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The Adoption of the Cryptocurrencies in the Islamic Economies

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Abstract

Fintech, which stands for financial technology, describes how modern technologies become integrated into financial services. The system delivers rapid transaction processing which meets investor demands for both increased security and operational efficiency. The worldwide growth of fintech has been driven by rising demand for financial products that are both low-cost and easy to use through mobile devices. The Islamic fintech sector has developed into an effective financial model that operates according to Shariah-compliant ethical standards. The system competes with other international financial systems through its distinctive attributes of transparency and operational transparency and its ability to reach a wider audience. Digital currencies have progressed from their experimental phase to their current state which demonstrates full operational capability. The technological curiosity which existed in the past has transformed into a major financial innovation that will change monetary systems during the next few years. Bitcoin and other cryptocurrencies have developed into trillion-dollar markets as the former digital assets evolved into mainstream financial instruments. People now use them to buy products and services because they have become popular for both investment and purchasing things. The divided regulatory approaches exist alongside the industry expansion. Several Islamic countries continue to restrict or prohibit cryptocurrencies as substitutes for fiat money. The system issues fiat currencies through central banks while cryptocurrencies emerge from decentralized systems or unknown sources which makes it hard to establish their legitimacy under Islamic law. Islamic finance has developed through multiple stages which now enable it to function under current global economic conditions while still observing Shariah requirements. The research examines Islamic finance as it developed through different historical periods until it reached its present status of emerging but developed financial industry. The study investigates the difficulties and discussions that arise when Islamic finance attempts to incorporate cryptocurrencies into its system and into the wider financial market. Responsible development and use of blockchain technology in Nigeria.

Keywords: Sustainable Development Goals (SDGs), Islamic banking, Islamic finance, Social banking, Corporate Social Responsibility (CSR), Charity Bank

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1. Introduction

The Prophet Muhammad (Peace and Blessings be Upon Him) founded the first Islamic state in Medina during

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625 AD which established the first system of Islamic governance together with financial management. During that period people used dinar as their main currency which contained 4.25 grams of 22-carat gold and silver-based coins as their secondary currency. Historical documents also record that people used camel skins for trading purposes until the government banned this method of exchange.

The gold dinar was based on the Byzantine Empire coinage system while silver currency originated from the Persian monetary system. The gold to silver exchange rate maintained a constant 1:10 ratio for an extended period before it changed to 1:15.

The global economy started experiencing higher levels of instability after the world abandoned the Bretton Woods system and the gold standard ended. The United States encountered severe price increases from 1973 to 1980. Argentina experienced major financial disruptions during two periods between 1980 and 1982 and again in 1995 while Chile experienced financial instability from 1981 to 1983 and Brazil between 1994 and 1996 and Mexico in 1994. Financial instability impacted Asian economies during the 1997-98 period and Japan in 1992 and Russia in 1998. The Nasdaq technology sector collapse led to the start of the worldwide financial crisis which happened in 2008.

Islamic belief systems view money as a medium of exchange which people use to conduct transactions instead of matching it with objects that they can buy and sell for profit. The practice of earning money through lending or financial transactions without engaging in any productive work is known as usury or *riba* which Jewish law considers forbidden.

Currency in a gold-based monetary system serves as a proof of ownership rights. People who possess money that central authorities back with gold reserves already deposited with them have rights to those reserves. The ability to redeem gold creates the basis for determining the worth of the circulating currency. When a nation prints paper money without proper gold reserves and other countries follow this practice, the resulting money supply expansion leads to inflation together with global financial system instability.

Financial technology which people know as fintech refers to the use of contemporary technological solutions for the purpose of optimizing financial service operations. Its purpose is to enhance the efficiency of conducting transactions which includes business processes and handling personal financial matters. Corporations together with new businesses and individual customers make extensive use of fintech solutions which depend on algorithms and special software that works with computers and mobile phones. The term itself is simply a shortened form of "financial technology."

Fintech has profoundly changed social relationships, business processes, and the financial services sector on a global scale. This industry has grown quickly due to the rise of cryptocurrencies, the development of digital banking platforms, and the growing use of mobile payment systems. Fintech makes it possible to offer a variety of improved financial services at competitive prices by utilizing cutting-edge technology. Many services are now available to customers remotely, saving them time and money.

In particular, Islamic fintech blends technology innovation with ethical ideals and adherence to Shariah. Because of its dual base, it has the potential to have a significant impact on how global finance develops in the future ([Ahmad and Al Mamun, 2020](#)).

Examining the different financial arenas in which Islamic fintech operates is necessary to evaluate its performance. These include digital assets, blockchain applications, international payment systems, and other technologically advanced financial solutions.

However, Islamic fintech confronts a number of regulatory obstacles as a new industry. Its evolution is complicated by the fact that legal frameworks are always changing and that new regulations may clash with preexisting ones.

2. Literature Review

A type of digital currency called cryptocurrency is intended to serve as a substitute for traditional fiat money in financial transactions. Blockchain technology, a decentralized system that improves security, guarantees transparency, and maintains the integrity of transaction records, powers it. Furthermore, blockchain protocols restrict supply through predetermined technological methods by regulating the issuing of new units.

Lawal (2019) investigated if cryptocurrencies meet the fundamental requirements of Islamic money in order to determine whether they are compatible with Islamic financial rules. According to the study's findings, cryptocurrencies meet five of the six main requirements that are typically connected to Islamic ideas of money.

Yussof and Al-Harthy (2018) conducted a study in allowed for the exploration of various factors around using Bitcoin as an alternative currency in Malaysia including pros and cons, and the challenges associated with the switch. In another study, Delfabbro *et al.* (2021) looked at the relationship between cryptocurrency trading and gambling in a cohort of 543 individuals who reported trading cryptocurrencies or betting on sports at least once a month in the past year. The researchers uncovered a correlation between increased risk of gambling and the higher involvement in crypto trading following a comparison of players' tendency to trade shares and their level of engagement in trading and gambling. It can be said that individuals who are exposing themselves to the ups and downs of the stock markets are more likely to engage in gambling.

Nseke (2018) carried out a thorough analysis of the main barriers impeding the development of blockchain-based currencies in Africa. Key obstacles to the adoption of cryptocurrencies were found by the study, including low market liquidity, excessive price volatility, and security flaws. Development in this area is further hampered by the poor technology infrastructure found in many African nations. Broader participation in bitcoin markets is also discouraged by a lack of user-friendly trading environments and limited digital readiness.

In a similar vein, Fatarib and Sali (2021) contend that Islamic financial principles are not entirely compatible with the current cryptocurrency system. They argue that digital currencies lack a number of crucial features that are often connected to Islamic money. Furthermore, users are exposed to more uncertainty and financial risk because to the significant price fluctuation of assets like Bitcoin. Their investigation indicates that individuals may be exposed to dangers similar to those associated with gambling, which is forbidden by Shariah law.

From an Islamic standpoint, Usman *et al.* (2022) raise additional concerns about the legitimacy of cryptocurrencies. Their argument is predicated on the idea that a legitimate asset must have substantial substance, be able to be preserved for an extended period of time without undergoing significant changes, produce a legitimate benefit, and be free from dangerous aspects (mafsadat). According to this perspective, assets ought to have a distinct and identifiable form, like money, cars, or jewelry – requirements that cryptocurrencies might not quite meet.

In a different study, Siswanto *et al.* (2020) examined 23 cryptocurrencies' trading patterns and contrasted their risk and volatility levels with those of the Standard & Poor's 500 (S&P 500) index. Their results show that compared to traditional equities markets represented by the S&P, cryptocurrency markets exhibit noticeably greater volatility and risk exposure.

Chowdhury and Abdul Razak (2019) outlined a number of obstacles to the adoption of cryptocurrencies in Islamic nations. Formal restrictions in certain jurisdictions, where digital currency transactions are thought to be at odds with Shariah principles, are one of these difficulties. Regulatory uncertainty is also caused by the lack of complete legal frameworks in many Islamic countries. Nonetheless, other nations – like Malaysia and the United Arab Emirates – have started enacting formal laws that could encourage regulated cryptocurrency growth. The authors also speculate that cryptocurrency transactions might eventually find legitimacy inside an Islamic legal framework, much like other financial advances (Boustany, 2023).

Abu-Bakar (2017), on the other hand, contends that price volatility by itself does not make Bitcoin unacceptable because supply and demand forces cause swings in many goods and services. The paper also contends that since cash-based transactions carry comparable risks, worries about money laundering or illegal use are not specific to cryptocurrencies. According to this viewpoint, using a legal instrument improperly does not immediately render it illegal.

Early Islamic financial institutions were founded with clear social goals in the past. The Farmers' Credit Union in Pakistan in the late 1950s and the Mit Ghamr Savings Bank in Egypt in 1963 are two examples. These organizations were created to advance social welfare in addition to offering financial services (Hafsa, 2018).

These organizations were created to advance social welfare in addition to offering financial services. As a result, Islamic banks have historically been seen as fulfilling social and economic roles.

As an alternative to traditional banking practices, Islamic banking has also drawn interest in Western nations in recent years. Its wider appeal internationally has been attributed to its emphasis on moral behavior, risk-sharing principles, and conformity with socially conscious investment practices.

2.1. The Evolution of the Modern Banking System in the Western and Islamic States

The emergence of laissez-faire economic theory, especially that of Adam Smith, who placed a strong emphasis on free markets and the “invisible hand” of competition, is frequently linked to the roots of the contemporary banking system. Practical advancements in banking, however, started earlier. London goldsmiths were crucial in forming early banking systems in seventeenth-century England. These goldsmith-bankers started lending money that had been placed with them by the late 1600s. They also started to issue transferable paper receipts, which eventually served as paper money.

Goldsmiths were mostly involved in financial transactions at first. Some London goldsmiths used the differences in coin weight and metallic content between local and foreign currencies to participate in currency exchange at the beginning of the seventeenth century. They were able to discount financial instruments like bills of exchange and government obligations, including taxes, and provide loans to private borrowers thanks to the profits they made from these activities. Goldsmith-bankers increased their issuance of paper claims and amassed sizable deposits after the English Civil War and the Restoration in 1660. They were now one of the most important financial players in London and, increasingly, all of England (Kim, 2011).

The evolution of negotiable payment instruments was also influenced by these changes. Over time, early written payment instructions evolved into checks. The British “Exchequer,” the treasury department that gave written payment instructions to specific recipients, is the etymological source of the word “cheque.” The legal and commercial validity of signed bills and notes was strengthened by English courts’ explicit recognition of them as negotiable documents by 1697.

Influential banking dynasties like the Rothschilds and Barings rose to prominence as banking activity spread throughout Europe in the seventeenth and eighteenth centuries. Joint-stock banks, which permitted several investors to contribute capital and split earnings, also emerged at this time, signifying a significant structural change in the banking industry.

The institutional significance of banks was further reinforced by reformist economic policies in a number of empires. For instance, the 1856 Charter of Reforms articulated the goal of creating banks and associated organizations to promote capital formation and modernize monetary and financial systems. In European financial markets, banks have taken on more and more responsibility for underwriting and distributing government bonds. They do this by either arranging sizable public loan issuances in major cities like London and Paris or by acquiring sizable bond allocations for resale. Additionally, they gave ruling elites short-term loans that were frequently backed by long-term public debt offers in the future. Banks can receive special treatment in further financial agreements in exchange.

Between 1850 and 1876, European financial institutions were very active in enabling money transfers to places like Egypt. The Anglo-Egyptian Bank (formed in 1869) and the Franco-Egyptian Bank (created in 1870) were crucial in directing European capital into Egypt’s economy. In a similar vein, in the middle of the 1860s, the Comptoir National d’Escompte de Paris (CNEP), which was established in 1848, was engaged in loan provision and debt restructuring in Tunisia.

During the French colonial era, institutional banking organizations were also established in North Africa. Algeria’s first banks were established in 1851 (Hacini and Dahou, 2013). Similar trends appeared in Southeast Asia, where banking development was influenced by colonialism. The founding of the Standard Chartered Bank in 1875 is frequently cited as the beginning of Indonesia’s contemporary financial history. However, the foundation of Malaysia’s banking system was largely laid by British financial companies.

A multi-century institutional movement is depicted in The Chronological Commencement of Modern Banking, which started with European foundations in Italy (1407) and England (1694) before spreading into

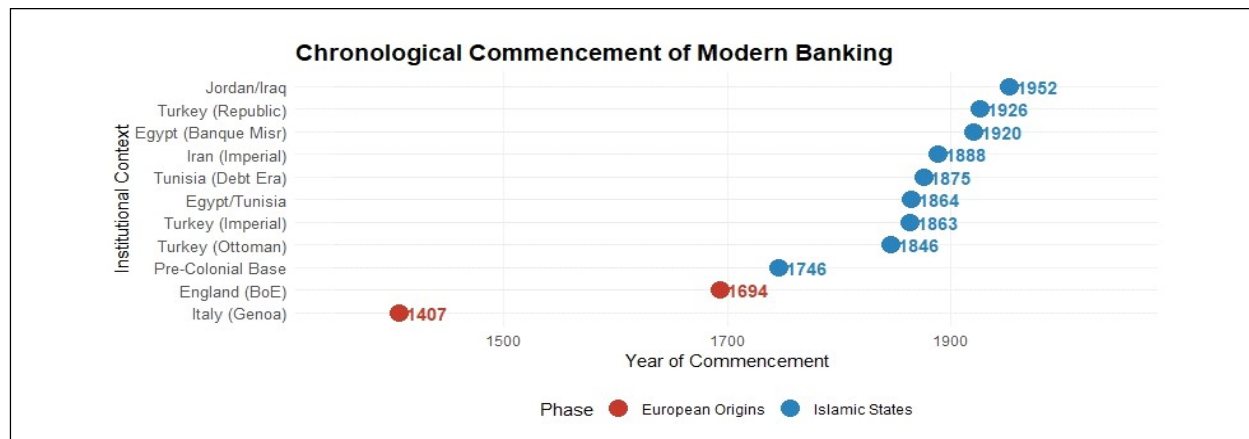


Figure 1: Longitudinal Transformation of the Global Banking System (1407-1952)

Note: This timeline illustrates the chronological commencement of modern banking institutions, tracking the evolutionary shift from European origins (red) to adoption and development within Islamic states and the Middle East (blue). The data spans from the establishment of early European prototypes, such as the Bank of Genoa (1407) and Bank of England (1694), through the modernization of institutional frameworks in the Ottoman Empire, North Africa, and the Levant, culminating in mid-20th-century national frameworks like Egypt's Banque Misr (1920) and systems in Jordan/Iraq (1952).

the Islamic world. Throughout the Ottoman Empire and North Africa in the 19th century, this change accelerated. Initially marked by foreign-led organizations and debt-servicing frameworks (1863-1875), it finally resulted in the emergence of independent national commercial banks like Egypt's Banque Misr (1920) and the Jordanian/Iraqi systems (1952).

The emergence of Islamic banking in different Islamic governments will be covered in the next section. The variables impacting bitcoin adoption in general and those influencing cryptocurrency from an Islamic perspective will next be examined in this article.

2.2. The Evolution of the Islamic Banking in the Islamic States

An early interest-free banking experiment was started in a Pakistani rural area in the late 1950s. In keeping with the fundamental tenets of Islamic banking, this effort aimed to offer financial services without charging interest on loans. A few years later, in the Egyptian village of Mit Ghamr, Egyptian businessman Ahmad El-Naggar founded what is considered to be the first contemporary Islamic bank in 1963. The project aimed to restore public trust among individuals who had grown skeptical of state-owned financial institutions.

Despite functioning in conformity with Shariah principles, the Mit Ghamr Savings Bank did not officially identify as an Islamic institution due to political sensitivities and government antagonism to Islamic activities at the time. El-Naggar framed the project to guarantee its longevity.

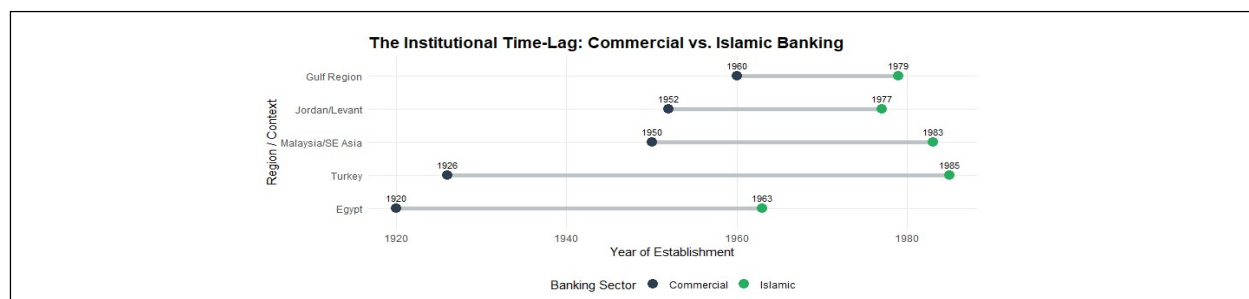


Figure 2: Comparative Institutional Chronology of Banking in Islamic States

Note: This dumbbell chart illustrates the “institutional time-lag” between the introduction of conventional commercial banking (dark blue nodes) and the subsequent emergence of formal Islamic banking alternatives (green nodes) across key regions and states. The structural delay spans several decades in each context, highlighting varying regional timelines of policy diffusion and financial engineering – ranging from Egypt's early modern commercial foundation in 1920 followed by the Mit Ghamr pioneering experiment in 1963, to the extensive lags witnessed in Turkey (1926 to 1985) and Malaysia/Southeast Asia (1950 to 1983).

The 1970s saw a surge in intergovernmental talks about institutionalizing Islamic finance. At the 1970 Conference of Finance Ministers of Islamic Countries in Karachi, Egyptian delegates urged establishing an international Islamic bank, while Pakistani delegates offered to create an international association of Islamic banks. The Organization of Islamic Cooperation (OIC) member states' finance ministers finally agreed to create the Islamic Development Bank (IDB) in 1974 as a result of these discussions. Despite receiving collective funding from OIC members, the IDB became recognized as the world's first multilateral Islamic financial organization. Since its official founding in 1977, the Bank has been instrumental in fostering and assisting the expansion of Islamic finance and banking world.

The Institutional Time-Lag: Transition from Islamic Finance to National Commercialism (1920-1992). The temporal "discrimination" between the establishment of the first national commercial banks and the later rise of Islamic banking across important regions is depicted in this horizontal line graph. Before value-based Islamic models were institutionalized to address social and rural equity, conventional banking supported state-led industrialization over an average of 30 to 40 years, which is represented by the gray portions.

Islamic banking progressively spread over a number of nations with a majority of Muslims after its first development. The founding of Bank Islam Malaysia Berhad (BIMB) in 1983 was a major turning point in Southeast Asia. As the first financial organization in Malaysia and Southeast Asia to fully adhere to Shariah, BIMB is well known for establishing a standard for later Islamic banking endeavors.

The first commercial bank in Indonesia to operate under Shariah principles was established in 1991 with the establishment of Bank Muamalat Indonesia (BMI). Indonesia officially entered the Islamic banking industry with this accomplishment. Progress was relatively sluggish in North Africa. For almost a century, traditional banking concepts controlled Tunisia's financial sector. Only two organizations now offer Islamic financial services, according to Kaabachi and Obeid (2016).

Only two organizations presently offer Islamic financial services to Tunisia's domestic retail market: Zitouna Bank, the nation's first domestically established Islamic bank, started operations in 2010, and Al-Baraka Bank, which was founded overseas in 1983. In a similar vein, Algeria's first Islamic bank was established in 1991 when Bank Al-Baraka d'Algérie was established Benamraoui (2008).

Following the 1979 revolution, Iran underwent a significant transition as the government began a thorough transition from a traditional banking system to an Islamic financial system. The legal framework for this change was established in 1983 with the passage of the Usury-Free Banking Law, and by 1984, the banking industry was formally functioning without interest.

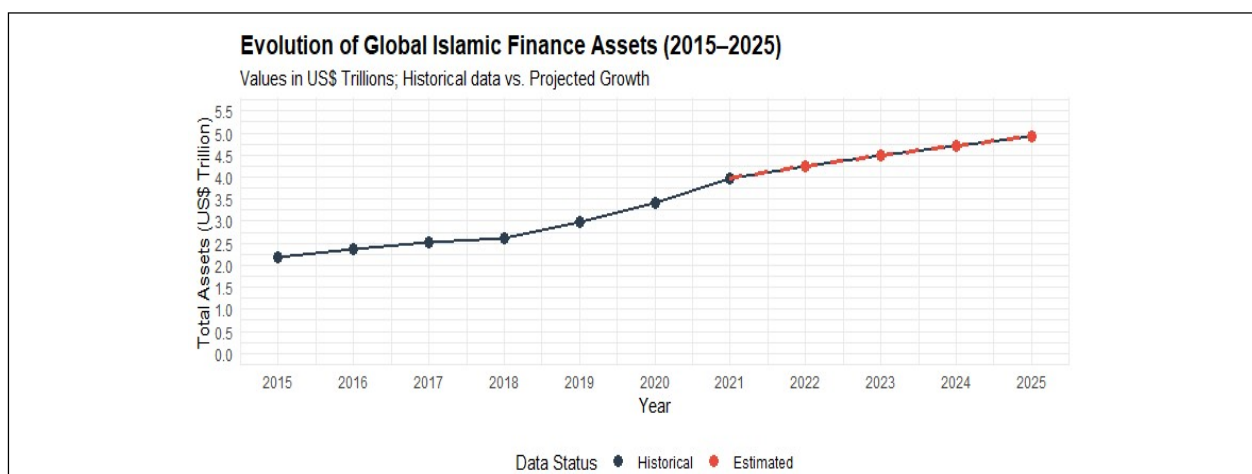


Figure 3: Longitudinal Expansion of Global Islamic Finance Assets (2015-2021)

Note: This line chart illustrates the market trajectory and compound growth of the global Islamic finance industry, measured in US\$ trillions. The visualization delineates two operational phases: a empirical Historical trendline (dark blue nodes, 2015–2021) showing steady asset accumulation from approximately US\$ 2.2 trillion to US\$ 4.0 trillion, followed by a post-2021 Estimated growth trajectory (red nodes, 2022–2025) forecasting structural expansion toward the US\$ 5.0 trillion threshold.

Islamic finance has developed into a continuously growing global business since its founding. By the end of 2012, there were about 38 Islamic financial institutions functioning throughout Africa, including commercial banks, investment banks, and takaful (Islamic insurance) providers, according to IMF Working Paper 2014/149. Given that Islam is the most common religion in many African nations, the industry still has a lot of room to grow in the financial markets of the continent (Enrique *et al.*, 2014).

By the end of 2021, the overall asset valuation will have reached a record peak of almost US\$3.96 trillion, according to the chart, which shows a steady upward trend. According to data from the ICD-Refinitiv Islamic Finance Development Report (2022), this industry is characterized by strong systemic growth and resilience, and it provides the financial resources required to support de-growth and sustainability-oriented economic models in emerging nations.

3. Islamic Financial Technology (FinTech)

The phrase “financial technology” (FinTech) refers to a wide range of technological tools, including software, mobile applications, and other digital advances, that are intended to improve and automate financial services for both consumers and enterprises. FinTech encompasses anything from basic mobile payment apps to complex blockchain-based platforms that guarantee safe and encrypted transaction processing.

FinTech, which uses technology to either replace or enhance conventional banking and finance operations, is essentially a contemporary approach to financial services. This range of technology enables businesses to offer customers easy-to-access financial solutions while delivering quicker, more effective services.

The Global FinTech Report 2023 states that a number of factors, such as easier access to financial services, the development of new demand channels, better user experience (UX/UI), and reduced operating costs, have all contributed to the industry’s explosive expansion. Global investment in FinTech surpassed \$440 million between 2014 and 2022, demonstrating the industry’s growing power.

According to scholars like Mustafa *et al.* (2020), the global financial crisis of 2008 was a major factor in the introduction of FinTech. Customers looked for alternative financial options that provided more protection for their assets as a result of the crisis’ erosion of public confidence in conventional banks. In a similar Naz *et al.* (2022) contend that FinTech was crucial in advancing financial inclusion during the COVID-19 epidemic, especially in developing nations. The necessity to lower expenses for high-risk customers and increase underprivileged communities’ access to financial services drove the adoption.

The five primary components of the worldwide Islamic FinTech ecosystem are general finance, wealth management, deposits and lending, insurance (Takaful), and social finance. These services make use of cutting-edge cybersecurity solutions, cloud computing, distributed ledger technology, and artificial intelligence.

Islamic FinTech is a relatively new business with several governmental and regulatory obstacles to overcome. These include changing legal systems and sporadic inconsistencies between recently passed laws and earlier regulations. To promote innovation while maintaining compliance, experts advise authorities to take a flexible, principle-based approach. For example, Muryanto *et al.* (2021) looked at Indonesia’s Islamic FinTech legal environment and suggested a conceptual framework to deal with regulatory uncertainties and difficulties.

Regulatory technology, or RegTech, is a closely related field that describes how technology is used in the financial sector to expedite compliance, reporting, and regulatory monitoring. By maximizing human-regulatory system interactions, RegTech applications seek to increase the effectiveness and transparency of financial and governmental operations. In order to improve oversight and service delivery, regulators worldwide are progressively implementing RegTech solutions.

The Global Islamic FinTech (GIFT) Index assesses 64 nations that are thought to be conducive to the growth of Islamic FinTech. The Islamic FinTech Market & Ecosystem, Infrastructure, Talent, Regulation, and Capital are the five main aspects across which each nation is evaluated using 19 indicators. Since it best captures a nation’s degree of support for Islamic FinTech development, the Islamic FinTech Market & Ecosystem factor has the highest weight in the overall ranking.

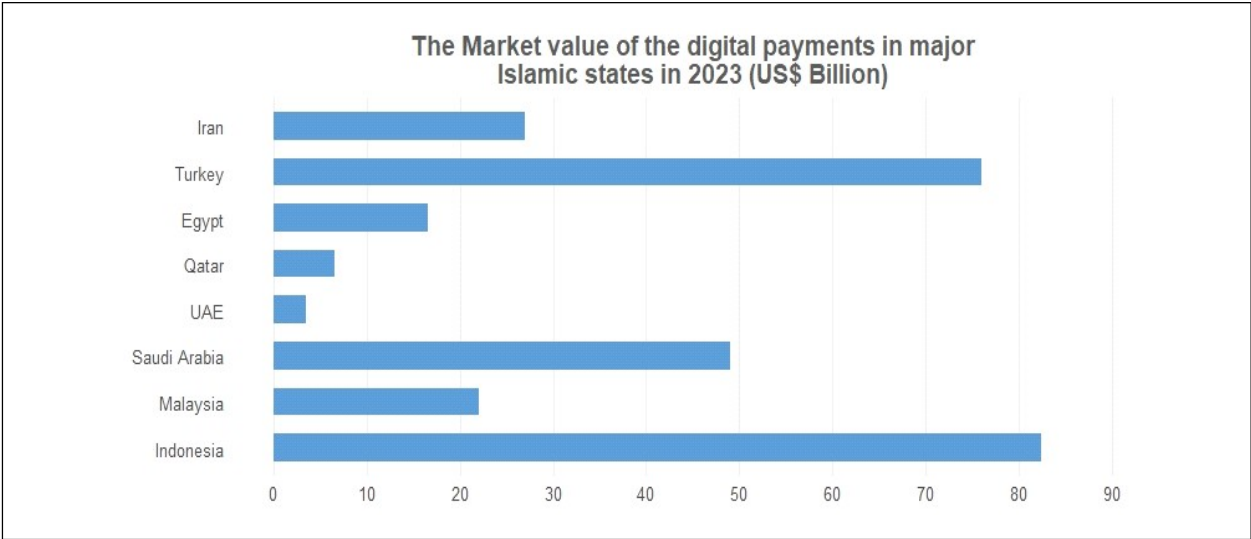


Figure 4: Comparison of Digital Payment Market Sizes in Major Islamic Economies (2023)

Note: This horizontal bar chart illustrates the market value of digital payments across eight prominent Islamic states, measured in billions of US dollars (US\$ Billion) for the fiscal year 2023. The data reveals a highly uneven landscape of digital financial adoption across regions. Southeast Asian and Eurasian hubs lead the cross-sectional group, with Indonesia (US\$ 82.5 billion) and Turkey (US\$ 76.0 billion) establishing the largest transaction volumes, whereas Gulf Cooperation Council (GCC) economies like the UAE and Qatar exhibit the smallest absolute market volumes within this specific comparative index. Data sourced from Statista.

Source: Statista

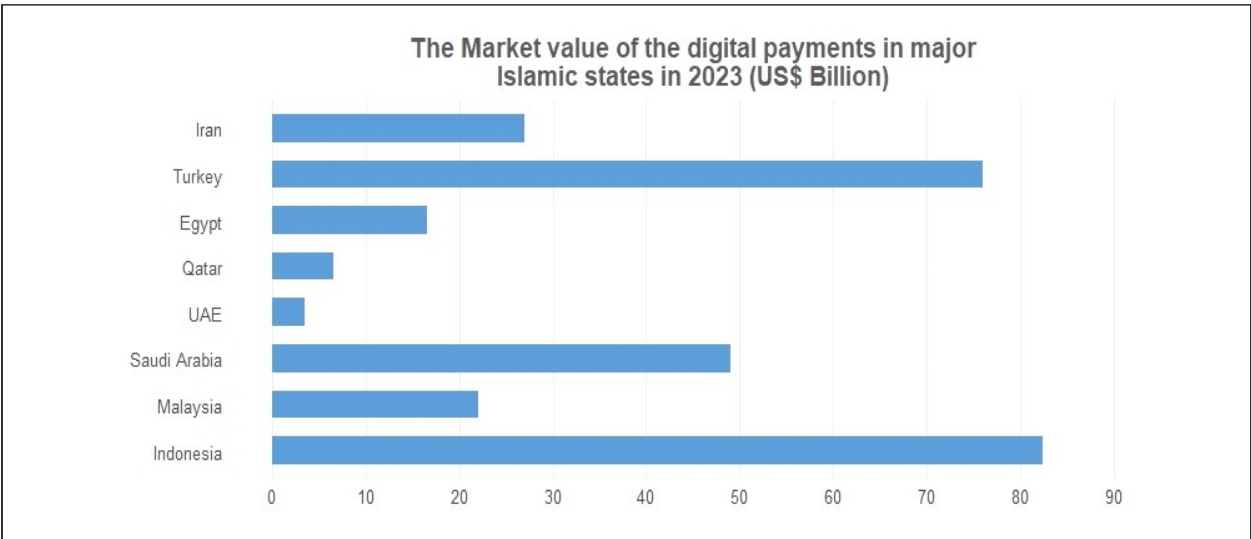


Figure 5: Global Islamic Fintech (GIFT) Index Scores for Top-Performing Nations (2022)

Note: This cross-sectional visualization contrasts absolute digital transaction capacities against national ecosystem maturity. While the structural data reflects the 2023 absolute transaction baselines (US\$ Billion) – where Southeast Asian hubs like Indonesia lead total volume – the index positioning accounts for multi-dimensional weights across regulatory sandboxes, talent pipelines, and capital access. This framework highlights why high-volume markets like Indonesia and Saudi Arabia consistently align with high-momentum "Leader Hubs" within the broader GIFT composite framework, balancing massive domestic scale against structured digital infrastructure.

Source: GIFT Index 2022

The Organization of Islamic Cooperation (OIC) member nations’ overall FinTech transaction volume in 2021 was roughly \$79 billion, or just 0.8% of all FinTech activity worldwide, according to the Global Islamic FinTech Report 2022. However, it is anticipated that the Islamic FinTech market would expand dramatically, with a compound annual growth rate of \$179 billion by 2026. with a Cumulative Annual Growth Rate (CAGR) of 17.9%, marginally exceeding the expansion of the FinTech sector as a whole (Farook et al., 2022).

The top five nations with the most robust Islamic FinTech ecosystems are Malaysia, Saudi Arabia, Indonesia, the United Arab Emirates, and the United Kingdom, according to the 2022 GIFT Index. In terms of transaction volume, Saudi Arabia, Iran, Malaysia, the United Arab Emirates, Turkey, and Indonesia were the top six OIC markets for Islamic FinTech in 2021. The concentration of activity within two significant regional centers in the Islamic world is demonstrated by the fact that these six markets together accounted for 81% of the entire OIC Islamic FinTech transaction volume.

4. The Adoption of the Crypto Currency in the Islamic States

The process via which society accepts, incorporates, and makes use of a new breakthrough is referred to as technology adoption. The degree of technological complexity, cultural standards, and general characteristics of the population utilizing the technology all determine the stages in which this process usually takes place. According to the IMF World Economic Outlook (2018), globalization makes it easier for information and technology to move across borders and spread more widely. In order to maximize these advantages from a policy standpoint, improved international connection is necessary to guarantee that both developed and developing countries can take use of technical improvements for higher productivity.

The uptake of digital financial technology, such as cryptocurrencies, has been the subject of numerous research. In order to assess how investors, intermediaries, and consumers embrace cryptocurrencies, Sagheer *et al.* (2022) used the Technology Acceptance Model (TAM). The adoption of cryptocurrencies by intermediaries and consumers takes into account the mediating function of government backing in influencing perceptions of risk, utility, and simplicity of use. Using an expanded Theory of Reasoned Action (TRA) that included elements including perceived utility, perceived enjoyment, perceived ease of use, and perceived danger, Almajali *et al.* (2022) investigated bitcoin adoption in Jordan.

Countries differ greatly in how quickly they adopt new technologies. Some countries are better equipped than others to adopt new technologies, even within the Middle East or among Islamic governments. The GIFT Index, which displays significant disparities in Islamic nations' preparedness to accommodate FinTech and Islamic banking systems, reflects this diversity. The difficulties in using cryptocurrency technology in the Islamic world are the main topic of this section.

There have been discussions over the adoption of new technologies in Islam throughout history. Innovations like the telegraph, loudspeakers, and television caused controversy at first but were later assimilated into society, according to Chowdhury and Abdul Razak (2019). Initial resistance frequently indicates transient issues that can be addressed by government cooperation and regulation.

Because they lack official legal protection, cryptocurrencies are viewed as high-risk from an Islamic legal standpoint. Users are more at risk of financial loss from their excessive price fluctuation than from gambling, which is forbidden by Shariah law. Furthermore, it can be unethical to pursue wealth for luxury or financial gain, as the acquisition and use of wealth will be held accountable on the Day of Judgment.

Despite its responsibility in establishing Shariah and accounting standards for Islamic financial institutions, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has not yet released any particular recommendations involving cryptocurrency (Vizcaino, 2018). A number of fatwas have addressed cryptocurrencies in the lack of official regulatory guidelines. Magdy Ashour, Egypt's mufti advisor, claimed in 2018 that Bitcoin was forbidden in Islam due to its uncontrolled nature and possible role in financing terrorism. Similar to this, a verdict by Turkey's religious authorities said that trading Bitcoin and other cryptocurrencies is immoral because of the lack of official regulation, extreme uncertainty (gharar), and vulnerability to illicit activities like money laundering.

Cryptocurrencies are only partially allowed in Saudi Arabia. The government forbade banks from doing cryptocurrency transactions in 2018 and stressed that earnings from trading digital assets are legally unstable, putting asset ownership at risk. Despite this, trading cryptocurrencies or NFTs does not now carry any legal repercussions for individual traders; nonetheless, legal ambiguity deters more widespread investor engagement (Freeman Law, 2023). Although NFT trading is frequently regarded as a lower-risk activity, it is typically subject to the same legal framework as cryptocurrencies.

Table 1: Demonstrates the Current Status of the Crypto Currency Regulation in the Islamic States

Country	Status
Indonesia	Regulated
Malaysia	
Saudi Arabia	In-progress
Iran	
UAE	
Qatar	Banned
Egypt	
Turkey	

Source: Comparative Regulatory Classification of Cryptocurrencies in Selected Islamic States. This table visualizes a cross-sectional index of crypto asset oversight, categorizing eight key jurisdictions into distinct regulatory bands: Regulated, In-progress, and Banned. While the typology accurately highlights strict prohibitions in nations like Egypt (under Law No. 194 of 2020) and progressive frameworks in Southeast Asian hubs, the inclusion of Turkey under the absolute "Banned" category represents an institutional mischaracterization. In practice, Turkey maintains a legal trading and exchange framework overseen by the Capital Markets Board (CMB), having introduced detailed licensing and anti-money laundering (AML) secondary legislation under Law No. 7518 rather than enacting an outright market ban. Data compiled from Freeman Law country profiles.

5. Crypto Currency as an Alternative to the Loyalty Programs in the Islamic States

The market for digital payments has been profoundly impacted by the quick uptake of mobile devices. Customers have easy access to a variety of digital payment options thanks to smartphones, tablets, and other mobile technology. More people may use mobile applications to manage accounts, transfer money, make payments, and pay bills from almost anywhere as mobile devices become more accessible and affordable, especially in developing nations.

Although its promise in this field has not gotten as much attention as cryptocurrencies, blockchain technology is also changing the landscape of Customer Relationship Management (CRM) and loyalty programs. Lim *et al.* (2019) claim that blockchain can be used to solve a problem with traditional loyalty programs: the dispersion of reward points across many platforms. Blockchain offers a single token that can be used across many e-commerce loyalty programs while preserving the system's initial redemption limitations by tokenizing and combining rewards into a single digital wallet. Reward points can now operate more like a commonly used digital money thanks to this strategy (Agrawal *et al.*, 2018).

According to Agrawal *et al.* (2018), incorporating blockchain technology as a supplement to current loyalty programs can significantly lower operating expenses for companies. Simplified system administration, reduced transaction costs, and more effective client acquisition all contribute to cost reductions. Furthermore, blockchain reduces fraud and errors, which are the main causes of high program management expenses.

With over 300 participating retailers, including international companies like Samsung, ESET, Catch.com.au, Contiki, Dymocks, Europcar, and Sephora, blockchain-based loyalty programs are quickly gaining popularity. As the cryptocurrency and loyalty industries continue to intersect, consumer tastes are moving away from traditional hotel points or airline miles and toward credit card rewards in cryptocurrencies like Bitcoin (BTC), Ether (ETH), stablecoins, and other digital tokens.

Major cryptocurrency exchanges, such as Gemini and BlockFi, announced plans to introduce credit cards with Bitcoin rewards in 2021. Prominent consumer brands are now venturing into this market; Shake Shack, for instance, offers rewards to consumers who use the Cash App to make Bitcoin transactions.

In a similar vein, airlines are investigating bitcoin as a loyalty reward. For frequent travelers, Northern Pacific Airlines intends to launch its flyCoin cryptocurrency, which will always be worth two cents. In order

to enable customers to buy more tokens, the airline is also thinking about forming alliances with significant cryptocurrency exchanges. flyCoin may eventually be utilized in conjunction with other partners to redeem free flights and elite status, increasing the usefulness of blockchain-based loyalty incentives in the airline industry.

6. Discussion

The lack of a central regulatory body, like a central bank, to monitor the issuance and use of cryptocurrencies is a significant worry in many Islamic nations. When combined with the extreme volatility of cryptocurrency exchange rates, this poses a significant risk to the use of these digital assets as a store of value or a means of payment.

Integrating business loyalty programs with cryptocurrency is one possible strategy to allay these worries. As companies actively engage in the circulation and acceptance of digital currencies, such integration may offer an extra degree of legitimacy and support. In a similar vein, the increasing popularity of mobile wallets offers a chance for central banks, telecom companies, and mobile payment companies to collaborate. While preserving regulatory control, this paradigm might make it easier for mobile money to be adopted more widely.

Speculation about which organizations would formally embrace these assets is fueled by the existing ambiguity around bitcoin legislation. Initiatives like the proposed Libra currency, which Facebook is supporting in partnership with Mastercard, Visa, and eBay, provide a possible paradigm for wider adoption in this regard. More regulatory recognition and credibility could help platforms like Libra gain traction in the Islamic world.

7. Conclusion

Historically, the Islamic world has witnessed extensive debates and disagreements regarding the adoption of new scientific and technological innovations. Over time, many of these innovations have gained acceptance and become widely utilized. The adoption of modern banking in Islamic countries has followed a similarly uneven trajectory. For example, while the first conventional bank in Egypt was established in 1863, the first modern Islamic bank was not founded until 1963 in a rural Egyptian village. This century-long gap illustrates the potential time lag in adapting financial concepts within a Shariah-compliant framework, with significant variation observed across different Islamic states.

Despite the inherent risks associated with cryptocurrency trading, millions of cash continue to enter this mainly unregulated market, leaving players without official protections. Cryptocurrencies are based on blockchain technology, which is intended to improve security, efficiency, and resilience to hacking while providing features that may be in line with specific Islamic financial regulations. Money must be safe, stable, and effective in order to serve as a trustworthy means of exchange, according to both practical and moral requirements.

The speculative nature of cryptocurrencies is a major worry for academics of Islamic finance. Cryptocurrency investments may involve *gharar*, which is prohibited by Shariah law and is described as excessive risk, uncertainty, or the sale of nonexistent assets.

A cryptocurrency must uphold moral and ethical standards including justice, transparency, and social responsibility in order to be considered Shariah-compliant. Additionally, it is necessary to make sure that the digital tokens are not utilized for illicit operations like money laundering.

Cryptocurrencies can be obtained and used in a variety of ways once they are in circulation. They can be earned by people or organizations who uphold and authenticate the blockchain network, bought through exchanges, accepted as payment by employers, or used by retailers to pay for products and services. The decentralized character of these transactions emphasizes how crucial it is to have explicit ethical and legal frameworks in place to guarantee adherence to Islamic financial norms.

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