

# Does the DSN-MUI Fatwa on Cryptocurrency Affect Muslims' Investment Interest?

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## ABSTRACT

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This study explores the impact of the DSN-MUI Fatwa on cryptocurrency on the investment interest of Muslims in Indonesia. Using a qualitative approach with five informants, the research examines their awareness, perceptions, and decision-making processes concerning cryptocurrency investments. The findings reveal that the Fatwa significantly influences investment decisions, primarily by emphasizing ethical concerns related to gharar (uncertainty) and riba (usury). While many investors adhere strictly to the Fatwa's guidance, others seek Sharia-compliant alternatives to participate in the cryptocurrency market. The study identifies key factors such as trust, perceived risks, and opportunities, highlighting a cautious yet growing interest in ethically aligned financial instruments. These findings provide valuable insights for Islamic financial institutions and regulators aiming to address the evolving needs of Muslim investors.

**Keywords:** DSN-MUI Fatwa, Cryptocurrency, Muslim Investors, Sharia Compliance, Investment Behavior.

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## 1. INTRODUCTION

Cryptocurrencies have emerged as a revolutionary financial innovation, disrupting traditional monetary systems and offering alternatives to conventional investment instruments. Globally, cryptocurrencies such as Bitcoin and Ethereum have gained significant popularity due to their decentralized nature and potential for high returns, attracting a diverse range of investors in the digital era. With over 1,500 cryptocurrencies in circulation, perceptions of money and payment systems are shifting, posing a potential threat to the future of traditional banking [1]. From an economic and technological standpoint, cryptocurrencies have disrupted traditional banking and monetary policies by introducing decentralized digital currency models that challenge conventional financial systems [2]. On the investment front, cryptocurrencies offer unique opportunities due to their potential for substantial returns and portfolio diversification, given their low correlation with traditional asset classes [3]. However, they also present significant risks, including volatility, regulatory uncertainty, and security vulnerabilities, which require investors to carefully evaluate their risk tolerance and investment objectives [3]. Furthermore, in countries like Indonesia—where religious values strongly influence financial practices—cryptocurrencies have sparked intense debates regarding their ethical, legal, and religious dimensions. Islamic scholars hold varying opinions on whether cryptocurrencies can replace traditional currency or serve as legitimate investment assets under Shariah law [4], [5]. Despite these debates, the necessity of cryptocurrencies is increasingly recognized due to their alignment with principles such as Maqasid Shariah, masalahah, and qawaid fihiyyah, which emphasize benefits and ethical considerations in financial transactions [4].

Indonesia, the world's largest Muslim-majority country, occupies a distinctive role in the global financial ecosystem due to its integration of religious principles into daily life, including the financial sector. In this context, the Dewan Syariah Nasional–Majelis Ulama Indonesia (DSN-MUI),

the national Islamic authority tasked with issuing Fatwas on religious matters, has played a significant role in shaping public perceptions of emerging financial instruments. In recent years, the DSN-MUI issued a Fatwa addressing the permissibility of cryptocurrency transactions under Islamic law, highlighting major concerns such as *gharar* (uncertainty), *riba* (usury), and *maysir* (gambling), as well as the potential for misuse in illicit activities [6]. These concerns are rooted in core Islamic finance principles that prohibit speculative behavior and promote fairness and transparency. The issue of *gharar* is particularly relevant, as cryptocurrencies are often criticized for their inherent volatility and lack of tangible backing, introducing significant uncertainty into financial transactions [7], [8]. Additionally, the speculative nature of crypto trading is seen as analogous to *riba* and *maysir*, both of which are forbidden in Islam due to their exploitative characteristics [9]. As a result, the Fatwa has prompted a more cautious approach among Muslim investors in Indonesia and has encouraged the exploration of Shariah-compliant alternatives. These include asset-backed digital currencies such as gold-based cryptocurrencies like OneGram, which are perceived as more compatible with Islamic financial ethics due to their tangible value and reduced uncertainty [10].

The impact of the DSN-MUI Fatwa on cryptocurrency on the investment interest of Muslims in Indonesia warrants a comprehensive exploration. While cryptocurrency offers the potential for substantial financial gains, many Muslim investors face a dilemma between their financial aspirations and adherence to Islamic principles. The religious guidance provided by the DSN-MUI Fatwa may serve as a critical determinant in shaping investment behavior within this demographic. This study investigates whether the DSN-MUI Fatwa affects the investment interest of Muslims in Indonesia, employing a qualitative approach to capture nuanced perspectives.

## 2. LITERATURE REVIEW

### 2.1 *Cryptocurrency: An Overview*

Cryptocurrency, as a decentralized digital currency, has notably influenced global financial systems by enabling peer-to-peer transactions without intermediaries and offering transparency, immutability, and security. In Indonesia, the rapid adoption of cryptocurrency among institutional and retail investors highlights its disruptive potential, though the regulatory framework remains under development, leading to uncertainty and prompting religious authorities to issue guidelines. This mirrors global concerns surrounding high volatility, speculation, and links to illegal activities. The benefits of cryptocurrency lie in its decentralized and secure blockchain foundation, which builds trust through cryptographic protocols and reduces dependence on intermediaries [11], [12]. It also promotes financial inclusion and offers low transaction fees, making it more accessible to underserved populations [11], [13], while its transparent and immutable ledger reinforces trust [12]. However, extreme price fluctuations pose investment risks and encourage speculation [11], [13], and ongoing regulatory ambiguity complicates its integration into traditional financial systems [14]. Moreover, the anonymity and irreversibility of crypto transactions raise concerns about their misuse in illicit activities [13].

### 2.2 *Islamic Finance and Cryptocurrency*

The compatibility of cryptocurrencies with Sharia principles is a complex issue in Islamic finance, driven by concerns over their speculative nature, high volatility, and

lack of intrinsic value—factors that introduce elements of *gharar* (uncertainty) and *maysir* (gambling), both prohibited under Islamic law [15], [16]. While some scholars argue that cryptocurrencies may be permissible if used for legitimate purposes and free from excessive uncertainty, others view them as inherently speculative and incompatible with Sharia (K & Sumathy, 2024). This has led to differing Fatwas and regulatory approaches across Islamic jurisdictions. Key concerns include the absence of intrinsic value [17] and the decentralized structure that complicates governance and oversight [18]. Proposed solutions include asset-backed cryptocurrencies to reduce volatility and add tangible value [15], along with RegTech tools like blockchain analytics and E-KYC to enhance compliance with Islamic law [15]. Nonetheless, scholarly views remain divided—some see crypto as a democratized, manipulable-resistant currency [19], while others continue to classify it as haram due to its speculative and intangible nature [17].

### 2.3 Research Gap

Although numerous studies have explored the general relationship between Islamic finance and emerging technologies, limited research focuses on the specific impact of religious Fatwas on cryptocurrency investment behavior. Furthermore, there is a lack of qualitative studies that capture the nuanced perspectives of individual investors in Muslim-majority contexts. This study addresses this gap by examining how the DSN-MUI Fatwa influences the investment interest of Muslims in Indonesia, offering insights into the complex relationship between religion, technology, and financial decision-making.

## 3. METHODS

A qualitative methodology was chosen for its capacity to generate rich, contextualized insights into the complex relationship between religious guidance and financial behavior. This approach enabled the study to explore the subjective experiences and interpretations of Muslim investors concerning the DSN-MUI Fatwa on cryptocurrency. Five informants were selected using purposive sampling based on the following criteria: they are practicing Muslims residing in Indonesia, possess a basic understanding of cryptocurrency as an investment vehicle, and are aware of the DSN-MUI Fatwa. The informants were chosen from diverse professional backgrounds to capture a range of perspectives, including a financial consultant, a Sharia scholar, a cryptocurrency investor, a university lecturer in Islamic economics, and a small business owner. Data collection was conducted through semi-structured interviews, either in person or via video conferencing. The interviews focused on participants' understanding and interpretation of the DSN-MUI Fatwa, their attitudes toward cryptocurrency, the influence of religious considerations on their investment choices, and their perceptions of the risks and opportunities associated with crypto investments. Each session lasted approximately 45–60 minutes and was recorded with the participants' consent, then transcribed verbatim for accuracy.

Thematic analysis was employed to analyze the interview data, providing a structured framework for identifying and interpreting key patterns and themes. The process began with familiarization, involving a thorough review of the transcripts to gain an overall sense of the data. This was followed by coding, where significant features of the data were highlighted and labeled. Codes were then grouped into broader themes relevant to the research objectives, which were reviewed and refined to ensure they accurately reflected the participants' perspectives. NVivo software was used to aid the coding process and manage the data systematically, ensuring a coherent

and rigorous analysis. This methodological approach allowed the study to uncover nuanced insights into how religious beliefs shape financial behaviors in the context of cryptocurrency.

## 4. RESULTS AND DISCUSSION

### 4.1 Theme 1: Awareness and Understanding of the DSN-MUI Fatwa

All informants demonstrated awareness of the DSN-MUI Fatwa on cryptocurrency. However, their understanding of its content varied. While Sharia scholars and Islamic economics lecturers had a comprehensive grasp of the Fatwa's implications, other participants, such as the small business owner and cryptocurrency investor, had only a general awareness of its stance.

Informants noted that the Fatwa's emphasis on gharar (uncertainty), riba (usury), and the speculative nature of cryptocurrency created apprehension among devout Muslims. The financial consultant remarked, "Many clients view the Fatwa as a warning against venturing into cryptocurrency without deeper knowledge."

### 4.2 Theme 2: Influence of Religious Guidance on Investment Decisions

Religious compliance emerged as a significant factor influencing investment decisions. Three out of five informants expressed that the DSN-MUI Fatwa reinforced their reluctance to invest in cryptocurrency. The Sharia scholar stated, "As a Muslim, following the Fatwa aligns with my religious values, even if the financial opportunities are promising."

Conversely, the cryptocurrency investor acknowledged the Fatwa but interpreted it as guidance rather than a strict prohibition. He stated, "I invest in cryptocurrencies that align with Sharia principles, such as those backed by real assets." This suggests that some individuals seek alternative interpretations to reconcile financial interests with religious obligations.

### 4.3 Theme 3: Perceived Risks and Opportunities in Cryptocurrency Investment

Informants highlighted both risks and opportunities associated with cryptocurrency investment. The risks included market volatility, lack of regulation, and ethical concerns outlined in the Fatwa. The university lecturer emphasized, "The Fatwa rightly points out the speculative nature of cryptocurrency, which makes it risky for most investors."

Despite these risks, the cryptocurrency investor and financial consultant identified potential opportunities, such as portfolio diversification and high returns. The financial consultant noted that some clients were willing to take calculated risks, particularly if they believed certain cryptocurrencies could meet Sharia standards.

### 4.4 Theme 4: Trust in Cryptocurrency and Financial Systems

Trust emerged as a recurring theme, with participants expressing skepticism toward cryptocurrencies due to their decentralized nature and susceptibility to misuse. The small business owner remarked, "I feel safer investing in traditional, Sharia-compliant instruments because they are regulated and familiar."

However, the cryptocurrency investor argued that blockchain technology's transparency could address some of these concerns, stating, "If implemented ethically, cryptocurrency can be a game-changer for Islamic finance."

## Discussion

The findings reveal a complex interplay between religious guidance, personal interpretation, and investment behavior among Muslims in Indonesia. The DSN-MUI Fatwa acts as both a deterrent and a framework for navigating the ethical dimensions of cryptocurrency investment.

The results align with studies showing that religious compliance significantly influences financial decision-making among Muslim investors, particularly within the framework of Islamic finance, which stresses the avoidance of gharar (excessive uncertainty) and riba (interest). The DSN-

MUI Fatwa, emphasizing these prohibitions, reflects broader concerns in Islamic finance and shapes investment behavior by providing guidelines for Sharia-compliant financial practices. This is evident in the preference for financial products such as sukuk and Sharia-compliant stocks, where adherence to Islamic principles is a key determinant of investor interest [20]–[22]. Muslim investors often avoid conventional financial instruments to maintain compliance with religious norms, guided by religious authorities whose advisories can significantly affect investment patterns, as seen in IPO subscription behaviors in Saudi Arabia [20], [23]. Furthermore, investment decisions are influenced not only by religious adherence but also by behavioral and economic factors, including perceived behavioral control and risk attitudes, which reflect a nuanced interplay between faith-based values and financial motivations [22], [24].

The study highlights divergent interpretations of the Fatwa, reflecting the dynamic nature of religious guidance. While some participants adhered strictly to the Fatwa, others sought alternative interpretations that allowed limited engagement with cryptocurrency. This finding underscores the need for clearer communication and education on the nuances of the Fatwa to guide investors effectively.

The dual perception of cryptocurrency as both a risk and an opportunity highlights the challenge of integrating emerging financial technologies into Islamic finance. The cautious approach taken by most informants reflects a broader hesitation among Muslim investors to embrace unregulated financial instruments. However, the willingness of some investors to explore Sharia-compliant cryptocurrencies suggests potential for growth in this niche market.

#### **Implications for Financial Institutions and Regulators**

The findings underscore the importance of developing Sharia-compliant cryptocurrency frameworks to address Muslim investors' concerns. Financial institutions and regulators in Indonesia could collaborate with Islamic scholars to create clear guidelines and products that align with both religious principles and financial innovation.

## **CONCLUSION**

This study concludes that the DSN-MUI Fatwa plays a pivotal role in shaping the investment behavior of Muslims in Indonesia. By highlighting ethical concerns related to cryptocurrency, the Fatwa acts as a moral compass for devout investors. The research uncovers divergent responses to the Fatwa, ranging from strict adherence to efforts to find Sharia-compliant alternatives. Trust in financial systems, coupled with the perceived risks and opportunities of cryptocurrency, further influences investment interest.

These findings suggest that while the Fatwa creates a cautious attitude toward cryptocurrency, it also opens avenues for innovation in Islamic finance. The development of Sharia-compliant cryptocurrency frameworks could bridge the gap between ethical principles and modern financial technologies, enabling greater participation by Muslim investors. Policymakers and financial institutions must work collaboratively with Islamic scholars to enhance education, trust, and accessibility in this evolving market.

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