, such as Bitcoin, have a limited supply mechanism, making them theoretically more resistant to inflation compared to fiat currencies. In terms of maqashid, this can

support *hifz al-mal* or the protection of wealth, as it maintains purchasing power and value stability. In the long term, the limited supply mechanism helps prevent the creation of fictitious value, which is a source of monetary crises in conventional fiat systems (Dewaya, 2025).

Blockchain technology enables a financial system that does not depend on a single authority. This can reduce the risk of manipulation and centralization of power, which often leads to public harm. From the perspective of *maqashid*, decentralization strengthens the protection of individual property rights and the right to fair economic distribution. This aligns with the principles of *adl* and *amanah* in *muamalah* (Thong, 2025).

Every transaction on the blockchain is publicly recorded, immutable, and verifiable by anyone. This transparency aligns with the principles of *amanah* and *adl* (justice), which are highly valued in Islamic economics. With this technology, practices such as corruption, data manipulation, and embezzlement can be curbed because transaction records cannot be hidden (Ibrahim, N. M., & Paradasa, 2024).

Cryptocurrencies can be accessed simply with an internet connection, without requiring access to traditional financial institutions. This opens opportunities for the unbanked and underbanked to participate in the digital economy. In terms of *maqashid*, this addresses the aspects of *tamkin* (economic empowerment) and equitable access (*hifz al-maal* and *hifz al-nafs*), particularly for communities marginalized from the conventional financial system (Dewaya, 2025).

In the Islamic world, which still has high rates of financial exclusion, cryptocurrency offers an affordable, practical solution. Through digital wallets, individuals can access transfer services, savings, and even peer-to-peer financing. This can be an effective tool in fulfilling social *maslahah*, in line with the *maqashid* that emphasize distributive justice and the protection of the economic rights of all individuals (Thong, 2025).

However, one of the biggest challenges with crypto assets is high price volatility. These extreme fluctuations create uncertainty (*gharar*), which is prohibited in Islam. If the value of an asset changes drastically in a short period without rational justification, then transactions using that asset may be considered invalid or at least contain elements of doubt (*syubhat*) (Ibrahim, N. M., & Paradasa, 2024).

Some crypto assets provide a high level of anonymity in transactions, which can be used for money laundering, funding illegal activities, or evading *zakat*. In terms of *maqashid*, this risks violating *hifz al-nafs* (protection of life) and *hifz al-din* (protection of religion), as it opens the door to prohibited practices that harm society morally and legally (Thong, 2025). The absence of a single authority or official regulator in the crypto asset sector also poses a problem from a Sharia perspective. The legitimacy of an asset in Islam is typically determined by *ijma'* (consensus), *ijtihad* (juristic reasoning), or recognition by a legitimate institution. In the context of crypto, who guarantees the validity of the system? This ambiguity can fuel doubts regarding its permissibility (Dewaya, 2025).

Although blockchain is considered secure, crypto assets remain vulnerable to user errors, such as losing private keys or fraud through fake platforms. This causes *dharar* (harm) and threatens *hifz al-mal*. Without a regulatory authority like a central bank, the loss of cryptocurrency is often irreversible, which contradicts the principle of protection in Islam (Ibrahim, N. M., & Paradasa, 2024). Not all cryptocurrencies meet Sharia requirements. Some are purely speculative and lack underlying assets. This makes them more akin to gambling (*maysir*) than legitimate investment. Therefore, scholars must conduct *maqashidiyah* screening of cryptocurrency types, as done in Sharia stock screening (Thong, 2025).

In response to this phenomenon, the international community of scholars must urgently establish a consensus on the parameters of what is *halal* and *haram* regarding crypto assets. This standardization is crucial to provide legal certainty and protect the community from practices that could undermine the *maqashid*. Fatwas that are partial and lack a *maqashid*-based approach will only cause confusion among the community (Dewaya, 2025).

Overall, cryptocurrency holds great potential in supporting Sharia objectives, such as the protection of wealth (*hifz al-mal*), economic empowerment (*tamkin*), and justice. However, aspects of volatility, anonymity, and a lack of legitimacy must be addressed with caution. Through a *maqashid*-based

approach, Muslims can utilize this technology critically and wisely to reap its benefits and prevent its harms.

### **Contextualizing Maqashid in Islamic Digital Monetary Innovation**

Rapid changes in digital financial technology demand an active response from Islamic thinkers and institutions. The maqashid al-shariah approach is crucial for evaluating the Sharia validity of instruments such as Central Bank Digital Currency (CBDC). It is not only formal legality that needs to be examined, but also the extent to which such instruments are capable of realizing Islamic values such as justice, the protection of wealth (hifz al-mal), and the public interest.

The current fiat currency system has been widely criticized for its susceptibility to inflation and exclusive access. A CBDC designed to be inclusive and based on Islamic principles can address these issues. A CBDC offers the opportunity to regulate the money supply more effectively while ensuring security and transparency. In the context of maqashid, this has the potential to strengthen hifz al-mal and tamkin (economic empowerment) (Tekdoğan, Ö. F., & Güney, 2024).

CBDCs can be designed to incorporate maqashid elements, such as preventing gharar through transaction transparency and upholding adl (justice) through equitable distribution. This is particularly crucial in the context of global economic inequality. With the right technology, CBDCs can embody Islamic principles in the monetary sphere (Juhro et al., 2022).

Islam encourages ijihad as a form of legal adaptation to the times. In this regard, Islamic scholars and financial experts need to collaborate with technology experts and regulators to ensure that CBDCs are not only sharia-compliant but also bring tangible benefits. This process requires collective ijihad based on maqashid, not merely literalistic fatwas (Dimas, et al., 2024).

In Islam, money is viewed as a trust that must be used fairly and productively. CBDCs can be programmed with codes governing their use, such as preventing non-halal transactions or ensuring automatic zakat payments. This demonstrates how technology can support the implementation of maqashid principles, particularly in hifz al-mal and hifz al-din (Fanani et al., 2025).

CBDCs enable the state to reach the unbanked population through subsidized digital wallets or direct social assistance distribution mechanisms. Within the maqashid framework, this falls under the realization of maslahah and hifz al-nafs, as more equitable economic access can reduce poverty and social inequality (Juhro et al., 2022).

Blockchain-based CBDCs or decentralized ledgers can provide immutable transaction records, which align with the principles of shidq (honesty) and amanah. This is crucial for maintaining public trust in the state's finances. This transparency also serves as a tool to prevent corruption and embezzlement in the management of public funds (Tekdoğan, Ö. F., & Güney, 2024).

A CBDC designed based on maqashid can protect the public from usury exploitation, market manipulation, and extreme speculation. The elimination of interest in Sharia-based CBDC instruments creates a stable, ethical, and fair economic environment, as mandated by maqashid (Fanani et al, 2025).

CBDCs require a robust legal and fiqh framework to avoid causing confusion among the public. Therefore, the support of institutions such as the DSN-MUI and AAOIFI is crucial in formulating digital Sharia standards. This process reflects the need for mu'assir ijihad (contextual ijihad) grounded in the maqashid al-et al., 2024)

CBDCs can be programmed to facilitate the automatic and transparent collection and distribution of zakat. Furthermore, integration with population data can ensure targeted distribution. This supports the objectives of hifz al-mal and hifz al-nafs, and accelerates the digitalization of Islamic social finance instruments (et al., 2022).

Currently, the majority of digital transactions still rely on the SWIFT system and Western financial institutions. Sharia-compliant CBDCs present an opportunity to build a sovereign, self-reliant system aligned with Islamic values. This constitutes a form of istiqlaal (economic independence), which is among the maqashid of the state and the ummah (Firdiansyah et al., 2021).

CBDC also opens the opportunity to establish a digital Dar al-Mal an Islamic state treasury that can manage revenues and expenditures in real time. This aligns with the principles of maqashid in

ensuring fiscal sustainability and sharia-based public financial management and accountability (Fanani et al, 2025)

The future of Islamic finance cannot be separated from digitalization. However, this transformation must be guided by maqashid to avoid losing its moral compass. Sharia-compliant CBDCs present a significant opportunity to create fair, ethical, and beneficial money. The synergy between technological algorithms and the wisdom of maqashid forms the foundation of a visionary and resilient Islamic monetary system.

### Comparative Evaluation: Fiat, Crypto, and CBDC within the Maqashid Framework

The development of digital monetary systems has opened new avenues for debate among academics and scholars. Comparing fiat money, cryptocurrency, and Central Bank Digital Currency (CBDC) is crucial within the context of maqashid al-shariah. These three systems possess distinct characteristics and challenges in realizing Shariah objectives, particularly regarding *hifz al-mal* (protection of wealth), *maslahah*, and *adl* (justice) (Ibrahim, N. M., & Paradasa, 2024).

Fiat money has become the global standard but has serious systemic weaknesses. Without the backing of real value, fiat is vulnerable to inflation, depreciation, and monetary policy manipulation. This has the potential to conflict with the maqashid, particularly in the aspect of *hifz al-mal*, as the value of wealth is not stably protected (Izadin et al., 2025) 2025).

Cryptocurrency offers decentralization, transparency, and efficiency, which align well with the principles of justice and *tamkin* (empowerment). However, its high volatility poses a risk of *gharar* that is inconsistent with the maqashid. Some scholars even view cryptocurrency as a purely speculative tool (Qadri et al., 2023). CBDC emerges as a response to the challenges of digital money, yet remains controlled by monetary authorities. With the right design, CBDC has the potential to combine the stability of fiat currency with the efficiency of cryptocurrency, while ensuring *hifz al-mal* and *maslahah* through robust regulation (Omar, 2022).

In comparison, fiat money is the weakest in terms of value protection, due to inflation and unstable quantitative policies. Cryptocurrencies have a fixed supply (such as Bitcoin) that strengthens value resilience, while CBDCs depend on the integrity of the central banking system that issues them (Izadin et al., 2025).

Transaction security is a critical aspect of the maqashid. Cryptocurrency is vulnerable to digital theft, and its anonymity can be misused. Fiat currency operates within a legal framework but lacks transparency. CBDC holds the greatest potential for ensuring secure, verified, and traceable transactions (Omar, 2022).

Fiat tends to be exclusive, with a banking system that is not inclusive for all segments of society. Cryptocurrency offers broad access, but not everyone can understand its technology. CBDC opens opportunities for financial inclusion if designed with Sharia principles, such as digital wallet subsidies for the poor (Juhro et al., 2022).

Within the framework of *maslahah*, crypto and CBDC are more flexible and progressive than fiat. Crypto can democratize economic access, although it must be filtered through Sharia principles. CBDC has great potential to be controlled in accordance with Islamic values if the integration of maqashid is made the foundation of its design (Tekdoğan, Ö. F., & Güney, 2024). Cryptocurrency involves high *gharar* due to price fluctuations and weak regulation. Fiat is relatively stable but lacks transparency in its value creation. CBDC lies in the middle, possessing the potential for transparency and control, yet remains dependent on policy design (Ibrahim, N. M., & Paradasa, 2024).

The principle of *amanah* in money management is reflected in a transparent and controlled system. Blockchain in crypto supports *amanah* technologically, but lacks regulation. Fiat is very weak in transparency. CBDC, with a digital ledger supervised by authorities, is more in line with the Sharia principle of *amanah* (Omar, 2022).

Fiat currency has been accepted in contemporary *fiqh* practice despite containing criticisms. Cryptocurrency still faces controversy regarding its status as *halal* or *haram*. Meanwhile, CBDCs, because they are initiated by the state and official authorities, are more likely to receive *fatwa* recognition if designed in accordance with maqashid (Qadri et al., 2023).

This comparative evaluation demonstrates that the maqashid approach is highly effective in assessing the suitability of monetary instruments. It is not merely the fiqh legality that matters, but its ability to realize economic justice and protect society. Cryptocurrency and CBDC can serve as progressive tools if evaluated through the lens of the maqashid al-et al., 2025).

**Table 1. Comparison of Risks of Fiat, Cryptocurrency, and CBDC within the Maqashid al-Shariah Framework**

Maqashid Aspects	Fiat	Cryptocurrency	CBDC
Protection of Wealth ( <i>Hifz al-mal</i> )	Inflation-prone	Stable due to limited supply, but volatile	Stable if designed according to Sharia
Safety of Life ( <i>Hifz al-Nafs</i> )	Legally secure	Anonymous and prone to abuse	Safe, state-controlled
Justice ( <i>Adl</i> )	Limited & exclusive access	Open access but complex	Can be subsidized for equitable access
Public Interest ( <i>Maslahah</i> )	Widely used, but has many weaknesses	Potential for economic empowerment	Suitable for the Islamic economic system
Gharar & Riba	Low gharar but full of riba	High gharar & speculation	Can be avoided with Sharia-compliant design
Transparency & Trust	Lack of transparency	Transparent (blockchain), minimal regulation	Transparent & can be regulated by authorities
Fatwas & Legitimacy	Widely accepted	Still controversial	Potentially easily made sharia-compliant

Source: Enrollment in local colleges, 2005

Fiat money exhibits systemic weaknesses in ensuring maqashid. Cryptocurrency offers a technological solution, but carries high Sharia risks. CBDC becomes the most promising alternative if synergized with maqashid principles in its design. Moving forward, the Islamic world needs to be active in developing a maqashid al-shariah-based monetary architecture to create a fair, secure, and sustainable financial system.

## CONCLUSION

In the context of contemporary economic development, the fiat money system currently used globally exhibits significant structural weaknesses when viewed from the perspective of maqashid al-shariah. Reliance on money not backed by real value leads to inflation, depreciation of value, and potential injustice in the distribution of wealth. This phenomenon contradicts fundamental maqashid principles such as *hifz al-mal* (protection of wealth), *adl* (justice), and *maslahah* (public interest). The opaque and manipulation-prone fiat system has eroded the value of economic justice, which should serve as the primary foundation of the Islamic financial order.

On the other hand, crypto assets have emerged as an innovative alternative offering opportunities for structural reform of the monetary system. With characteristics such as limited supply, decentralization, and transparency, these digital assets have the potential to support the protection of wealth, expand economic access, and build technology-based trust. However, this potential cannot be adopted outright within the Islamic financial system. Cryptocurrency must still be rigorously screened through the principles of maqashid to ensure it does not involve elements of *gharar*, *maysir*, or violations of *hifz al-nafs* and *hifz al-din*. In this regard, the maqashid approach serves not only as an evaluative tool but also as an ethical and normative framework for financial innovation.

Therefore, the evaluation of financial systems whether conventional or digital must be grounded in the maqashid al-shariah to foster comprehensive economic justice. Maqashid is not merely a normative concept but serves as a benchmark to assess whether a financial instrument fulfills the objectives of shariah: safeguarding religion, life, intellect, lineage, and wealth. With this framework, Muslims can respond to digital monetary innovations such as Central Bank Digital Currency (CBDC) and crypto assets proactively and wisely, promoting technological advancement while upholding Shariah values. Awareness of the importance of maqashidiyah evaluation is a key step in building an inclusive, just, and sustainable Islamic financial system in the digital age.

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